

**DRAFT RED HERRING PROSPECTUS**

January 05, 2011

Please read section 60B of the Companies Act, 1956  
(The Draft Red Herring Prospectus will be updated upon  
filing with the Registrar of Companies)  
**100% Book Build Issue**



# COMFORT SECURITIES LIMITED

Our Company was incorporated in Mumbai on July 19, 2002 as a private limited company as Comfort Securities Pvt. Ltd under the provisions of the Companies Act, 1956 as amended (the "Companies Act") with the Registrar of Companies, Maharashtra, Mumbai bearing Corporate Identification Number U67120MH2002PTC136562. Thereafter, our Company was converted into a public limited company and a fresh certificate of incorporation dated November 15, 2010 was obtained from ROC. Consequently, the name of our Company was changed from "Comfort Securities Private Limited" to "Comfort Securities Limited". (For details of the change in name and registered office of our Company, please see chapter titled "History and certain Corporate Information" on page no. 59 of the Draft Red Herring Prospectus)

**Registered and Corporate Office:** A-301, Hetal Arch, Opposite Natraj Market, S.V.Road, Malad (West), Mumbai 400064

**Tel:** +91-22-2844 9765; **Fax:** +91-22-2889 2527

**Contact Person:** Ms. Mayuri Thakkar, Company Secretary and Compliance Officer, **Tel:** +91-22-2844 9765 **Fax:** +91-22-2889 2527

**Email:** ipo@comfortsecurities.co.in; **Website:** www.comfortsecurities.co.in

**PROMOTERS OF OUR COMPANY: MR. ANIL AGRAWAL, MRS. ANNU AGRAWAL AND COMFORT INTECH LIMITED**

**PUBLIC ISSUE OF 95,00,000 EQUITY SHARES OF FACE VALUE RS. 10 EACH (THE "EQUITY SHARES") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) OF COMFORT SECURITIES LIMITED ("COMFORT/CSL" OR "COMPANY") AGGREGATING UP TO RS. [●] LAKHS ("ISSUE"). THE ISSUE SHALL CONSTITUTE 44.71% OF THE POST ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY.**

**PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH. THE FLOOR PRICE IS [●] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [●] TIMES OF THE FACE VALUE. THE FACE VALUE OF EQUITY SHARES IS RS. 10 EACH. THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER AND ADVERTISED AT LEAST TWO (2) WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE.**

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

The Issue is being made under Regulation 26(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended and through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"). Provided that our Company may allocate upto 30% of the QIB Portion to Anchor Investors, on a discretionary basis ("Anchor Investor Portion"). Further 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If the aggregate demand by Mutual Funds is less than 5% of the QIB portion, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and be available for allocation proportionately to the QIB Bidders. 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. Any Bidder may participate in this Issue through the ASBA process by providing the details of their respective bank accounts in which the corresponding Bid Amounts will be blocked by the SCSBs. Specific attention of investors is invited to the section titled "Terms and Procedure of the Issue" on page no. 143 of the Draft Red Herring Prospectus.

## RISK IN RELATION TO FIRST ISSUE

This being the first public issue of equity shares of our Company, there has been no formal market for the equity shares of our Company. The face value of the Equity Shares is Rs. 10 each and the Issue Price is "[●] times" of the face value. The Issue Price (has been determined and justified by the BRLM and our Company as stated under the section titled "Basis for 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 our 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 Issuer 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 the Draft Red Herring Prospectus. Specific attention of the investors is invited to the statement of "Risk Factors" given on page no. xi of the Draft Red Herring Prospectus.

## ISSUER'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that the Draft Red Herring Prospectus contains all information with regard to the Issuer, and the Issue, which is material in the context of the Issue, that the information contained in the 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 the 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.

## IPO GRADING

This Issue has been graded by [●] as [●], indicating [●]. The rationale furnished by the grading agency for its grading will be updated at the time of filing of the Red Herring Prospectus with the ROC. For more information on the IPO grading, see chapter "General Information" on page no. 7 of the Draft Red Herring Prospectus.

## LISTING ARRANGEMENT

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

## BOOK RUNNING LEAD MANAGER



### DALMIA SECURITIES PRIVATE LIMITED

17, Khetan Bhavan, 2nd floor,  
198, Janshedji Tata Road,  
Churchgate, Mumbai 400 020.

**Tel.:** +91-22-30272828/27/10

**Fax:** +91-22-30272820

**E-mail:** cs1.ipo@dalmiasec.com;

**Investor Grievance email:** grievance@dalmiasec.com

**Website:** www.dalmiasec.com

**Contact person:** Mr. Indrajit Bhagat/ Riddhi Ghelani

**SEBI Registration No:** INM000011476

## REGISTRAR TO THE ISSUE



### BIGSHARE SERVICES PRIVATE LIMITED

E/2, Ansa Industrial Estate, Sakivihar Road,  
Sakinaka, Andheri (E),  
Mumbai - 400 072.

**Tel:** +91-22-4043 0200

**Fax:** +91-22-2847 5207

**Website:** www.bigshareonline.com

**E-mail:** ipo@bigshareonline.com

**Contact person:** Mr. Babu Raphael/ Mallah S

**SEBI Registration No:** INR000001385

## BID/ISSUE PROGRAMME

**BID/ISSUE OPENS ON\* : [●]**

**BID/ISSUE CLOSES ON\*\* : [●]**

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

\*\* Our Company may consider closing the Bidding by QIB Bidders one Working Day prior to the Bid/Issue Closing Date subject to the Bid/Issue Period being for a minimum of three Working Days.

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**SECTION I: GENERAL  
DEFINITIONS AND ABBREVIATIONS**

**COMPANY RELATED TERMS**

<b>Term</b>	<b>Description</b>
“We”, “us”, “our”, “the Issuer”, “the Company”, “our Company”, “CSL” “Comfort Securities”	Unless the context otherwise requires, refers to Comfort Securities Limited a public limited company incorporated under the provisions of The Companies Act, 1956.
AOA/ Articles / Articles of Association	Articles of Association of our Company.
Auditors	M/s. Ramanand & Associates, the statutory auditors of our Company.
Board / Board of Directors	The Board of Directors of our Company including duly constituted committee authorized to act on their behalf.
Company Secretary & Compliance Officer	Ms. Mayuri Thakkar
Director(s)	The Director(s) on the Board of our Company
MOA / Memorandum / Memorandum of Association	Memorandum of Association of our Company.
Promoter(s)	Mr. Anil Agrawal, Mrs Annu Agrawal and Comfort Intech Limited
Promoter Group	Unless the context otherwise requires, refers to such persons and entities which constitute the promoter group of our Company and a list of which is provided in the chapter titled “Our Promoter and Promoter Group” on page no. 72 of this DRHP.
Registered Office	A-301, Hetal Arch, Opposite Natraj Market, S.V.Road, Malad (West) Mumbai – 400 064, India.
ROC / RoC	Registrar of Companies, Maharashtra, Mumbai, located at 100, Everest, Marine Lines Mumbai- 400002.

**ISSUE RELATED TERMS**

<b>Term</b>	<b>Description</b>
Allotment/ Allot/ Allotted/ Allotment of Equity Shares	The Issue and allotment of the Equity Shares, pursuant to the Issue by our Company to the successful Bidders.
Allottee	A successful Bidder to whom the Equity Shares are being/ have been allotted.
Anchor Investor	A Qualified Institutional Buyer applying under the Anchor Investor Portion, with a Minimum Bid of Rs. 1,000 Lakhs.
Anchor Investor Bid/Issue Period	The day, one Working Day prior to the Bid/Issue Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed.
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted to Anchor Investors in term of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue price will be decided by our Company in consultation with the BRLM.
Anchor Investor Portion	Up to 30% of the QIB Portion which may be allocated by our Company to the Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for the domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investor.
ASBA/ Applications Supported by Blocked Amount	An application, whether physical or electronic, used by Bidders to make a bid authorising the SCSBs to block the Bid amount in the specified bank account maintained with the SCSBs.
ASBA Bidder	Prospective Investors in this Issue who intend to Bid/apply through ASBA.
ASBA Bid cum Application Form (ASBA BCAF)	The form, whether physical or electronic, used by an ASBA Bidder to make a Bid through a Self Certified Syndicate Bank, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus.

<b>Term</b>	<b>Description</b>
ASBA Revision Form	The form used by the ASBA Bidders to modify the quantity of the Equity Shares or the Bid Amount in any of their ASBA BCAFs or any previous ASBA Revision Forms.
Basis of Allotment	The basis on which Equity Shares will be Allotted to successful Bidders under the Issue and which is described in the chapter titled as “Issue Procedure” on page 149 of the DRHP.
Bid	An indication to make an offer, made during the Bidding/Issue Period by a Bidder or during the Anchor Investor Bid/Issue Period, by the Anchor Investor to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto. For the purpose of ASBA Bidders, it means an indication to make an offer during the Bidding/ Issue Period by an ASBA Bidder pursuant to the submission of the ASBA BCAF to subscribe to the Equity Shares.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by a Bidder on submission of a Bid in the Issue.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for allotment in terms of the DRHP including ASBA BCAF (if applicable).
Bid/ Issue Opening Date	The date on which the members of the Syndicate and SCSB shall start accepting Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper.
Bid/ Issue Closing Date	The date after which the members of the Syndicate and SCSB will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper. However, the Company may, in consultation with the BRLM, decide to close the bidding by QIBs (including QIBs bidding through ASBA) one day prior to the closure of the Issue, provided that the Bidding shall be kept open for a minimum of three days for all categories of Bidders.
QIB closing date	The Company may, in consultation with the BRLM, decide to close the bidding by QIBs (including QIBs bidding through ASBA) one day prior to the closure of the Issue, provided that the Bidding shall be kept open for a minimum of three days for all categories of Bidders.
Bid/ Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form.
Book Building Process	Book building mechanism as provided under Schedule XI of the SEBI (ICDR) Regulations, 2009, in terms of which this Issue is made.
BRLM/ Book Running Lead Manager	Book Running Lead Managers to this Issue, in this case being Dalmia Securities Private Limited (DSPL).
CAN/ Confirmation of Allotment Note	The note or advice or intimation including any revision thereof sent to each successful Bidder (including Anchor Investor) indicating the Equity Shares allocated after discovery of Issue Price.
Cap Price	Higher end of the Price Band, including revisions thereof, above which the Issue Price will not be determined and above which no Bids will be accepted
Cut-off/ Cut-Off Price	The Issue Price finalised by the Company, in consultation with the BRLM, and it shall be any price within the Price Band. A Bid submitted at Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band.
Designated Branches	Such branches of the SCSBs which shall collect the ASBA BCAF used by ASBA Bidders and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.html">www.sebi.gov.in/pmd/scsb.html</a> .

<b>Term</b>	<b>Description</b>
Designated Date	The date on which the Escrow Collection Bank(s) transfer the funds from the Escrow Account to the Public Issue Account and the Refund Account and the SCSBs transfer the amounts blocked in the ASBA Accounts to the Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot the Equity Shares to successful Bidders.
Designated Stock Exchange	The Bombay Stock Exchange Ltd
DRHP/ Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated January 5, 2011, issued in accordance with Section 60-B of the Companies Act and SEBI (ICDR) Regulations, 2009, which is filed with SEBI and does not have complete particulars of the price at which the Equity Shares are offered and size of the Issue.
Depositories	Central Depository Services (India) Limited and National Securities Depository Limited
Eligible NRI / NRI	An NRI from such a jurisdiction outside India where it is not unlawful to make an offer or invitation under this Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to Bid on the basis of the terms thereof.
Equity Shares	Equity Shares of our Company of face value of Rs. 10 each unless otherwise specified in the context thereof.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favour the Bidder (excluding ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Collection Bank(s)/ Bankers to the Issue	The banks, which are registered with SEBI and are entitled to act as Banker(s) to the Issue at which the Escrow Account for the Issue will be opened, in this case being [●].
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form or ASBA BCAF.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted.
Indian National	A citizen of India as defined under the Indian Citizenship Act, 1955, as amended, who is not an NRI.
Issue / Public Issue	Public Issue of up to 95,00,000 Equity Shares of Rs. 10 each of our Company for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share) aggregating to Rs. [●] Lakh in terms of the Red Herring Prospectus.
Issue Proceeds	The proceeds of this Issue which are available to our Company.
Issue Price	The final price at which the Equity Shares will be issued and allotted in the Issue, which will be decided by our Company, in consultation with the BRLM, on the Pricing Date.
Margin Amount	The amount paid by the Bidder/ or blocked in the ASBA account at the time of submission of the Bid, being 100% of the Bid Amount.
Mutual Funds	Mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Mutual Fund Portion	Upto 5% of the QIB portion (excluding the Anchor Investor Portion), being 2,37,500 Equity Shares, available for allocation on proportionate basis to Mutual Funds only. The remainder of the QIB portion shall be available for Allocation on a proportionate basis to all QIB bidders, including Mutual Funds.
Net Proceeds	The Issue Proceeds less the Issue related expenses. For further information about use of the Issue Proceeds and the Issue expenses please refer chapter titled “Objects of the Issue” on page no. 22 of this DRHP.
Net QIB portion	The total QIB portion less the portion allocated to Anchor Investors.
Non Institutional Bidders	All Bidders (including sub-accounts which are foreign corporate or foreign individuals) that are not QIBs or Retail Individual Bidders and who have bid for Equity Shares for an amount more than Rs. 2,00,000 (but not

Term	Description
	including NRIs other than Eligible NRIs).
Non Institutional Portion	The portion of this Issue being not less than 15% of the Issue consisting of 14,25,000 Equity Shares of Rs. 10 each aggregating Rs. [●] Lakh, available for allocation to Non Institutional Bidders.
Non-Resident	A person resident outside India, as defined under FEMA and includes a Non Resident Indian.
Offer Document	DRHP/ Red Herring Prospectus/ Prospectus.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders or Anchor Investors, as applicable.
Price Band	Price band of a minimum price (Floor Price) and the maximum price (Cap Price) and includes revisions thereof including any revision to such Floor Price or Cap Price as may be permitted by the SEBI (ICDR) Regulations, 2009 as amended till date. The Price Band and the minimum Bid lot size for the Issue will be decided by the Company in consultation with the BRLM and advertised in an English national newspaper, a Hindi national newspaper and a Marathi newspaper, each with wide circulation in the place where our Registered Office is situated, at least two Working Days prior to the Bid/Issue Opening Date.
Pricing Date	The date on which our Company, in consultation with the BRLM, finalises the Issue Price.
Prospectus	The Prospectus to be filed with the RoC in accordance with Section 60 of the Companies Act, 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 the Banker to the Issue to receive monies due for the shares to be allotted from the Escrow Account(s) and the bank account of the ASBA Bidders, on the Designated Date.
QIB Portion	The portion of the Issue to be Allotted to QIBs (including the Anchor Investor Portion) being upto 47,50,000 Equity Shares.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FII and sub-account registered with SEBI, other than sub-account which is a foreign corporate or foreign individual; multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with Insurance Regulatory and Development Authority, provident fund with minimum corpus of Rs. 2,500 Lakh, pension fund with minimum corpus of Rs. 2,500 Lakh, National Investment Fund set up by Government of India and insurance funds set up and managed by army, navy or air force of the Union of India insurance funds set up and managed by the Department of Posts, India.”
Red Herring Prospectus/RHP	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which will not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the Bid Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date.
Refund Account	The account opened with Refund Banker(s), from which refunds (excluding to the ASBA Bidders), if any, of the whole or part of the Bid Amount shall be made.
Refund Banker(s)	The Banker(s) to the Issue, with whom the Refund Account(s) will be opened, in this case being [●].
Refunds through electronic transfer of funds	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit, NEFT, RTGS or the ASBA process, as applicable.
Registrar/ Registrar to this Issue	Bigshare Services Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for an amount less than



Term	Description
	or equal to Rs. 2,00,000 in any of the bidding options in this Issue.
Retail Portion	Consists of 33,25,000 Equity Shares of Rs. 10 each aggregating Rs. [●] Lakh, being not less than 35% of the Issue, available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount, as applicable, in any of their Bid cum Application Forms, ASBA Bid cum Application Forms or any previous Revision Form(s).
Self Certified Syndicate Bank (SCSB)	SCSB is a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of making an Application Supported by Blocked Amount and recognized as such by SEBI from time to time.
Stock Exchanges	Bombay Stock Exchange Limited and National Stock Exchange of India Limited
Syndicate	Collectively, the BRLM and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into between the Company and the Syndicate, in relation to the collection of Bids (excluding ASBA Bids) in this Issue.
Syndicate Member(s)	Intermediaries registered with SEBI and Stock Exchanges and eligible to act as underwriters. Syndicate Member(s) is / are appointed by the BRLM, in this case being [●].
Transaction Registration Slip/ TRS	The slip or document issued by the Syndicate Member or the SCSB (only on demands) to the Bidders as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Members.
Underwriting Agreement	The Agreement amongst the Underwriters and our Company to be entered into on or after the Pricing Date.
U.S. person	As defined in Regulation S under the U.S. Securities Act of 1933
Working Day	All days other than a Sunday or a public holiday (except in reference to announcement of Price Band and Bidding Period, where a working day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in Mumbai are open for business

#### **BUSINESS AND INDUSTRY RELATED TERMS**

Term	Description
AMC	Asset Management Company
AMFI	Association of Mutual Funds in India
ARC	Asset Reconstruction Company
BCCD	BSE's Certification on Central Depository
BCSM	BSE's Certification on Securities Market
BCP	Business Continuity Plan
CAGR	Compound Average Growth rate
CDAS	Command and Data Acquisition Station
CDSL	Central Depository Services(India) Limited
CIA	Central Intelligence Agency
CICs	Core Investment Companies.
CIL	Comfort Intech Limited
DP	Depository Participant
DRP	Data Recovery Plan
ESPS	Employee Stock Purchase Scheme
ESOP	Employee Stock Option Plan
ESOS	Employees' Stock Option Scheme
F&O	Future & Option
FII	Foreign Institutional Investor
FMC	Forward Markets Commission
FPO	Follow on Public Offer
FT	Financial Technologies
FY	Financial Year
GDP	Gross Domestic Production
HNI	High Net worth Individual
HUF	Hindu Undivided Family

<b>Term</b>	<b>Description</b>
IFCs	Infrastructure Finance Companies
II	Institutional Investors
IIP	Index for Industrial Production
IMF	International Monetary Fund
IP	Intellectual Property
IPO	Initial Public Offer
IRDA	Insurance Regulatory and Development Authority
IS	Information System
ISS	ISEL Securities Limited
IT	Information Technology
ITES	IT Enabled Services
JSE	Jaipur Stock Exchange Limited
JSL	JSEL Securities Limited
KMP	Key Managerial Personnel
LAN	Local Area Network
M&A	Merger & acquisition
MCX	Multi Commodity Exchange
MTM	Mark To Market
M. B. D	Merchant Banking Division
NASDAQS	National Association of Securities Dealers Automated Quotations Systems
NCDEX	National Commodity and Derivatives Exchange Limited
Net worth	The paid-up share capital of the Company plus free reserves less any miscellaneous expenditure, if any.
NMCE	National Multi Commodity Exchange
NSDL	National securities depository limited
NSE	National Stock Exchange of India Limited
OTCEI	Over-The-Counter Exchange of India
PE	Private Equity
PIPE	Private Investment in Public Entity
PPP	Purchasing Power Parity
QIP	Qualified Institutional Placement
RBI	Reserve Bank of India
S&P CNX	Standard & Poor Crisil NSE Index
SEBI	Security Exchange Board of India
SENSEX	Share Sensitivity Index
STT	Security Transaction Tax
VC	Venture Capital
VSAT	Very Small Aperture Terminal

#### **ABBREVIATIONS**

<b>Term</b>	<b>Description</b>
AGM	Annual General Meeting
AS	Accounting Standards as issued by The Institute of Chartered Accountants of India
Act	The Companies Act, 1956 as amended from time to time
App/Appx	Approximately
ASBA	Application Supported by Blocked Amount
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
BV	Book Value
BIFR	Board for Industrial and Financial Reconstruction
CAGR	Compounded Annual Growth Rate
CIN	Corporate Identification Number
CHSL	Co-operative Housing Society Limited
CM	Capital Market
CLB	Company Law Board
COR	Certificate of Registration



Term	Description
CRF	Client Registration Form
DIN	Director's Identification Number
DOI	Date of Incorporation
DP	Depository Participant.
DP ID	Depository Participant's Identity
D/o	Daughter of
DTC	Direct Tax Code
EBIDTA	Earnings before Interest Depreciation, Tax and Amortization
ECS	Electronic Clearing Services
EGM	Extra-Ordinary General Meeting.
EPS	Earnings Per Share.
FCCBs	Foreign Currency Convertible Bonds
FCNR Account	Foreign Currency (Non-Resident) Account Scheme
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, and the subsequent amendments thereto
FEMA Regulations	Regulations under FEMA as amended till date
FII	Foreign Institutional Investor as defined Under regulation 2(f) of SEBI (Foreign Institutional Investors) Regulations, 1995 registered with SEBI and under other applicable laws in India
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GDP	Gross Domestic Product
GIR No.	General Index Reference Number.
GoI/ Government	Government of India
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountant of India
ICFAI	Institute of Chartered Financial Analyst of India
ICWAI	Institute of Cost and Works Accountants of India
IFSC	Indian Financial System Code
INR / Rs./ Rupees	Indian Rupees
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
ISIN	International Securities Identification Number allotted by the Depository
IT Act	Income Tax Act, 1961, as amended from time to time.
L. L. B	Bachelor of Law
MBA	Masters in Business Administration
MOU	Memorandum of Understanding
JSE	Jaipur Stock Exchange Limited
MICR	Magnetic Ink Character Reader
N. A.	Not Applicable
NAV	Net Asset Value
NBFC	Non-Banking Financial Company as defined under Section 45-IA of the RBI Act
NEFT	National Electronic Fund Transfer
NI Act	Negotiable Instruments Act, 1881 as amended from time to time
NRE	Non- Resident (External) Rupee Account Scheme
NRI	Non Resident Indian
NRO	Non-Resident Ordinary Rupee Account
NSDL	National Securities Depository Limited

Term	Description
NSE	National Stock Exchange of India Limited
OCB(s)	Overseas Corporate Body (ies)
OECD	Organisation for Economic Co-operation & Development
p.a.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PIO	Person of Indian Origin
PLR	Prime Lending Rate
PMLA	Prevention of Money Laundering Act, 2002
PVT	Private
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
ROC	Registrar of Companies
RoNW	Return on Net Worth
RTGS	Real Time Gross Settlement
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Regulations/ SEBI (ICDR) Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time.
SEBI Insider Trading Regulations	The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations/ Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended from time to time
S/o	Son of
Sq. ft.	Square Feet
UIN	Unique Identification Number
UPSI	Unpublished Price Sensitive Information
USA/US	United States of America
(U.T)	Union Territory
TAN	Tax deduction Account Number
TV	Television
TIN	Tax payer Identification Number
TTM	Trailing Twelve Months
VAT	Value Added Tax
VP	Vice President
w.e.f	with effect from
w.r.t.	With respect to

The words and expressions used but not defined in this Draft Red Herring Prospectus will have the same meaning as assigned to such terms under the Companies Act, SEBI Act, the SCRA, the Depositories Act and the rules and regulations made there under.

Notwithstanding the foregoing, terms in “Main Provisions of the Articles of Association”, “Statement of Tax Benefits”, “Regulations and Policies in India”, “Financial Information” and “Outstanding Litigation and Material Developments” on page nos. 184, 30, 55, 88, 118 of this DRHP respectively, will have the same meaning given to such terms in these respective sections/ chapters.

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

In the DRHP, unless the context otherwise indicates or implies references to:

“you”, “purchaser”, “subscriber”, “investors” and “potential investor” are to the prospective investors of the Equity Shares issued pursuant to this Issue.

“we” “us” and “our” “our Company”, “the Company” and “Comfort Securities Private Limited” “CSL” refer to Comfort Securities Limited.

References in the DRHP to “India” are to the Republic of India and that the “Government” or the “Central Government” or the “State Government” are to the Government of India (“GOI”), central or state, as shall be applicable.

### **Financial Data**

Unless stated otherwise the financial data in the DRHP is derived from the Company’s restated audited financial statements for the financial years ended March 31, 2006, 2007, 2008, 2009 and August 31, 2010 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI Regulations, as stated in the report of the Statutory Auditors, Ramanand & Associates, Chartered Accountants.

Our financial year commenced on April 1 and ended on March 31 of the next year for the twelve month period ended March 31, 2006, 2007, 2008 and 2009. However, for the year 2010, our financial year commenced on April 01, 2009 and ended on August 31, 2010. In the DRHP, all references to financial years 2006, 2007, 2009 and 2009 refer to the twelve months periods ended March 31 of the respective years and financial year 2010 refer to 17 months periods ended on August 31, 2010.

In the DRHP, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

### **Currency of Presentation**

All references to “India” in the DRHP are to the Republic of India.

In the DRHP, unless the context otherwise requires, all references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India.

All references to the word “Lakh”, “Lakhs”, “Lac” or “Lacs” means “One Hundred Thousand”, the word “Crore” means “Hundred Lakh”, the word “million (mn)” means “Ten Lakh”, and the word “billion (bn)” means “One Hundred Crores”. In this DRHP, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

### **Industry and Market Data**

Unless stated otherwise, market and industry data used in the DRHP has been obtained from publications (including websites) available in public domain and internal Company reports and data. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although our Company believes the market data used in the DRHP is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed to be reliable, have not been verified by any independent source.

The extent to which the market and industry data used in the DRHP is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

The information included in the DRHP about other listed and unlisted companies is based on their respective annual reports and their respective information publicly available.

## FORWARD-LOOKING STATEMENTS

We have included statements in the DRHP which contains words such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue”, “is likely to result in”, “contemplate”, “seek to”, “future”, “objective”, “should” and similar expressions or variations of such expressions, that are “forward-looking statements”. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. Forward-Looking Statements reflect our current views with respect to future events and are not a guarantee of future performance. These statements are based on our managements’ beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward looking statements based on these assumptions could be incorrect.

All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes, changes in competition in our industry and incidence of any natural calamities and/or acts of terrorism.

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Downturns or disruptions in the securities markets could reduce transaction volumes, and could cause a decline in the business and impact our profitability.
- Intense competition from existing and new entities may adversely affect our revenues and profitability.
- Political instability or changes in the Government could adversely affect economic conditions in India and consequently our business.
- Our business and financial performance is particularly vulnerable to interest rate risk.
- The performance of our financial services business may be adversely affected by changes in, or the regulatory policies of, the Indian national, state and local Governments.
- Any downgrading of India’s debt rating by a domestic or international rating agency could have a negative impact on our business.
- Changes in Government Policies and political situation in India may have an adverse impact on the business and operations of our Company.
- The occurrence of natural or man-made disasters could adversely affect our results of operations and financial condition.

For further discussion of factors that could cause our actual results to differ from our expectations, please refer chapters titled “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page nos. xi, 47 and 109 respectively, of this DRHP. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward-looking statements refer to expectations only as of the date of the DRHP. Neither our Company, our Directors and officers nor members of the Syndicate nor any of their respective affiliates or associates have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company (to the extent of any statements made by it under the DRHP) and the BRLM will ensure that investors in India are informed of material developments until the time of the grant of listing and trading approvals by the Stock Exchanges.

## SECTION II: RISK FACTORS

*An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in the DRHP, including the risks and uncertainties described below, before making an investment in our Equity Shares. In making an investment decision prospective investors must rely on their own examination of our Company and the terms of this offer including the merits and risks involved. Any potential investor in, and purchaser of, the Equity Shares should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment in which some material respects may be different from that which prevails in the United States and other countries.*

*If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, our business, results of operations and financial condition could suffer, the price of our Equity Shares could decline, and you may lose all or part of your investment. Additionally, our business operations could also be affected by additional factors that are not presently known to us or that we currently consider as immaterial to our operations.*

*Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein. To obtain a complete understanding, you should read this section in conjunction with the chapters titled “Our Business” on page no. 47 of this DRHP and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page no. 109 respectively, of this DRHP as well as other financial information contained herein. Additionally, our business operations could also be affected by additional factors which are not presently known to us or which we currently believe to be immaterial may also have an adverse effect on our business, results of operations and financial conditions. The following factors have been considered for determining the materiality:*

- *Some events may not be material individually but may be found material collectively;*
- *Some events may have material impact qualitatively instead of quantitatively;*
- *Some events may not be material at present but may have material impact in future.*

*The financial and other related implications of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.*

*Unless otherwise stated, the financial information of the Company used in this section is derived from our financial statements under Indian GAAP, as restated. Unless otherwise stated, we are not in a position to specify or quantify the financial or other risks mentioned herein. For capitalized terms used but not defined in this chapter, see the chapter titled “Definitions and Abbreviations” on page no. i of this DRHP.*

*The numbering of the risk factors has been done to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another.*

### INTERNAL RISK FACTORS:

#### **1. Certain legal proceedings involving our Promoters and Directors are pending at different levels of adjudication.**

There are no outstanding litigations or disputes involving our Company, which would have any financial implication on our Company. However, there are certain legal proceedings involving our Promoters and Directors pending at different levels of adjudication. The brief details of which are given as under:-

Sr. No	Case Type	Number of Cases	Amount (to the extent quantifiable) (in Rs. Lakh)*
1	Case filed by our Promoter /Directors		
	Civil	1	49.56
	Criminal	2	**97.96
2	Case filed against our Promoters /Directors	1	27.57
3	Income Tax Proceeding	1	10.95

\*excluding the interest and penalties, if any.

\*\* Amount involved in the case.

All these legal proceedings/claims are pending at different levels of adjudication before various courts, tribunals, enquiry officers, and appellate tribunals. For more information regarding litigations, please refer to the chapter titled “Outstanding Litigations and Material Developments” on page 118 of the Draft Red Herring Prospectus.

**2. *We do not own the trademark which we are using for our business, as a result of which we may not be able to take any statutory action in the event of any infringement of the intellectual property rights by third parties.***

The trademark which we are using for our business has been registered in the name of Comfort Intech Limited under the Trademarks Act 1999 *vide* registration no1559010. Comfort Intech Limited is one of the promoters of our Company. We have entered into agreement dated October 4, 2010, to use the trademark for a period of five years at a consideration of Rs. 4500 p.a. We do not enjoy the statutory protections accorded to a registered trademark owner and in case there is any infringement of intellectual property rights by third party, our company may not be able to take certain statutory action.

**3. *Our registration to act as a self clearing member in derivative segment of NSE and to act as Merchant Banker are conditional and liable to be cancelled depending upon the outcome of the proceeding initiated against our Company/Director(s).***

Our registrations with SEBI to act as self clearing member in derivative segment of NSE and to act as merchant banker are conditional and are liable to be cancelled, in case the outcome of the pending enquiry/proceeding against Company / director (s), so warrants. However, our Company has no information regarding the matter referred by SEBI as above. We have not received any further enquiry/communication for the same till date. We have also written a letter dated November 22, 2010 to SEBI seeking the clarification on the matter as cited in their letter dated May 5, 2009, and April 25, 2008, respectively, issued to us before granting the Certificates of Registration.

In case SEBI initiates any proceedings against our Company and/or Director (s) for the aforementioned matter and the outcome of the above proceedings is against our Company and/ or Director (s), the said registrations may be cancelled and consequently, our Company would not be able to carry out the relevant business activities. This could materially and adversely affect our business and financial conditions. In addition, we could also be subjected to enquiries, prosecutions and monetary penalties, as may be imposed by SEBI.

**4. *Our Company has received notices/letters from regulatory authorities for violation of provisions of certain regulations of broking activities.***

Our Company has received letters from various regulatory authorities for violation of certain provisions of regulations pertaining to broking activities, the details of which are as under:-

Date	Reference No. of Letter	Authority	Particulars*
07-01-2009	NSE/COMP/MUM/2104/95945-G	NSE	Restriction on indulgence in market manipulations [4.6.2.1 (b)] of F&O Regulations of NSE
18-08-2010	MCX-SX/INSP/2009/22/1663	MCX-SX	Internal Audit Report submitted does not contain information w.r.t certain disclosures as required under regulations of MCX-SX.
21-08-2009	MS&D/MM/HM/5829/2009	BSE	Permission of the Stock Exchange for multiple location pro-account trading not obtained or submitted

\*For further details please see chapter “Outstanding Litigations and Material Developments” on page no. 118 of this DRHP.

In view of above, certain administrative or judicial proceedings/ enquiry may be initiated against us which may result in trading bans, censures, fines, deregistration or suspension of our brokerage activities in the said segment, the suspension or disqualification of our officers or employees, or other adverse consequences. We could also be subjected to constraints or conditions on operating our business activities and may incur fines, receive regulatory cautions or show-cause notices and/or be barred from



engaging in certain business activities. The imposition of any of these or other penalties could have a material adverse effect on our business, reputation, financial condition and results of operations.

**5. *In the past, we have been penalised by BSE, NSE and MCX-SX for certain non-compliances with regulatory rules, regulations and bye-laws.***

BSE, NSE and MCX-SX have imposed certain penalties in the past. The BSE has imposed a total fine of Rs. 23125/- during the period starting from April 1, 2008 to March 31, 2010. The NSE has imposed a total fine of Rs. 107736/- during the period starting from April 1, 2008 to March 31, 2010. The MCX-SX has imposed a total fine of Rs. 1500/- during the period starting from April 1, 2008 to March 2010. We cannot assure you that we will not be subjected to such penalties in future. For further details, please refer to the chapter titled “Outstanding Litigations and Material Developments” on page no. 118 of this DRHP.

**6. *The audit reports and the inspection reports pertaining to broking and depository business contain certain adverse remarks for which we could be liable to monetary penalties.***

Our Company is a member of BSE, NSE and MCX-SX for carrying out the broking business and is also a participant of CDSL for carrying out depositories business. As a member of the above regulatory authorities, our Company is governed by various rules, regulations and byelaws of these exchanges and is subject to inspections and various audits undertaken from time to time.

For details on above adverse remarks please refer our chapter “Outstanding Litigations and Material Developments” at page no. 118 of this DRHP. Since our inspection and audit report contain the above qualifications/remarks, administrative or judicial proceedings may be initiated against us that may result in trade bans, censure, fines, deregistration or suspension of our brokerage activities in the said segment, the suspension or disqualification of our officers or employees, or other adverse consequences. The imposition of any of these or other penalties could have a material adverse effect on our business, reputation, financial condition and results of operations.

**7. *There are certain irregularities in filing of the documents with ROC for which concerned statutory authority may initiate prosecution and/or impose penalty against our Company and officers in default.***

Mr. Amit Khemka was appointed as additional director and Whole Time Director in Board meeting dated August 7, 2008. Our Company had filed Form 32 with ROC for his appointment as Whole Time Director. Subsequently, our Company had regularised his appointment in the Annual General Meeting held on September 13, 2008. However, our Company had not filed Form 32 in respect of this regularization at AGM with ROC. Apart from this, our Company has delayed in filing certain forms, viz., 20B, 23AC, 23ACA, 66 and 32 with ROC and paid late fees. ROC may initiate prosecution and/or impose penalty for the aforesaid irregularities against our Company and officers in default.

**8. *Our Company has not obtained prior approval of Regional Director or concerned authority under section 297 of the Companies Act, 1956, for certain related party transactions for which our Company may receive notice from ROC/Ministry of Corporate Affairs.***

As per the provisions of section 297 of the Companies Act, 1956, approval of Board of directors is required for entering into certain related party transactions and in case, the paid up capital of the company is Rs. 1 Crore and above, then prior approval of Regional Director or concerned authority is also required. Our Company has carried out following related party transactions for which approval of Board of directors was obtained, however, we have not obtained prior approval of Regional Director or concerned authority:

1. As a financial services Company, we provide broking services and demat account services to our promoters, directors and their relatives, group companies and other associates.
2. We have availed tours and travels services from Luharuka Enterprise and Luharuka Travels for official business trips from time to time.
3. We have hired furniture from our Promoter Company, Comfort Intech Limited.

In view of above, our Company and /or officers in default may receive notices from ROC/ Ministry of Corporate affairs and initiate prosecution or impose penalties under section 629A of the Companies Act, 1956.

**8. *Our Company has not obtained prior permission from NSE and BSE in respect of advertisements published on February 9, 2010 and October 6, 2010 respectively.***

The rules, regulations and byelaws of NSE and BSE stipulate that any of its members, which proposes to make an advertisement for business purposes or business communications to persons other than its own constituents or publish any information in relation to the stock exchange in public prints with its name attached is required to obtain prior permission of these Exchanges so that they are in accordance with the provisions and guidelines as laid down in addition to and subject to such modification or substitutions thereof. Our Company has issued two advertisements which were published on February 9, 2010 and October 6, 2010 for which we have failed to obtain the prior permissions of the NSE and BSE respectively. Owing to failure to obtain the requisite permission our Company may be penalized by the respective Stock Exchange authorities and/or SEBI.

**9. *Our Company is not yet registered under the Employees Provident Fund and Miscellaneous Provisions Act, 1952.***

Our Company has more than 20 employees which requires our Company to be registered under The Employees Provident Fund and Miscellaneous Provisions Act. We are yet to register with the authorities. Our Company may receive notice from the authorities in this regard.

**10. *Our Company has not obtained Shops and Establishments registration from the local authorities in respect of our branch offices.***

Our Company has not obtained the Shops and Establishments registration for our other branch offices located at Mumbai, Jaipur, Indore, Kashmir, Palanpur and Kolkata. Our Company may receive notice from the relevant state authorities in this regard

**11. *Some of the immovable properties in which we operate our offices may have irregularities, as a result of which our operations may be impaired.***

Some of the immovable properties taken on lease or leave & license arrangements may not have been constructed or developed in accordance with the local planning and building laws and other statutory requirements. In addition, there may be certain irregularities in title in relation to some of our leased or licensed properties. For example, some of the agreements for such arrangements may not have been duly executed or adequately stamped or registered in the land records of the local authorities. We are not entitled to such right which a tenant may acquire under the applicable law of land on entering into the lease or leave and license agreement with third parties. We cannot assure you that we will be able to continue our use of all such properties or enforce our rights under such agreements, which may impair our operations and adversely affect our financial condition.

**12. *The restated financial statement of our Company contains Statutory Auditors' qualifications for the financial years 2008, 2009 and 2010.***

The restated financial statement submitted by our Statutory Auditors contains certain qualifications as under:

- a. Auditor's Reports issued for the periods ended 31st August, 2010, 31st March 2009, 31st March 2008 were qualified on account of non-provision of gratuity payable to its employees as required under Accounting Standard (AS)-15 for accounting of retirement benefits in the financial statements of Employers issued by the Institute of Chartered Accountants of India. The adjustment for the said qualification has been made based on actuarial valuation using the projected unit credit method for period ended 31st August, 2010, 31st March, 2009, 31st March 2008, 31st March 2007.

- b. Auditor's Reports issued for the periods ended 31st March 2009 and 31st March 2008 were qualified on account of the Company not having any formal internal audit system. For further details please refer section "Financial Information" on page no. 88 of this DRHP.

**13. *The Registered office of our Company is not owned by us and the same is on a leave and license basis***

The Registered Office of our Company is not owned by us and same has been taken on a leave & licences basis from Mrs. Annu A Agrawal and Anil Agrawal HUF, persons forming part of Promoters and Promoters Group. Our Company has entered into a leave and license agreement dated October 04, 2010, and is paying rent of Rs 0.10 lacs per month for using the said premise. The agreement is valid till August 31, 2011. The agreement is adequately stamped though not registered. In the event the arrangement is not continued or in the event more rent is charged in future, there may be disruption in our business activities and which in turn may adversely affect the profitability of our Company.

**14. *We operate our business from rented premises.***

All the offices, through which we operate our business, including our registered and corporate offices, are taken on leave and license basis from third parties. We may in future enter into such transactions with third parties. Any adverse impact on the title /ownership rights/ development rights of our landlords in whose name or title the premises we operate in, may impede our Company's effective operations. Further in the event of non-renewal of these leave and licence agreements our operations and profitability may be adversely affected.

**15. *Our Company is yet to enter into definitive agreement for premises to be purchased or to be taken on leave and licence basis at identified locations where we propose to expand our operations. Any delay in execution of such agreements may affect our operations and in turn adversely affect our Company's revenue and profits.***

Out of the net proceeds of the Issue, our Company has proposed to utilize Rs. 1972.36 Lakh of the proceeds of the Issue is proposed to fund for setting up regional offices in Ahmedabad, Jaipur, Kolkata and Chennai and 80 such other branch offices in 40 cities on either lease or leave and licence basis. For details please refer to chapter "Objects of the issue" on page no. 22 of this DRHP. Our Company has not identified any such properties in such cities where we intend to expand / commence our business operations. Any delay in setting up these regional offices/branches or placing the orders for procurement of furniture or fixtures and other equipments required may have an adverse impact on our proposed expansion plans which may affect our operations and in turn adversely affect our Company's revenue and profits. Any variation between the estimated cost and the actual cost borne by the Company may affect the cost earmarked for setting up of operations in these locations.

**16. *Our operations are significantly concentrated in the western region and failure to expand our operations may restrict our growth and adversely affect our business.***

We are headquartered at Malad, Mumbai and we operate through 9 branches located at Indore, Jaipur, Palanpur, Kolkata and Kashmir and through another 6 business associates. In Mumbai, we operate through 4 branches. As on the date of this Draft Red Herring Prospectus, our operations are mainly focused in the western India. We believe that future growth in business and revenues will be achieved through a pan-India footprint. Going forward, we intend to set up regional offices in Ahmedabad, Jaipur, Kolkata and Chennai and 80 such branch offices in 40 different cities on lease or leave and licence basis and for which we have proposed to allocate Rs. 1,972.36 Lakh out of the total Issue proceeds. However there is no guarantee that the proceeds to be deployed by our Company towards setting up these branches will deliver profitable results. Further failure to expand our operations, either through these proposed branches, business associates or otherwise, may restrict our growth potential and adversely affect our results of operations. Also we may not be successful to expand into 80 branches within estimated period.

- 17. The Objects of the Issue for which funds are being raised, are based on our management estimates and the same have not been appraised by any bank or financial institution or any independent agency. The deployment of funds in the project is entirely at our discretion, based on the parameters as mentioned in the chapter titles “Objects of the Issue”.**

The fund requirement and deployment, as mentioned in the “Objects of the Issue” on page no. 22 of this Draft Red Herring Prospectus is based on the estimates of our management and has not been appraised by any bank or financial institution or any other independent agency. These fund requirements are based on our current business plan. We cannot assure that the current business plan will be implemented in its entirety or at all. In view of the highly competitive and dynamic nature of our business, we may have to revise our business plan from time to time and consequently these fund requirements. The deployment of the funds as stated on page no. 22 under chapter “Objects of the Issue” is at the discretion of our Board of Directors and is not subject to monitoring by any external independent agency. Further, we cannot assure that the actual costs or schedule of implementation as stated on page no.25 under chapter “Objects of the Issue” will not vary from the estimated costs or schedule of implementation. Any such variance may be on account of one or more factors, some of which may be beyond our control. Occurrence of any such event may delay our business plans and/or may have an adverse bearing on our expected revenues and earnings.

- 18. We have not identified any alternate source of financing the ‘Objects of the Issue’. If we fail to mobilize resources as per our plans, our growth plans may be affected.**

We have not identified any alternate source of funding and hence any failure or delay on our part to raise money from this Issue or any shortfall in the Issue proceeds may delay the implementation schedule and could adversely affect our growth plans. For further details please refer to the chapter titled “Objects of the Issue” on page no. 22 of this Draft Red Herring Prospectus.

- 19 Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses we incur in building our brand.**

We believe that continuing to build our brand, particularly in businesses like merchant banking and broking will be critical to achieving widespread recognition of our services. Out of the net proceeds of the Issue, our Company proposed to utilize Rs. 700 lakh for brand building exercise. For details please refer to chapter “Objects of the issue” on page 22 of this DRHP. Promoting and positioning our brand will depend largely on the success of our marketing efforts and our ability to provide high quality services. Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses we incur in building our brand. If we fail to promote and maintain our brand, our financial conditions and results of operations could be adversely affected.

- 20. One of our Promoter group companies incurred loss in the financial year 2008.**

Comfort Commotrade Private Ltd, one of our group companies had incurred loss during the financial year 2008. The details of profit/ loss of Comfort Commotrade Pvt Ltd in last three (3) financial years are as under:

(Rs. in Lakh)			
Particulars	31 Mar- 10	31 Mar- 09	31-Mar-08
Profit/(Loss) after Tax	4.14	2.96	(0.22)

- 21. Our Company has negative Operating cash flows during FY 2010, 2009 and 2008.**

Our Company has negative cash operating flows during FY 2010, 2009 and 2008. The details of the cash flow during the last five financial years are as follows:-

(Rs in Lakh)

Particulars	31.08.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006
	17 Months	12 Months	12 Months	12 Months	12 Months
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Cash flow from Operating activities	(261.55)	(69.24)	(317.98)	10.18	0.97
Cash flow from Investing activities	(32.70)	(12.14)	(21.62)	2.93	(0.63)
Cash flow from Financing activities	292.79	22.92	346.27	112.91	(1.65)
Net Cash Flow	353.65	(58.46)	6.66	126.03	(1.04)

If the negative cash flow trend persists in future, our Company may not be able to generate sufficient amount of cash flow to finance our Company's working capital and capital expenditure requirements. For further details, please refer to "Statement of Cash Flow" as stated on page no. 100 under section titled 'Financial Information' of this Draft Red Herring Prospectus.

**22. Our contingent liabilities could adversely affect our financial condition.**

We have not provided for certain contingent liabilities as on August 31, 2010, which if materialize could adversely affect our financial position. Our Contingent Liabilities as on August 31, 2010 are as follows:

Particulars	31.08.10
Bank Guarantee provided to Stock Exchanges & ILFS	493.00
Counter Guarantee provided to Union Bank of India for Bank Guarantee Limited availed by Comfort Commotrade Pvt. Ltd	100.00
<b>Total</b>	<b>593.00</b>

**23. Increases in capital commitments in our trading and other businesses may increase the potential for significant losses.**

The trend in capital markets is towards larger and more frequent commitments of capital by financial brokerage house in many of their activities. We may be subject to increased risk as we commit greater amounts of capital to facilitate primarily client – driven business. We may enter into large transactions in which we commit our own capital as part of our trading business. The number and size of these large transactions may materially affect our results of operations in a given period. We may also incur significant losses from our trading activities due to market fluctuations and volatility from quarter to quarter. We maintain trading positions in equity markets to facilitate client trading activities and at times these positions can be large and concentrated in a single issuer. To the extent that we own assets, i.e., have long positions, a downturn in the value of those assets or in those markets could result in losses. Conversely, to the extent that we have sold assets we do not own, i.e., have short positions, an upturn in those markets could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market.

**24. We face intense competition in our businesses, which may limit our growth and prospects.**

Our Company faces significant competition from companies seeking to attract clients' financial assets. In particular, we compete with other Indian and foreign brokerage houses, investment banks, and public and private sector commercial banks operating in the markets in which we are present. In recent years, large international banks have also entered these markets.

For further details, please refer to the para 'Competition' under the chapter titled "Our Business" on page no. 53 of the Draft Red Herring Prospectus. We compete on the basis of a number of factors, including execution, depth of product and service offerings, innovation, reputation and price. Our competitors may have advantages over us, including, but not limited to:

- Substantially greater financial resources;

- Longer operating history;
- Greater brand recognition among consumers;
- Larger customer base in and outside India; or
- More diversified operations which allow profits from certain operations to support others with lower profitability.

This will further increase competition in the brokerage and other markets. These competitive pressures may affect our business, and our growth will largely depend on our ability to respond in an effective and timely manner to these competitive pressures.

***25. Our insurance coverage may not adequately protect us against certain operating hazards and this may have an adverse effect on our business.***

Our Company has availed stock brokers' indemnity policies and comprehensive crimes and liabilities policy that provide coverage against incomplete transactions and computer crimes in compliance with byelaws including circulars of the various Indian stock exchanges. In addition, our Company has taken staff welfare insurance for some of our employees. Apart from aforesaid policies, our Company has not availed any other insurance policy to cover any kind of risk. Further, the internal audits reports submitted in pursuance to broking regulations to BSE and NSE contain the remark that our Company has availed inadequate stock brokers' indemnity policies. As our arrangements for insurance or indemnification are not adequate, we may be required to make substantial payments in the event of any damage and/or loss incurred. Further there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. As a result, our financial condition and results of operations and cash flow may be adversely affected. For details of our insurance cover, see the chapter titled "Our Business - Insurance" on page no. 54 of this Draft Red Herring Prospectus.

***26. There are certain disputes which are raised by the NSE with regard to software used by many broking companies including us.***

Many broking companies including us have entered into a contract with Financial Technologies India Limited (FTIL) for the purposes of providing software in the CTCL connection. NSE disputes the quality of the product developed by the FTIL to be used for the purpose of the NEAT system of NSE. However, clearance of such products, shall be subject to the directions or orders which may be passed hereafter by the Court in the notice of motion or even otherwise. The said matter is pending in the court. In the event of any adverse orders passed against FTIL, our Company would have to buy new software which could affect the business of our Company, in addition to extra cost which would have to be incurred for purchase and installation of new software. The details of the above case are as follows:

By an order dated 30th January, 2009 passed by the Single Judge in the H'ble Bombay High Court, M/s. Deloitte Haskins & Sells and M/s. Wipro Limited were jointly appointed as Court Commissioners to conduct the system audit of the product of FTIL and a report had to be submitted by them to the Court. NSE being aggrieved by the said order moved an appeal being Appeal No. 65 of 2009. The said Appeal was disposed off whereby the order of the Single Judge stood modified to the extent that KPMG stood appointed as Court Commissioner and the empanelled products of FTIL would be cleared by NSE for approval/allotment of CTCL ID. The matter is still pending in court.

***27. Material changes in the regulations that govern us could cause our business to suffer and the price of our Equity Shares to decline.***

We are regulated by the Companies Act and our operational activities are subject to supervision and regulation by statutory and regulatory authorities including the SEBI, CDSL and Indian stock exchanges. For more information please refer the chapter titled "Regulations and Policies in India" on page no. 55 of this Draft Red Herring Prospectus. In addition, we are subject to changes in Indian law, as well as to changes in regulation, government policies and accounting principles. Any material changes in the regulations that govern us could cause our business to suffer and the price of equity shares may decline.



***28. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.***

Our Company's Articles of Association, regulations of our Board of Directors and Indian law govern our Company's corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, Directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder in an Indian company than as a shareholder of a corporation in another jurisdiction.

***29. Foreign investors are subject to foreign investment restrictions under Indian law that limits our ability to attract foreign investors, which may adversely impact the market price of the Equity Shares.***

Under the foreign exchange regulations currently in force in India, transfers of Equity Shares between non-residents and residents permitted (subject to certain restrictions) and compliance with the pricing guidelines and reporting requirements specified by RBI. If the transfer of Equity Shares, which are sought to be transferred, is not in compliance with such pricing guidelines or reporting requirements or fall under any of the exceptions referred to above, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of Equity Shares in India into foreign currency and repatriate that foreign currency from India will require an objection/ tax clearance certificate from the income tax authority. We cannot assure investors that any required approval from the RBI or any other government agency can be obtained on any particular terms or at all limited would be cleared by NSE for approval/allotment of CTCL ID.

***30. Downturns or disruptions in the securities markets could reduce transaction volumes, and could cause a decline in the business and impact our profitability.***

As a financial services company, our businesses are materially affected by conditions in the domestic and global financial markets and economic conditions in India and throughout the world. A significant portion of our revenues are derived from equity broking and merchant banking activities. Our revenues, level of operations and, consequently, our profitability are largely dependent on favourable capital market conditions, a conducive regulatory and political environment, investor sentiment, price levels of securities and other factors that affect the volume of stock trading in India and the level of interest in Indian business developments. For example, revenue generated by our broking, merchant banking and advisory business is directly related to the volume and value of the transactions in which we are involved. Many factors or events could lead to a downturn in the financial markets including war, acts of terrorism, natural catastrophes and sudden changes in economic and financial policies. These types of events could affect confidence in the financial markets and impair their ability to function effectively. Substantially all of our revenues in recent years have been derived from capital markets activities, and although we continue to diversify our revenue sources, we expect this business to continue to account for a significant portion of our revenues in the foreseeable future. Capital markets are exposed to additional risks, including liquidity, interest rate and foreign exchange related risks. Any downturn or disruption in the securities markets and the capital markets specifically would have a material adverse effect on our results of operations. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility. A market downturn would likely lead to a decline in the volume of transactions that we execute for our customers as well as a decrease in prices. Any decline in transaction volumes would lead to a decline in our revenues received from commissions. Our results of operations would be adversely affected by any reduction in the volume or value of broking and merchant banking transactions. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions. Our ability to grow our recent business ventures such as merchant banking and investment advisory services may also be limited in difficult market conditions. Performance of our capital businesses such as investment of our excess liquidity through our internal operations may be affected due to conditions in the financial markets and economic conditions. We are unable to quantify the impact of any such adverse market conditions on our business and/or financial condition.

**31. *Our professional reputation may be affected adversely and we may be liable to our clients and third parties if our services are not regarded as satisfactory.***

Our Company is dependant to a large extent on our relationships with our clients and our reputation for integrity and the professional services to attract and retain the clients. As a result, if a client is not satisfied with our services, it may affect our business adversely. Moreover, our role as an advisor to our clients involves complex analysis and our professional judgment. Our activities may subject us to the risk of significant legal liabilities to our clients and aggrieved third parties, including shareholders of our clients who could bring securities class actions against us. In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against financial intermediaries have been increasing. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Our engagements typically include broad indemnities from our clients and provisions to limit our exposure to legal claims relating to our services, but these provisions may not protect us or may not be enforceable in all cases. As a result, we may incur significant legal expenses in defending against litigation. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant harm to our reputation, which could seriously harm our business prospects.

**32. *Our ability to pay dividends will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditure and other factors.***

Our Company is dividend paying company during last three financial years. For further details please refer to chapter titled “Dividend Policy” on page no 56 of the Draft Red Herring Prospectus. However, the amount of our future dividend payments, if any, will depend upon our future earnings, financial conditions, cash flows, working capital requirements, capital expenditures and other factors. There can be no assurance that we shall have distributable funds or that we will declare dividends. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all.

**33. *We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all, which could result in the delay or abandonment of any of our business development plans and this may affect our business and future results of operations.***

Our growth is dependent on our having a strong balance sheet to support our activities. We may need to raise additional capital from time to time, which we may not be able to procure. We have, in the past, relied on our Promoters and Promoter Group to assist us in funding our expansion which may not necessarily be available in the future. We may require additional funds in connection with future business expansion and development initiatives. In addition to the net proceeds of this offering and our internally generated cash flow, we may need additional sources of funding to meet these requirements, which may include entering into new debt facilities with lending institutions or raising additional debt in the capital markets. If we decide to raise additional fund through further equity offerings in the future and any fresh issue of shares or convertible securities would dilute existing holdings. If we decide to raise additional funds through the incurrence of debt, our interest obligations will increase, and we may be subject to additional covenants. Such financings could cause our debt to equity ratio to increase or require us to create charges or liens on our assets in favour of lenders. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all. Our failure to obtain sufficient financing could result in the delay or abandonment of any of our business development plans and this may affect our business and future results of operations.

**34. *Our inability to manage growth could disrupt our business and reduce our profitability.***

Our Company’s object is to expand from 9 branches to 80 such branches in 40 cities. Our Management foresees the growth of our Company on PAN-India basis. A principal component of our strategy is to continue to grow by expanding the size and geographical scope of our businesses, as well as the development of our new business streams. This growth strategy will place significant demands on our management, financial and other resources. It will require us to continuously develop and improve our operational, financial and internal controls. Continuous expansion increases the challenges involved in financial management, recruitment, training and retaining high quality human resources, preserving our culture, values and entrepreneurial environment, and developing and improving our internal administrative infrastructure. Any inability on our part to manage such growth could disrupt our business prospects, impact our financial condition and adversely affect our results of operations.

**35. *Our clients deal in securities and any default by a client could result in substantial losses.***

Our clients are required to deposit a minimum initial margin and then are required to pay the balance settlement amount by the pay-in date for the transaction undertaken by us on their behalf. If a client is unable to pay this balance amount before the pay-in date, we may be required to make the payment on behalf of the defaulting client, which may affect our profitability. In case of high market volatility or adverse movements in share price, it is possible that clients may not honour their commitment, and any inability on our part to pay the margins to the stock exchanges may be detrimental to our business, reputation and profitability.

**36. *We are subject to uncertainties associated with the securities industry and to fluctuating revenues.***

As a financial services company, we are subject to uncertainties that are common in the securities industry. These include the volatility of domestic and international financial markets, bond and stock markets, extensive governmental regulation, litigation, intense competition, substantial fluctuations in the volume and price level of securities, and dependence on the solvency of various third parties. As a result, our revenues and earnings may vary significantly from quarter to quarter and from year to year. In periods of low trading volume, profitability is impaired because certain expenses remain relatively fixed. We are much smaller and have much less capital than many competitors in the securities industry and our revenues are likely to decline in such circumstances. If we are unable to correspondingly reduce expenses, our profit margins would erode.

**37. *Security breaches could damage our reputation and result in a liability to us.***

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other events that could have a security impact. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches but there can be no assurance that these security measures will be successful. If one or more of such events occur, this could potentially jeopardize our or our clients' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients' or third parties' operations, which could result in significant losses and/or reputational damage. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subjected to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

**38. *We are exposed to risks attributable to derivatives trading by clients.***

We offer our clients the facility to trade in derivative instruments in securities markets, as currently permitted in India. Since these derivative instruments involve taking leveraged positions on the underlying assets, the risk to deal with them is higher as compared to the other financial instruments. Our Company is exposed to greater risk in dealing with derivative instruments since they deal with such instruments on behalf of their clients. We may face financial losses if we fail to manage risks associated with our clients' dealings in derivative instruments, particularly due to price and market volatility.

**39. *Our business is dependent on systems and operations availability and any interruptions in our transaction systems could lead to decline in our sales and profits.***

We are dependent on our technology systems to perform the critical function of gathering, processing and communicating information efficiently, securely and without interruptions. We face risks arising from failures in our systems control processes or technology systems on which our ability to manage our business depends. Additionally, rapid increases in client demand may strain our ability to enhance our technology and expand our operating capacity. At the core of our on-line trading system there is an application based on very small aperture terminals ("VSAT"), /Leased Lines which has a direct connection with the NSE and allows investors to trade securities on-line. The VSAT-based network allows us to provide investors with real-time market data such as streaming quotes from each market due to better connectivity. A breakdown or interruption in the Indian domestic satellite system could have a material adverse effect on our business and client base. Our operations are highly dependent on the integrity of our technology systems and our success depends, in part, on our ability to make timely

enhancements and additions to our technology in anticipation of client demands. To the extent we experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in client use patterns, technological failure, changes to systems, linkages with third-party systems, and equipment and power failures), it would have a significant impact on our business and operations. While we maintain back up of all records at our offices in Mumbai, any unforeseen events or circumstances beyond our control at this office could result in loss of data and records and adversely affect our results of operations. We currently do not have a disaster recovery system, and will be fully exposed in case of natural or man-made disasters.

***40. Our revenues are dependent on our ability to successfully manage transactions and advisory assignments and on managing client concentrations.***

Our merchant/investment banking clients generally retain us on a short-term, engagement-by-engagement basis in connection with specific capital markets or mergers and acquisitions transactions, rather than on a recurring basis under long-term contracts. As these transactions are typically singular in nature and our engagements with these clients may not recur, we must seek out new engagements when our current engagements are successfully completed or are terminated. As a result, a high activity level in any period is not necessarily indicative of continued high level of activity in any subsequent period. If we are unable to generate a substantial number of new engagements and generate fees from the successful completion of transactions, our business and results of operations are likely to be adversely affected. The fees earned by our financial advisory business are typically payable upon the successful completion of a particular transaction or financial advisory assignment. A decline in our financial advisory engagements or the market for advisory services would adversely affect our business.

***41. Pricing and other competitive pressures may impair the revenues and profitability of our brokerage business.***

We derive a significant portion of our revenues from our brokerage business. Along with other brokerage firms, we have experienced intense price competition in this business in recent years. In particular, the ability to execute trades electronically and through other alternative trading systems has increased the pressure on trading commissions, volume and spreads. We expect this trend toward alternative trading systems to continue. We believe we may experience competitive pressures in these and other areas as some of our competitors seek to obtain market share by competing on the basis of price. In addition, we face pressure from our larger competitors, which may be better able to offer a broader range of complementary products and services to brokerage clients in order to win their trading business. As we continue to maintain our research coverage to support our institutional equities and to support our client's brokerage businesses, we may be required to make substantial investments in our research capabilities. We are unable to ascertain the likely impact of such competitive pressures on our results and operations. If we are unable to compete effectively with our competitors in these areas, brokerage revenues may decline and our business, financial condition and results of operations may be adversely affected.

***42. Our Promoters and Promoters Group will continue to hold a majority of our Equity Shares after the Issue and can significantly determine the outcome of shareholder voting and influence our corporate actions and our operations.***

Following the completion of the Issue, our Promoters and Promoter Group will own an aggregate of 55.28 % of our issued and paid-up Equity Share capital. So long as they will hold a majority of our Equity Shares they will continue to have, considerable influence over our business and may take actions that do not reflect the will or best interests of the other shareholders and will be able to control the outcome of any proposal that can be passed with a majority shareholder vote. So long as the Promoter and/or Promoter Group continues to own Equity Shares representing more than 50% of the voting rights, they will have the ability to control our Company's business including matters relating to any sale of all or substantially all of its assets, the timing and distribution of dividends and the election or termination of appointment of its officers and directors, direct the election of our Directors and determine the outcome of all matters submitted to a vote of our shareholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares or other equity securities and the payment of dividends. In addition, the Promoters have the ability to block any resolution by our shareholders, including the alterations of the Articles of Association, issuance of additional shares of

capital stock, commencement of any new line of business and similar significant matters. The Promoters will be able to control most matters affecting us, including the appointment and removal of officers, our business strategies and policies, dividend payouts and capital structure and financing. The Promoter and Promoter group will also continue to have the ability to cause us to take actions that are not in, or may conflict with, our interests and/or the interests of our minority shareholders, and there can be no assurance that such actions will not have an adverse effect on our future financial performance and the price of our Equity Shares. For further details, see the chapters titled “Capital Structure”, “History and Certain Corporate Information”, “Our Promoters and Promoter Group” on page nos. 15, 59 and 72 respectively of this DRHP.

***44. Possible Conflict of Interest with the Promoters and Promoter Group that may affect implementation of our business strategy.***

One of our Promoters, namely, Comfort Intech Limited (CIL), is also providing the corporate advisory services. Apart from this, few of the constituents of our Promoter Group entities, namely Luharuka Investment and Consultants Private Limited, Luharuka Commotrade Private Limited, Comfort Commotrade Private Limited and Comfort Capital Private Limited are authorized by their respective memorandum of associations to engage in businesses similar to that of our Company. At present, except CIL, none of these companies carry on activities, which conflict with our business. However, in the future, these may venture in to the businesses similar to that of our Company. This may result in a conflict of interest with respect to business strategies of our Company. Further, neither our Promoters nor the members of our Promoter Group have undertaken to refrain from competing with our business. None of the Promoters or members of the Promoter Group is obligated to direct any opportunities in the financial services sector to us. In addition, new business opportunities may be directed to these affiliated companies instead of our Company. Hence, there will be common pursuits between us and above mentioned entities which may result in a conflict of interest with our Company which may affect our results of operations.

***45. Our risk management policies and procedures may leave us exposed to unidentified risks or unanticipated levels of risk which could lead to material losses.***

Our risk management techniques and strategies may not be fully effective in mitigating our exposure to risks and may not cover risks that we fail to identify or anticipate. Some methods of risk management are based on the use of observed historical market behaviour. We apply statistical and other tools to these observations to arrive at quantifications of our risk exposures. These tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in our statistical models. Our losses could therefore be significantly greater than those which the historical measures indicate. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by us. This information may not be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. We cannot assure you that our policies and procedures will effectively and accurately record and verify this information. We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. Nonetheless, the effectiveness of our ability to manage risk exposure cannot be completely or accurately predicted or fully assured. For example, unexpectedly large or rapid movements or disruptions in one or more markets or other unforeseen developments could have a material adverse effect on our results of operations and financial condition. The consequences of these developments could include losses due to adverse changes in inventory values, decreases in the liquidity of trading positions, higher volatility in systemic risk.

***46. Credit risk exposes us to losses caused by financial or other problems experienced by third parties.***

Our Company is exposed to the risk that the third parties who owe us money, securities or other assets, may not perform their part of the obligations. These parties include our customers, trading counterparts, clearing agents, stock and commodity exchanges, clearing houses and financial and other intermediaries as well as issuers whose securities we hold. These parties may default on their obligations owed to us due to insolvency, lack of liquidity, operational failure, government or other regulatory intervention or

other reasons. In these circumstances, we are exposed to risks arising, from such defaults which includes holding securities of third parties, executing securities trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries, extending credit to clients through bridge or margin loans or personal finance schemes. Significant failures by third parties to perform their obligations owed to us in a timely manner or at all could materially and adversely affect our revenues, our ability to borrow in the credit markets and our ability to operate our business.

***47. Our Promoters and Directors may be deemed to be interested in our Company, other than reimbursement of expenses incurred or remuneration.***

Our Promoters and Directors may be deemed to be interested to the extent of the Equity Shares held by them, or their relatives or person forming part of Promoter Group, and benefits deriving from their directorship in our Company. Our Promoters are interested in the transactions entered into between our Company and themselves as well as between our Company and our Promoter Group. For further details, please refer to the chapters titled “*Our Business - Properties*” and “*Our Promoters and Promoter group-Interest for promotion of the Issuer*”, on page nos. 54 and 85 respectively and the chapter titled “*Related Party Transactions*” on page no. 87 of this Draft Red Herring Prospectus.

***48. Our Company has entered into certain related party transactions.***

Our Company has entered into certain transactions with related parties, including our Promoters and Promoter Group. Such transactions or any future transactions with our related parties may potentially involve conflicts of interest and impose certain liabilities on our Company. For more details, please refer to chapter titled “*Related Party Transactions*” on page 87 of the Draft Red Herring Prospectus.

***49. Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons.***

We are highly dependent on our senior management, our directors and other key personnel. Our future performance will depend upon the continued services of these persons. The loss of any of the members of our senior management, our directors or other key personnel may adversely affect our results of operations and financial condition. Competition in the financial services industry for senior management and qualified employees is intense. Our continued ability to compete effectively in our businesses depends on our ability to attract new employees and to retain and motivate our existing employees. Our inability to hire and retain such employees could adversely affect our business.

***50. We could be exposed to risks arising from employee and business associate misconduct and trading errors.***

Misconduct by employees could include their binding us to transactions that exceed authorized limits or present unacceptable risks to us, hiding unauthorized or unsuccessful trading activities from us or the improper use of confidential information. These types of misconduct could result in business risks or losses to us including regulatory sanctions and serious harm to our reputation. Furthermore, while our business associates work under our overall supervision and control and that each of their clients are directly registered with us on a revenue sharing basis. Our Business Associates are typically managed by independent entrepreneurs and not by our employees. We have significantly less control over the activities of our business associates than our employees. The precautions we take to prevent and detect these activities may not be effective. For example, some of our clients place orders over the telephone. If employee or Business Associate performs misconduct or commits trading errors, our business operations and reputation could have a material adverse impact.

## **EXTERNAL RISK FACTORS**

***51. Our growth is dependent on the Indian economy. Any downturn in the Indian economy may affect our ability to raise debt financing, may lead to increased cost of financing or adversely affect the terms of financing.***

Our performance and the growth of our business are dependent on the performance of the Indian economy. India's economy could be adversely affected by a general rise in interest rates, currency



exchange rates, adverse conditions affecting food and agriculture, commodity and electricity prices or various other factors. A slowdown in the Indian economy could adversely affect our business, including its ability to implement our strategy. The Indian economy is currently in a state of transition and it is difficult to predict the impact of certain fundamental economic changes upon our business. Conditions outside India, such as slowdowns in the economic growth of other countries or increases in the price of oil, have an impact on the growth of the Indian economy, and Government policy may change in response to such conditions. While recent Governments have been keen on encouraging private participation in the industrial sector, any adverse change in policy could result in a slowdown of the Indian economy. Additionally, these policies will need continued support from stable regulatory regimes that stimulate and encourage the investment of private capital into industrial development. Any downturn in the macroeconomic environment could have an adverse effect on our results of operations and financial condition.

***52. Political instability or changes in the Government could adversely affect economic conditions in India and consequently our business.***

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of the Equity Shares may be affected by change in interest rates, changes in government policy, taxation, social and civil unrest and political, economic or other developments in or affecting India. A significant change in the Government policies could affect business and economic conditions in India and could also adversely affect our business.

***53. Our business and financial performance is particularly vulnerable to interest rate risk.***

Our business is vulnerable to interest rate risk as it affects willingness of our customers to borrow funds. Any adverse movement in interest rates could materially and adversely affect our business and financial condition. Any inability on our part to retain customers as a result of rising interest rates may adversely impact our earnings in future periods, which could have an adverse effect on our business, prospects, financial condition and results of operations.

***54. Difficulties faced by other financial institutions or the Indian financial sector generally could cause our business to suffer and the price of the Equity Shares to decline.***

We are exposed to the risks consequent to being part of the Indian financial sector. This sector in turn may be affected by financial difficulties and other problems faced by Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years, and some cooperative banks have also faced serious financial and liquidity difficulties. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which in turn could adversely affect our business and financial performance and the price of the Equity Shares.

***55. The performance of our financial services business may be adversely affected by changes in, or the regulatory policies of, the Indian national, state and local Governments.***

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business and the business of certain of our subsidiaries, and the market price and liquidity of the Equity Shares may be affected by change in interest rates, changes in government policy, taxation, social and civil unrest and political, economic or other developments in or affecting India. Economic activity is also dependent upon the policy changes made by the Regulatory authorities. Our Company is part of the financial sector which is strongly coupled with the economic activity in the country. Although the Government has continued to deregulate the economy, there can be no guarantee that this would continue in the future. Any adverse effect of regulations on the economy may also lead to adverse effect on the operational performance of the company.

***56. Any downgrading of India's debt rating by a domestic or international rating agency could have a negative impact on our business.***

India's sovereign debt rating could be downgraded due to various factors, including changes in tax or fiscal policy or a decline in India's foreign exchange reserves, which are outside our control. Any adverse revisions to India's credit ratings for domestic and international debt by domestic or

international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance, ability to obtain financing for capital expenditures and the price of our Equity Shares.

***57. Changes in Government Policies and political situation in India may have an adverse impact on the business and operations of our Company.***

The Government of India has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business and the market price and liquidity of the Company's shares, may be affected by changes in Government of India's policies, including policies on taxation. Social, political, economic or other developments in or affecting India could also adversely affect our business. Since 1991, successive governments have pursued policies of economic liberalisation and financial sector reforms including significantly relaxing restrictions on the private sector. The rate of economic liberalisation could change and specific laws and policies affecting financial service providers and other ancillary service providers could change as well. The current Government is a coalition of various parties and the withdrawal of support by parties in the coalition could result in general elections being held in the country. In addition, any political instability in India may adversely affect the Indian economy and the Indian securities markets in general, which could also affect the trading price of our Equity Shares. India's economy could be adversely affected by a general rise in interest rates, adverse weather conditions affecting agriculture, general or sharp increase in commodity and energy prices as well as various other factors. A slowdown in the Indian economy could adversely affect the policy of the Government of India towards financial service providers and other ancillary service providers, which may, in turn, adversely affect our financial performance and our ability to implement our business strategy.

***58. If communal disturbances or riots erupt in India, or if regional hostilities increase, this would adversely affect the Indian economy and our business.***

Some parts of India have experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our operational and marketing activities may be adversely affected, resulting in a decline in our income. The Asian region has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries. Since May 1999, military confrontations between countries have occurred in Kashmir. The hostilities between India and its neighbouring countries are particularly threatening because India and certain of its neighbours possess nuclear weapons. Hostilities and tensions may occur in the future and on a wider scale. Also, since 2003, there have been military hostilities and continuing civil unrest and instability in Iraq, Afghanistan and other countries in the Indian sub-continent. In July 2006 and November 2008, terrorist attacks in Mumbai resulted in numerous casualties. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares.

***59. The occurrence of natural or man-made disasters could adversely affect our results of operations and financial condition.***

The occurrence of natural disasters, including hurricanes, floods, earthquakes, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations or financial condition, including in the following respects:

- Catastrophic loss of life due to natural or man-made disasters could cause us to pay benefits at higher levels and/or materially earlier than anticipated and could lead to unexpected changes in persistency rates.
- A natural or man-made disaster could result in losses in our projects, or the failure of our counterparties to perform, or cause significant volatility in global financial markets.
- Pandemic disease, caused by a virus such as H5N1, the "avian flu" virus, or H1N1, the "swine flu" virus, could have a severe adverse effect on our business. The potential impact of such a pandemic on our results of operations and financial position is highly speculative, and would depend on numerous

factors, including: the probability of the virus mutating to a form that can be passed from human to human; the rate of contagion if and when that occurs; the regions of the world most affected; the effectiveness of treatment of the infected population; the rates of mortality and morbidity among various segments of the insured versus the uninsured population; our insurance coverage and related exclusions; the possible macroeconomic effects of a pandemic on our asset portfolio; the effect on lapses and surrenders of existing policies as well as sales of new policies; and many other variables.

***60. Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.***

The Indian securities markets are smaller than securities markets in more developed economies. Further, the regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases, significantly from those in the US and Europe. In the past, Indian stock exchanges have experienced temporary exchange closures, broker defaults and settlement delays which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. A closure of, or trading stoppage on, the stock exchanges could adversely affect the trading price of the Equity Shares. In the past, the stock exchanges have experienced substantial fluctuations in the prices of listed securities. In addition, the governing bodies of the Indian stock exchanges have, from time to time, restricted securities from trading, limited price movements and restricted margin requirements. Further, from time to time, disputes have occurred between listed companies and the stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of the Equity Shares.

***61. The price of the Equity Shares may be highly volatile, which could result in substantial losses for investors acquiring the Equity Shares in the Issue.***

The market price of our Equity Shares may be volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

- volatility in the Indian and global securities market or in the value of the Rupee relative to the U.S. dollar, the Euro and other foreign currencies;
- our profitability and performance;
- changes in financial analysts' estimates of our performance or recommendations;
- perceptions about our future performance or the performance of Indian companies in general;
- performance of our competitors and the perception in the market about investments in the financial services industry;
- adverse media reports about us or the Indian financial services sector;
- significant developments in India's economic liberalization and deregulation policies;
- significant developments in India's fiscal and environmental regulations;
- economic developments in India and in other countries; and
- any other political or economic fears.

These fluctuations may be exaggerated if the trading volume of the Equity Shares is low. Volatility in the price of the Equity Shares may be unrelated or disproportionate to our results of operations. It may be difficult to assess our performance against either domestic or international benchmarks. In addition, Indian securities markets are more volatile than the securities markets in certain countries which are members of the OECD. Indian stock exchanges, including the BSE and the NSE, have experienced substantial fluctuations in the prices of listed securities and problems such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. The governing bodies of Indian stock exchanges have also, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. If such or similar problems were to continue or recur, they could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares.

**PROMINENT NOTES TO THE RISK FACTORS:**

1. Our Company's net worth as per the restated financial statement as at August 31, 2010 was Rs. 1384.16 Lakh.
2. Public Issue of 95,00,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share) aggregating upto Rs. [●] Lakh.
3. Based on our restated financial statements, the net asset value per equity share having a face value of Rs. 10 each was Rs. 11.78 per share as of August 31, 2010.

4. The average cost of acquisition per Equity Share by our Promoters is as follows:

Sr. No	Name of Promoter	Cost of Acquisition (in Rs.)
1	Mr. Anil Agrawal	4.41
2	Mrs. Annu Agrawal	4.74
3	Comfort Intech Limited	9.74

5. Except as disclosed in chapter titled "Capital Structure" on page no. 15 of this DRHP, we have not issued any shares for consideration other than cash.
6. Except as disclosed in "Our Management" and "Our Promoters and Promoter Group" on pages 62 and 72 of this DRHP, none of our Promoters, our Directors and our key management personnel have any interest in our Company except to the extent of remuneration and reimbursement of expenses, and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, members, partners and/or trustees and to the extent of the benefits arising out of such shareholding
7. For details of transactions in Equity Shares undertaken by our Directors, Promoters or Promoter Group, please refer chapter titled "Capital Structure" on page 15 of this DRHP.
8. For details of the transactions between our Company and our Group Companies please refer chapter titled "Auditors Report on Restated Financial Information - Related Party Transactions" on page no. 107 of this DRHP.
9. At present, except CIL, none of our group companies carry on activities, which conflict with our business. For more details, please refer "Common Pursuits" on page 85 of this DRHP.
10. 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, of which 5% (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIB Bidders including Mutual Funds, subject to valid Bids being received from them, at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
11. Under -subscription, if any, in any category would be allowed to be met with spill over from other categories or a combination of categories at the sole discretion of our Company in consultation with the BRLM. For any clarification or information relating to the Issue, investors may contact the BRLM, who will be obliged to provide such clarification or information to the investors.
12. Our Company was incorporated in Mumbai as Comfort Securities Private Limited on July 19, 2002 under the Companies Act. Thereafter, our Company was converted into a public limited company and pursuant to a resolution passed by the shareholders of our Company at an EGM held on November 09, 2010, the name of our Company was changed to 'Comfort Securities Limited'. Consequent to its change of name, our Company received a fresh certificate of incorporation dated November 15, 2010 from the RoC. For details and reasons of the change in name of our Company and registered office, see the chapter titled "History and Certain Corporate Information" on page 59 of this DRHP.
13. During the period of six months immediately preceding the date of filing of this DRHP, no financing arrangements existed whereby the Promoters, Promoter Group, Directors and their relatives may

have financed the purchase of Equity Shares by any other person, other than in the normal course of the business of such financing entity.

14. Any clarification or information relating to the Issue shall be made available by the BRLM and our Company to investors at large and no selective or additional information will be available for any subset of investors in any manner whatsoever. The investors may contact BRLM for any complaint pertaining to the Issue.

## **SECTION III: INTRODUCTION**

### **SUMMARY OF THE INDUSTRY**

#### **Indian Economy**

India is one of the fastest growing economies in the world. With an estimated GDP of approximately US\$3.56 (Rs.165.9) trillion in 2009, on a purchasing power parity ("PPP") basis, India is the fifth largest economy in the world after the European Union, the United States, China and Japan (*Source: CIA World Factbook*). In the past, India has experienced rapid economic growth, with GDP growing at an average growth rate of 8.8% between Financial Year 2003 and Financial Year 2008. As a result of the global economic downturn, this high growth trajectory was impeded in Financial Year 2009, with the growth rate of India's GDP decelerating to 5.9% in the second half of Financial Year 2009, compared to 7.3% in Financial Year 2008. (*Source: RBI, Macroeconomic and Monetary Developments: First Quarter Review: 2009-10*).

#### **Indian Financial Services Sector**

The financial sector in India is characterized by liberal and progressive policies, vibrant equity and debt markets and prudent banking norms. India's financial sector has been one of the fastest growing sectors in the economy. India has a financial system that is regulated by independent regulators in the sectors of banking, insurance, capital markets etc. India. The Indian financial sector attributes its growth to technology up gradation, consolidation of large broking houses, evolution of e-broking business, growth in retail segment, regulatory reforms, diversified asset instruments and foreign investment participation. There is huge growth potential in the Indian financial sector. Sectors such as banking, asset management and brokerage have been liberalized to allow private sector involvement, which has contributed to the development and modernization of the financial services sector.

#### **Indian Capital Market**

India has a transparent; highly technology enabled and well regulated stock / capital market. A vibrant, well developed capital market facilitates investment and economic growth. Today the stock markets are buoyant and have a range of players including mutual funds, FIIs, hedge funds, corporate and other institutions. Domestic savings and capital inflows are channelized in the capital markets. There were 1,504 companies listed on the NSE and 4,996 companies listed on the BSE as of August 31, 2010 in cash segment. In recent years, the capital markets have undergone substantial reforms in regulation and supervision. Reforms, particularly the establishment of SEBI, market-determined prices and allocation of resources, screen-based nation-wide trading, T+2 settlement, scrip less settlement and electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. There are presently 22 recognized stock exchanges in India.

#### **Primary security market**

Indian securities markets witnessed sharp turnaround in 2009-10. Whereas the markets were in downswing in 2008- 09 in consonance with the downward spiral in global equity markets triggered by international financial crisis, beginning of the financial year 2009-10 witnessed upward swing in the market. Earlier, in 2008- 09, the volatility in stock markets, slowdown in economic growth, slackening of expansion plans by corporates and poor investor response had led to a sharp fall in the number of issues and amounts raised through the primary market. However, there was a substantial improvement in the resource mobilization by corporate in the primary market in 2009-10 compared to the previous year (*Source – SEBI Annual Report*).

#### **Secondary Market**

Equity markets witnessed significant uptrend during 2009-10 as compared to downward and volatile trend in 2008-09. However, at times, the domestic markets reflected the uncertainties in international financial market during the financial year under review. Markets were characterized by some bouts of volatility during the year, but it rewarded investors by giving five year best return in 2009-10. The BSE Sensex and S&P CNX Nifty appreciated by 80.5 percent and 73.8 percent, respectively, over March 31, 2009. The BSE Sensex increased 7819 points to close at two year high level at 17528 on March 31, 2010 from 9709 on March 31, 2009. The S&P CNX Nifty also increased 2228 points to close at 5249 points at the end of March 2010 over 3021 at the end of March 2009 mainly driven by higher growth rate, positive sentiments in market, better global environment, and FII inflows. Indian markets had recorded substantial decline and volatility in 2008-09 (*Source- SEBI annual report 2009-10*).



## **SUMMARY OF OUR BUSINESS**

We are a diversified financial services company in India offering a wide range of products & services covering merchant banking, equity broking, currency derivatives and depository participants to all kinds of investors, namely, retail, high networth individuals and institutional. We are a professionally managed Company led by Mr. Anil Agrawal and Mrs. Annu Agrawal who have more than 10 years of experience in the financial markets and have steered the growth of our Company. One of our Promoters is a company registered as NBFC and is primarily focused on providing inter corporate loans, personal loans, loans against shares & securities, loans against properties, trade financing, bills discounting, trading in shares & securities and arbitrage business in stock and commodity market.

We are headquartered at Malad, Mumbai and we operate through 9 branches located at Indore, Jaipur, Mumbai, Kolkata, Gujarat and Kashmir and another 6 business associates. In Mumbai, we operate from 4 branches. The locations of our offices are driven by the demand for our financial products. We have membership in the cash and derivative segments of both BSE and NSE, currency derivative segment of BSE, NSE and MCX-SX. Our Company is also registered as a DP with CDSL. We are also a SEBI registered Category I Merchant Banker.

We have started our business of financial services in the year 2007 and within a short span of three years, our operations have grown tremendously. As per the restated financials of our Company, during the financial year 2008 to 2010, our income has been increased from Rs. 203.95 lakh to Rs. 702.35 lakh. Our Company has recently extended the focus on merchant banking and advisory services viz public issues, rights issues, open offers, corporate advisory services and loan syndication.

To grow further and to provide better services to our client we have started providing an internet trading platform to our clients that allows us to integrate our diverse trading engines into a single platform. This allows customers, dealers and relationship managers to have a unique single window experience across all asset classes and product segments. This internet platform is architecturally scalable to handle a large number of customers concurrently.

## SUMMARY OF OUR FINANCIAL STATEMENT

The following tables set forth the summary financial information derived from our restated financial statements as of /for the financial year ended March 31, 2006, 2007, 2008 and 2009 and August 31, 2010. Our restated financial statements have been prepared in accordance with accounting policies as prescribed under the Accounting Standards issued by ICAI and the SEBI (ICDR) Regulations, 2009 and are presented in the section titled "Financial Information" on page no. 88 of this DRHP. The summary financial information presented below should be read in conjunction with our restated financial statements and the notes thereto.

### SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs in Lakh)

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
<b>Assets</b>					
Fixed Assets-Gross Block	67.12	34.42	22.28	0.66	4.15
Less: Depreciation	16.37	5.93	1.45	0.26	0.74
Net Block	50.75	28.49	20.83	0.40	3.41
Less: Revaluation Reserve		-	-	-	-
Net Block after adjustment for Revaluation Reserve	50.75	28.49	20.83	0.40	3.41
<b>CAPITAL WIP</b>	-	-	-	-	-
<b>Total (A)</b>	<b>50.75</b>	<b>28.49</b>	<b>20.83</b>	<b>0.40</b>	<b>3.41</b>
<b>Investments (B)</b>	<b>-</b>	<b>34.19</b>	<b>51.92</b>	<b>2.90</b>	<b>2.90</b>
Current Assets, Loans and Advances					
Receivables	666.33	109.81	22.11	-	-
Cash & Bank Balances	428.76	75.11	133.57	126.91	0.88
Deposits, Loans & Advances	753.50	649.04	533.87	10.30	13.11
Other Current Assets	32.75	21.30	19.55	-	0.08
<b>Total Current Assets ( C )</b>	<b>1,881.34</b>	<b>855.26</b>	<b>709.11</b>	<b>137.21</b>	<b>14.07</b>
<b>Total Assets (D) = (A) + (B) + ( C )</b>	<b>1,932.09</b>	<b>917.94</b>	<b>781.86</b>	<b>140.51</b>	<b>20.39</b>
<b>Liabilities &amp; Provisions</b>					
Loan Funds :					
Secured Loans	22.32	68.64	0.64	-	-
Unsecured Loans	-	-	23.00	20.00	-
Current Liabilities & Provisions:					
Current Liabilities	400.21	144.11	168.50	1.13	0.31
Provisions	117.48	48.91	32.42	2.73	0.70
Deferred Tax Liability	7.91	4.86	2.13	0.09	(0.17)
<b>Total Liabilities &amp; Provisions (E)</b>	<b>547.93</b>	<b>266.52</b>	<b>226.69</b>	<b>23.95</b>	<b>0.84</b>
<b>Net Worth (D) - (E)</b>	<b>1,384.16</b>	<b>651.42</b>	<b>555.17</b>	<b>116.56</b>	<b>19.55</b>
<b>Represented By:</b>					
Share Capital	1,175.00	180.00	180.00	50.00	12.00
Reserves & Surplus	226.90	482.52	381.22	68.41	7.78
Less: Revaluation Reserve	-	-	-	-	-
Reserves (Net of Revaluation Reserve)	226.90	482.52	381.22	68.41	7.78
Less : Misc. expenditure to the extent not written off	17.74	11.10	6.05	1.85	0.24
<b>Total Net Worth</b>	<b>1,384.16</b>	<b>651.42</b>	<b>555.17</b>	<b>116.56</b>	<b>19.55</b>

**SUMMARY STATEMENT OF PROFIT AND LOSS ACCOUNT, AS RESTATED**

**(Rs in lakh)**

<b>Particulars</b>	<b>31.08.10</b>	<b>31.03.09</b>	<b>31.03.08</b>	<b>31.03.07</b>	<b>31.03.06</b>
<b>Income</b>					
Brokerage & Commission	264.91	67.45	74.91	18.23	0.37
Income from Merchant Banking operations	108.11	27.85	-	-	-
Income from DP Operations	8.42	1.38	0.09	-	-
Income from trading & investment in Shares and Securities	239.48	91.93	114.78	(3.82)	2.28
Dividend Income	1.39	0.06	0.17	0.03	0.03
Interest on Bank Fixed Deposits / Bank Interest	49.80	29.48	13.57	-	0.03
Other Income	30.24	14.44	0.43	0.13	-
<b>Total</b>	<b>702.35</b>	<b>232.59</b>	<b>203.95</b>	<b>14.57</b>	<b>2.71</b>
<b>Expenditure</b>					
Employee's Cost	60.93	30.25	20.04	3.67	-
Administration Expenses	169.82	60.62	55.62	4.67	0.19
Preliminary expenditure written off	7.01	4.95	1.81	0.45	0.04
<b>Total</b>	<b>237.76</b>	<b>95.81</b>	<b>77.47</b>	<b>8.79</b>	<b>0.23</b>
<b>Profit before Depreciation, Interest and Tax</b>	<b>464.58</b>	<b>136.77</b>	<b>126.47</b>	<b>5.78</b>	<b>2.48</b>
Depreciation	10.43	4.48	1.19	0.10	0.26
<b>Profit before Interest &amp; Tax</b>	<b>454.15</b>	<b>132.29</b>	<b>125.28</b>	<b>5.68</b>	<b>2.23</b>
Interest & Finance Charges	0.72	1.55	1.36	0.02	0.00
<b>Net Profit before Tax</b>	<b>453.43</b>	<b>130.74</b>	<b>123.91</b>	<b>5.67</b>	<b>2.22</b>
<b>Less: Provision for Tax-Current Tax</b>	<b>75.00</b>	<b>15.40</b>	<b>18.32</b>	<b>1.65</b>	<b>0.70</b>
Deferred Tax	3.06	2.73	2.03	0.26	(0.20)
Fringe Benefit Tax	-	0.78	0.22	0.13	-
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>375.37</b>	<b>111.83</b>	<b>103.34</b>	<b>3.63</b>	<b>1.72</b>
<b>Extraordinary Item (Net of Tax)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Profit After Extraordinary Items</b>	<b>375.37</b>	<b>111.83</b>	<b>103.34</b>	<b>3.63</b>	<b>1.72</b>
Proposed Dividend	18.00	9.00	9.00	-	-
Tax on Dividend	2.99	1.53	1.53	-	-
<b>Net Profit</b>	<b>354.38</b>	<b>101.30</b>	<b>92.81</b>	<b>3.63</b>	<b>1.72</b>

# SUMMARY STATEMENT OF CASH FLOW, AS RESTATED

(Rs in lakh)

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Net profit before tax	453.43	130.74	123.91	5.67	2.22
Adjustment for:					
Add: Depreciation	10.43	4.48	1.19	0.10	0.26
Add: Interest expenses	0.72	1.55	1.36	0.02	0.00
Less: Profit on sale of Assets	-	-	-	0.01	-
Add: Preliminary & Issue Expenses w/off	7.01	4.95	1.81	0.45	0.04
(Purchase)/Sale of Shares	34.19	17.73	(49.02)	-	(0.24)
Operating Profit before Working capital changes	505.79	159.45	79.26	6.22	2.28
Adjustments for:					
Decrease (Increase) in Trade & Other Receivables	(556.52)	(87.69)	(22.11)	-	6.60
Decrease (Increase) in other Current Assets	(11.45)	(1.75)	(19.55)	0.08	(0.03)
Decrease (Increase) in Loans and Advances	(37.55)	(102.29)	(508.81)	4.50	(7.96)
Increase (Decrease) in Current Liabilities	256.10	(24.39)	167.37	0.82	0.28
Increase (Decrease) in Provisions	4.10	1.02	0.75	0.25	-
Net Changes in Working Capital	(345.33)	(215.10)	(382.35)	5.65	(1.12)
Cash Generated from Operations	160.46	(55.65)	(303.09)	11.87	1.16
Taxes	66.90	13.58	14.63	1.69	0.19
FBT	-	-	0.26	-	-
Net Cash Flow from Operating Activities (A)	(261.55)	(69.24)	(317.98)	10.18	0.97
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
(Purchase) of fixed assets	(32.70)	(12.14)	(21.62)	(0.05)	(0.36)
Capital Work in Progress	-	-	-	-	-
Sale of fixed assets	-	-	-	2.98	-
Net Cash Flow from Investing Activities (B)	(32.70)	(12.14)	(21.62)	2.93	(0.36)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Issue of share capital	55.00	-	130.00	38.00	-
Share Premium	330.00	-	220.00	57.00	-
Interest paid	(0.72)	(1.55)	(1.36)	(0.02)	0.00
Secured Loans Taken / (Repaid)	(46.32)	68.00	0.64	-	-
Unsecured Loans Taken/ (Repaid)	-	(23.00)	3.00	20.00	(1.65)
Preliminary Expenses Paid	(13.65)	(10.00)	(6.01)	(2.07)	
Dividend paid	(31.52)	(10.53)	-	-	-
Net Cash Flow from Financing Activities (C)	292.79	22.92	346.27	112.91	(1.65)
Net Increase / (Decrease) in Cash & Cash Equivalents	353.65	(58.46)	6.66	126.03	(1.04)
Cash and cash equivalents at the beginning of the year / Period	75.11	133.57	126.91	0.88	1.92
Cash and cash equivalents at the end of the year/ Period	428.76	75.11	133.57	126.91	0.88

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

## THE ISSUE

Particulars	Number of Equity Shares
<b>Public Issue of Equity Shares</b>	95,00,000 Equity Shares at a price of Rs. [●] each aggregating to Rs. [●] Lakh
Issue of up to 95,00,000 Equity Shares	
<i>Of which:</i>	
Qualified Institutional Buyers (QIBs) Portion	Not more than 47,50,000
<i>Of which</i>	
Anchor Investor	14,25,000*
Mutual Fund Portion	2,37,500
Balance of QIB Portion (available for QIBs including Mutual Funds)	45,12,500
Non-Institutional Portion	Not less than 14,25,000
Retail Portion	Not less than 33,25,000
<b>Pre and post-Issue Equity Shares</b>	
Equity Shares outstanding prior to the Issue	1,17,50,000 equity shares of Rs. 10 each aggregating to Rs. 11,75,00,000
Equity Shares outstanding after the Issue	2,12,50,000 equity shares of Rs. 10 each aggregating to Rs. 21,25,00,000
<b>Use of Issue Proceeds</b>	See chapter titled “Objects of the Issue” on page no. 22 of this DRHP.

### Notes:

*\*Our Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. For further details, see chapter titled “Issue Procedure” on page no. 149 of this DRHP.*

*Allocation to all categories, except Anchor Investor Portion, if any, shall be made on a proportionate basis subject to valid Bids received at or above the Issue Price. Under subscription, if any, in any category, would be allowed to be met with spill over from any other category at the sole discretion of our Company in consultation with the Book Running Lead Manager.*

### Note:

- The Issue currently comprises of an Issue of up to 95,00,000 Equity Shares constituting 44.71% of our post-Issue share capital.*
- The Issue has been authorised by our Board by their resolution dated November 16, 2010 and by the shareholders of our Company at EGM held on December 8, 2010.*
- The Company is eligible for the Issue in accordance with Regulation 26(1) of the SEBI (ICDR) Regulations. The Issue is being made under Regulation 26(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended and through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (“QIBs”), provided that our Company may allocate up to 30% of the QIB Portion to Anchor Investors, on a discretionary basis (“Anchor Investor Portion”). Further 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If the aggregate demand by Mutual Funds is less than 5% of the QIB portion, the balance Equity Shares available for allocation in the Mutual Fund Port will be added to the QIB Portion and be available for allocation proportionately to the QIB Bidders. 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.*

## GENERAL INFORMATION

Our Company was incorporated in Mumbai on July 19, 2002 as a private limited company as Comfort Securities Private Ltd under the provisions of the Companies Act, 1956 as amended (the “Companies Act”) with the Registrar of Companies, Maharashtra, Mumbai, bearing Corporate Identification Number U67120MH2002PTC136562. Thereafter, our Company was converted into a public limited company and a fresh certificate of incorporation dated November 15, 2010 was obtained from ROC. Consequently, the name of our Company was changed from “Comfort Securities Private Limited” to “Comfort Securities Limited”.

### REGISTERED & CORPORATE OFFICE OF OUR COMPANY

#### Comfort Securities Limited

A-301, Hetal Arch, Opposite Natraj Market,  
S V Road, Malad (West),  
Mumbai – 400064

**Tel:** +91-22-28449765

**Fax:** +91-22-2889 2527

**Email :** ipo@comfortsecurities.co.in

**Website:** www.comfortsecurities.co.in

### ADDRESS OF THE REGISTRAR OF COMPANIES:

Our Company is registered with the RoC, Mumbai, Maharashtra situated at the following address:  
Registrar of Companies, Mumbai, Maharashtra  
100, Everest, Marine Lines  
Mumbai- 400002.

Details	Registration/ Identification number
Registration Number	11- 136562
Company Identification Number	U67120MH2002PLC136562

### BRANCH OFFICES OF OUR COMPANY

Location	Number of Branches	Address
Mumbai	4	1. D/47, Shanti Shopping Center, Opp. Rly. Stn., Miraroad (East), Mumbai 401107 2. S-13 Hajari Baug Station Road, Vikhroli (West), Mumbai 400 083. 3. 185/5100, Trishul Bldg. B Wing 1st Flr., Pant Nagar, Ghatkopar, Mumbai 400077 4. 70/696, Surya Darshan Chs. Ltd., Opp. Sankalp Hotal, Mahavir Nagar, Kandivali West, Mumbai – 400067
Gujarat	1	1 <sup>st</sup> Floor -20, Shreedhar Complex, Girdhar Patel Marg, Palanpur, Gujrat 385001
Jaipur	1	Room No. -222, Jaipur Stock Exchange, Malviya Nagar, Jaipur , Rajasthan, 302018
Indore	1	147, City Center 570, M.G. Road, Opp. High Court, Indore-452001
Kashmir	1	38, Syed Market, Gogji Bag, Srinagar, Kashmir – 190008
Kolkata	1	8, Lyons Range, 5th Floor, Kolkata- 700001
<b>Total</b>	<b>9</b>	

## BOARD OF DIRECTORS OF OUR COMPANY

Our Board of Directors as on the date of this DRHP with SEBI is as follows:

Sr. No	Name of the Director	Designation	DIN	Nature of Directorship
1	Ms. Chandrakala J. Purohit	Chairperson	01617901	Non Executive Independent Director
2	Mr. Shiv Ratan Agarwal	Director	00681526	Non Executive Independent Director
3	Mr. Sushil K. Jain	Director	01662552	Non Executive Independent Director
4	Mr. Anil B. Agrawal	Director	00014413	Non Executive Non Independent Director
5	Mr. Jugal C. Thacker	Director	00015460	Non Executive Non Independent Director
6	Mr. Bharat N. Shiroya	Director	00014454	Non Executive Non Independent Director
7	Mrs. Annu A. Agrawal	Whole Time Director	00014487	Executive Non Independent Director
8	Mr. Amitkumar N. Khemka	Whole Time Director	01612605	Executive Non Independent Director

*For more details regarding our Directors refer to the chapter titled “Our Management” on page no. 62 of this DRHP.*

## COMPANY SECRETARY AND COMPLIANCE OFFICER

**Ms. Mayuri Thakkar**

A-301, Hetal Arch, Opposite Natraj Market,  
S V Road, Malad (West),  
Mumbai – 400064

**Tel:** +91-22-2844 9765

**Fax:** +91-22-2889 2527

**E-mail id:** [mayurithakkar@comfortsecurities.co.in](mailto:mayurithakkar@comfortsecurities.co.in)

*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 Equity Shares in the respective beneficiary account and refund orders, etc. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to the relevant SCSB giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA account number and the designated branch of the relevant SCSB where the ASBA BCAF was submitted by the ASBA Bidder.*

## BOOK RUNNING LEAD MANAGER (BRLM)

**Dalmia Securities Private Limited**

17, Khetan Bhavan, 2nd floor, 198, Jamshedji Tata Road,  
Churchgate, Mumbai – 400020

**Tel:** +91- 22 30272828/27/10: **Fax:** +91 -22 30272820

**Email:** csl.ipo@dalmiasec.com

**Investor Grievance Id:** grievances@dalmiasec.com

**Website:** www.dalmiasec.com

**Contact Person:** Mr. Indrajit Bhagat/ Ms. Riddhi Ghelani

**SEBI Regn. No:** INM000011476

**For all Issue-related queries and for referral of complaints, investors may also write to the BRLM. All complaints, queries or comments received by SEBI shall be forwarded to the BRLM, who shall respond to the same.**

**LEGAL ADVISORS TO THE ISSUE****Mr. Sunil Shukla, Advocate**4, Shanti Sadan, Opp. Haweli, Poddar Road, Malad (East)  
Mumbai-400 097.**Tel:** +91-22-28808726**Email id:** [advshukla@rediffmail.com](mailto:advshukla@rediffmail.com)**REGISTRAR TO THE ISSUE****Bigshare Services Private Limited**E/2, Ansa Industrial Estate, Sakivihar Road, Sakinaka,  
Andheri (E), Mumbai - 400 072.**Tel:** +91 022 4043 0200**Fax:** +91 022 2847 5207**Website:** [www.bigshareonline.com](http://www.bigshareonline.com)**E-mail:** [ipo@bigshareonline.com](mailto:ipo@bigshareonline.com)**Contact person:** Mr. Babu Raphael/ Mallah S**SEBI Registration No:** INR000001385**SYNDICATE MEMBERS**

[•]

**BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS:**

[•]

**SELF CERTIFIED SYNDICATE BANKS (SCSB)**

A list of banks notified by SEBI to act as SCSBs for the ASBA process is available on the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in). For details on Designated Branches of SCSB collecting as per ASBA BCAF, please refer to the abovementioned link.

**BANKERS TO OUR COMPANY****AXIS Bank Limited**Goregaon Branch,  
Building 'M', Palm Court, New Link Road  
Malad (West), Mumbai 400 064**Tel:** +91 022 61415400/5420**Fax:** +91 022 6141 5444**Email:** [babu.gani@axisbank.com](mailto:babu.gani@axisbank.com)**STATUTORY AUDITORS TO OUR COMPANY****Ramanand & Associates, Chartered Accountants**6/C, Ostwal Park Building No. 4 CHSL,  
Near Jesal Park Jain Temple,  
Bhayander (East), Thane-401105**Tel :** +91-22-28171199**Fax :** +91-22-28171199**E-mail:** [ramanand\\_associates@rediffmail.com](mailto:ramanand_associates@rediffmail.com)**Contact Person:** Mr. Ramanand Gupta**Firm Registration No.:** 117776W



## STATEMENT OF INTER SE ALLOCATION OF RESPONSIBILITIES

Since DSPL is the sole BRLM for the Issue, the entire Issue related activities are handled by DSPL.

Sr. No	Activity
1.	Capital structuring with relative components and formalities such as type of instruments, etc.
2.	Due diligence of Our Company including its operations/management/ business/plans/legal, etc. Drafting and design of the Offer Document, and of statutory advertisement including a memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI including finalization of the Prospectus and RoC filing, including co-ordination with Auditors for preparation of financials.
3.	Drafting and approval of all publicity material including the statutory advertisements as mentioned above, including road show presentations, corporate advertising, brochures, etc.
4.	Appointment of other intermediaries' viz., Registrar to the Issue, Printers, Advertising Agency, Bankers to the Issue.
5.	Preparation of road show presentation and frequently asked questions;
6.	Domestic and International institutional marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"><li>• Finalizing the list and division of investors for one-to-one meetings; and</li><li>• Finalizing the road show schedule and the investor meeting schedules.</li></ul>
7.	Non-institutional and retail marketing of the Issue, which will cover, inter alia: <ul style="list-style-type: none"><li>• Formulating marketing strategies and preparation of publicity budget;</li><li>• Finalizing media and public relations strategy;</li><li>• Finalizing centres for holding conferences for press, brokers, etc.;</li><li>• Follow-up on distribution of publicity and Issue material including forms, the Prospectus and deciding on the quantum of Issue material;</li><li>• Finalizing collection centres and arranging for selection of Underwriters and execution of an underwriting agreement; and</li><li>• Coordination with the Stock Exchanges for book building software, bidding terminals and mock trading.</li></ul>
8.	Pricing, managing the book and coordination with Stock-Exchanges
9.	The post bidding activities including management of escrow accounts, co-ordinate non-institutional and institutional allocation, intimation of allocation and dispatch of refunds to bidders etc
10.	Post-Bidding activities including management of escrow accounts, co-ordination of non-institutional allocation, coordination with the Registrar to the Issue and Bankers to the Issue, intimation of allocation and dispatch of refunds to Bidders, etc. The post-Issue activities will involve essential follow up steps, including the finalization of trading, dealing of instruments and dispatch of certificates and delivery of shares with the various agencies connected with these activities such as the Registrar to the Issue, the Bankers to the Issue and the bank handling refund business. The BRLM shall be responsible for ensuring that these agencies fulfill their functions and enabling them to discharge their responsibilities through suitable agreements with Our Company.

**CREDIT RATING**

As this is an Issue of equity shares, there is no credit rating required.

**IPO GRADING AGENCY**

[●]

**IPO GRADING**

This Issue has been graded by [●] as IPO Grade [●], indicating [●] fundamentals through its letter dated [●]. For details in relation to the report of [●] furnishing rationale of the IPO grading, please refer to Annexure on page [●] of the Red Herring Prospectus.

**TRUSTEES**

As the Issue is of equity shares, the appointment of trustees is not required.

**MONITORING AGENCY**

The Issue size being less than Rs. 50,000 Lakhs, there is no requirement to appoint any monitoring agency to monitor use of proceeds of the Issue under SEBI Regulations.

**APPRAISING AGENCY**

The project of Our Company has not been appraised by any appraising agency.

**BOOK BUILDING PROCESS**

Book building refers to the process of collection of Bids from investors within the Price Band, on the basis of the DRHP. The Issue Price will be determined by Our Company in consultation with the Book Running Lead Manager after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- Our Company;
- BRLM;
- Syndicate member who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Members of the Syndicate are appointed by the BRLM;
- Registrar to the Issue;
- Escrow Collection Banks; and
- SCSBs.

The Issue is being made under Regulation 26(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended and through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers. Provided, that our Company may allocate up to 30% of the QIB Portion to Anchor Investors, on a discretionary basis. Further 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If the aggregate demand by Mutual Funds is less than 5% of the QIB portion, the balance Equity Shares available for allocation in the Mutual Fund Port will be added to the QIB Portion and be available for allocation proportionately to the QIB Bidders. 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.

Under subscription, if any, in any category, would be allowed to be met with spill over from any other category or combination of categories at the discretion of Our Company, in consultation with the BRLM.

Allocation to Anchor Investors shall be on a discretionary basis and not on a proportionate basis. In accordance with the SEBI Regulations, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details, please see chapter titled "Terms of the Issue" on page no. 143 of this DRHP. Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/Issue Date. Allocation to

QIBs (other than Anchor Investors) will be on proportionate basis. Our Company shall comply with the SEBI Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLM to manage the Issue and procure subscriptions to the Issue.

**The process of Book Building under the SEBI Regulations is subject to change from time to time and the investors are advised to make their own judgment about investment through this process prior to making a Bid or application in 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 centres during the bidding period. The illustrative book below indicates the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

<b>Bid Quantity</b>	<b>Bid Price (Rs.)</b>	<b>Cumulative Quantity</b>	<b>Subscription</b>
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 BRLMs, will finalize the 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**

1. Check eligibility for making a Bid (please see chapter titled “Issue Procedure” on page no. 149 of the DRHP);
2. Ensure that you have a Demat account and the Demat account details are correctly mentioned in the Bid cum Application Form;
3. Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values, ensure that you have mentioned your PAN in the Bid cum Application Form or the ASBA Bid cum Application Form (please see chapter titled “Issue Procedure” on page no. 149 of the DRHP);
4. Ensure that the Bid cum Application Form or ASBA Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form or the ASBA Bid cum Application Form; and
5. Bids by QIBs (including Anchor Investors) will have to be submitted only to the BRLM;

#### **Withdrawal of the Issue**

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event, Our Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also inform the same to Stock Exchange on which the Equity Shares are proposed to be listed. If our Company withdraws the Issue after the closure of bidding, our Company shall be required to file a fresh DRHP with SEBI, in the event we subsequently deciding not to proceed with the public offering. For further details in relation to withdrawal of the Issue, please see chapter titled “Issue Structure” on page no. 146 of this DRHP.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company will apply for after Allotment, and (ii) the final RoC approval of the Prospectus.

#### **BID/ISSUE PROGRAM**

<b>BID/ISSUE OPENS ON</b>	<b>[●]*</b>
<b>BID CLOSES ON (FOR QIB BIDDERS)</b>	<b>[●]**</b>

*\*Our Company may consider participation by Anchor Investors in terms of the SEBI (ICDR) Regulations 2009. The Anchor Investor Bid/Issue Period shall be one Working Day prior to the Bid/ Issue Opening Date.*

*\*\*Our Company may consider closing the Bidding by QIB Bidders 1 Working Day prior to the Bid/Issue Closing Date subject to the Bid/Issue period being for a minimum of 3 Working Days.*

Except in relation to Anchor Investors, bids and any revision in Bids shall be accepted only between **10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form, in case of Bids submitted through ASBA, the Designated Branches of the SCSBs, except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) (excluding ASBA Bidders) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 2,00,000 (ii) until 5.00 p.m. or till such other time as may be extended subject to permission from BSE and NSE, in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 2,00,000.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that, in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, our Company, the BRLM, Syndicate Members, the Registrar to Issue and the SCSBs will not be responsible.

Bids will only be accepted on Business Days, i.e., any day other than Saturday or Sunday, on which commercial banks in Mumbai, India are open for business. Bids by ASBA Bidders shall be uploaded by the SCSBs in the electronic system to be provided by the NSE and the BSE.

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

Our Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI (ICDR) Regulations, 2009, provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised upwards or downwards to a maximum of 20% of the original Floor Price, advertised at least 2 (Two) working days before the Bid/Issue Opening Date. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares, irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5000 to Rs. 7000.

**In case of revision of the Price Band, the Bid/Issue Period will be extended for 3 (Three) additional Working Days after revision of the Price Band, subject to the Bid/Issue Period not exceeding 10 (Ten) Working Days. Any revision in the Price Band and the revised Bid/Issue period, if applicable, will be widely disseminated by notification to BSE, NSE and SCSBs, by issuing a press release and also by indicating the changes on the websites of the BRLM and at terminals of other Members of the Syndicate.**

## UNDERWRITING AGREEMENT

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

The Underwriting Agreement is dated [●]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (in Rs. Lakh)
[●]	[●]	[●]

The abovementioned is indicative underwriting and this would be finalized after the pricing and actual allocation. In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full.

The abovementioned Underwriters are registered with SEBI under section 12 (1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors / Committee of Directors, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company. Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments set forth in the table above. Notwithstanding the above table, the BRLM and the members of the Syndicate shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to Equity Shares to the extent of the defaulted amount.

## CAPITAL STRUCTURE

Our Equity Share capital before the Issue and after giving effect to the Issue, as at the date of filing of the DRHP with SEBI, is set forth below:

(Rs. in Lakh, except share data)

Sr. No	Particulars	Aggregate value at face value	Aggregate value at Issue Price
<b>A.</b>	<b>Authorized share capital</b>		
	2,20,00,000 Equity Shares of face value of Rs.10 each	2,200	
<b>B.</b>	<b>Issued, subscribed and paid-up share capital before the Issue</b>		
	1,17,50,000 Equity Shares of Rs. 10 each fully paid-up before the Issue	1,175	
<b>C.</b>	<b>Present Issue in terms of the DRHP*</b>		
	<b>Issue of 95,00,000 Equity Shares of Rs. 10 each</b>	<b>950</b>	<b>[●]</b>
	Of which :		
	QIB portion not more than 47,50,000 Equity Shares of Rs. 10 each	475.00	<b>[●]</b>
	Non Institutional portion of not less than 14,25,000 of Rs. 10 each	142.50	<b>[●]</b>
	Retail portion of not less than 33,25,000 of Rs. 10 each	332.50	<b>[●]</b>
<b>D.</b>	<b>Equity capital after the Issue</b>		
	2,12,50,000 Equity Shares of face value of Rs. 10 each	2,125	<b>[●]</b>
<b>E.</b>	<b>Securities Premium Account</b>		
	Before the Issue	<b>162</b>	
	After the Issue	<b>[●]</b>	

\* The present Issue has been authorised by the Board in their meeting on November 16, 2010 and by the shareholders of our Company on December 8, 2010.

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

- Our initial authorised capital was Rs. 15, 00,000 consisting of 1,50,000 Equity Shares of Rs. 10 each.
- The authorised capital of our Company was increased to Rs. 2,00,00,000 consisting of 20,00,000 Equity Shares of Rs. 10 each by a shareholder's resolution dated February 26, 2007.
- The authorized share capital of our Company was increased to Rs. 2,50,00,000 divided into of 25,00,000 Equity Shares of Rs. 10 each by a shareholder's resolution dated November 14, 2009.
- The authorized share capital of our Company was increased to Rs. 22,00,00,000 divided into 2,20,00,000 Equity Shares of Rs. 10 each by a shareholder's resolution dated August 7, 2010.

### NOTES TO CAPITAL STRUCTURE

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

Date of allotment of Shares	No. of Equity Shares Issued	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reasons for allotment	Cumulative no. of equity shares	Cumulative paid-up share capital (Rs.)	Cumulative share premium (Rs.)
Date of Incorporation	10,000	10	10	Cash	Subscription to Memorandum	10,000	1,00,000	NIL
January 27, 2003	85,000	10	10	(Note I)	(Note I)	95,000	9,50,000	NIL
April 7, 2003	25,000	10	30	Cash	Further issue of Shares	1,20,000	12,00,000	5,00,000
March 6, 2007	3,80,000	10	25	Cash	Further issue of Shares	5,00,000	50,00,000	62,00,000

Date of allotment of Shares	No. of Equity Shares Issued	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reasons for allotment	Cumulative no. of equity shares	Cumulative paid-up share capital (Rs.)	Cumulative share premium (Rs.)
May 4, 2007	12,00,000	10	25	Cash	Further issue of Shares	17,00,000	1,70,00,000	2,42,00,000
September 21, 2007	1,00,000	10	50	Cash	Further issue of Shares	18,00,000	1,80,00,000	2,82,00,000
August 2, 2010	5,50,000	10	70	Cash	Further issue of Shares	23,50,000	2,35,00,000	6,12,00,000
August 14, 2010 (Note II)	94,00,000	10	N.A	N.A	Bonus Shares issued	1,17,50,000	11,75,00,000	1,62,00,000

Note:

I. Our Company was incorporated on July 19, 2002 with the main object to take over the business of Comfort Securities, a proprietorship concern of Mrs. Annu Agrawal who was registered as sub broker of JSES and ISS and as stock broker of JSE and ISE. Our Company had acquired all the assets and liabilities of Comfort Securities as on December 31, 2002 and in turn paid consideration of 85,000 equity shares of Rs. 10/- each (at par) to Mrs. Annu Agrawal and balance amount of Rs. 7,28,963.46 remained payable by the company to Mrs. Annu Agrawal. Hence the above 85,000 Equity Shares were issued for consideration other than cash. For more information on aforesaid take over transaction please refer to chapter "History and Certain Corporate Information" on page no. 59.

II. Our Company has issued and allotted the 94,00,000 bonus shares in ratio of 4:1 to then existing shareholders of our Company by capitalising the general reserve and securities premium account.

## 2. Promoters contribution and lock-in

### (a) History of the Share capital held by the Promoters

Name of Promoter	Date of Allotment / Transfer	Consideration (Cash/other than cash/Bonus issue)	No. of Equity Shares	Face value per Share (Rs.)	Issue / Acquisition price (Rs.)	Nature of Issue/ Acquisition	Post-Issue paid-up capital (%)
Mrs. Annu Agrawal	DOI	Cash	9,000	10	10	Incorporation	0.04
	January 27, 2003	Other than cash consideration [Refer Note I of Para 1]	85,000	10	10	Refer Note I of Para 1	0.40
	March 6, 2007	Cash	3,74,000	10	25	Further Allotment	1.76
	May 4, 2007	Cash	6,00,000	10	25	Further Allotment	2.82
	August 14, 2010	N.A	42,72,000	10	N.A	Bonus Issue	20.10
<b>Sub Total [A]</b>			<b>53,40,000</b>				<b>25.12</b>
Mr. Anil Agrawal	DOI	Cash	1,000	10	10	Incorporation	Negligible
	March 06, 2007	Cash	5,500	10	25	Further Allotment	0.03
	May 04, 2007	Cash	1,00,000	10	25	Further Allotment	0.47
	September 11, 2007	Cash	25,000	10	10	Transfer	0.12
	August 14, 2010	N.A	5,26,000	10	N.A	Bonus Issue	2.48
<b>Sub Total [B]</b>			<b>6,57,500</b>				<b>3.10</b>
Comfort Intech Limited	April 7, 2003	Cash	25,000	10	30	Further Allotment	0.12
	June 10, 2006	Cash	(25,000)	10	10	Transfer	(0.12)

	May 04,2007	Cash	5,00,000	10	25	Further Allotment	2.35
	September 21,2007	Cash	1,00,000	10	50	Further Allotment	0.47
	August 2, 2010	Cash	5,50,000	10	70	Further Allotment	2.59
	August 14,2010	N.A	46,00,000	10	N.A	Bonus Issue	21.65
<b>Sub Total [C]</b>			<b>57,50,000</b>				<b>27.06</b>
<b>TOTAL [A+B+C]</b>			<b>1,17,47,500</b>				<b>55.28</b>

**(b) Details of Promoters' contribution locked in for three years:**

Pursuant to Regulation 32 and 36 of SEBI (ICDR) Regulations aggregate of 20% of the post-Issue capital held by our Promoters shall be considered as promoters' contribution ("**Promoters Contribution**") and locked-in for a period of three years from the date of Allotment. The lock-in of the Promoters Contribution would be created as per applicable law and procedure and details of the same shall also be provided to the Stock Exchanges before listing of the Equity Shares.

Our Promoters have, pursuant to their undertakings dated December 29, 2010 granted consent to include such number of equity shares held by them as may constitute 20% of the post-Issue Equity Share capital of our Company as Promoters Contribution and have agreed not to sell or transfer or pledge or otherwise dispose of in any manner, the Promoters Contribution from the date of filing of this DRHP until the commencement of the lock-in period specified above.

<b>Name of promoter</b>	<b>No. of Equity Shares locked in</b>	<b>Face value (Rs. per share)</b>	<b>Date of Acquisition and when made fully paid up</b>	<b>Nature of Allotment/ Transfer</b>	<b>Consideration (Cash/ Other than cash)</b>	<b>% of post Issue paid-up capital</b>	<b>Lock-in period (years)</b>
Annu A. Agrawal	9,000	10	July 19, 2002	Subscribed to MOA	Cash	0.04	3 years
	3,74,000	10	March 6, 2007	Further Allotment	Cash	1.76	3 years
	6,00,000	10	May 4, 2007	Further Allotment	Cash	2.82	3 years
	32,67,000	10	August 14, 2010	Bonus Issue	N.A	15.37	3 years
<b>Total</b>	<b>42,50,000</b>					<b>20.00</b>	

The minimum Promoters' contribution has been brought to the extent of not less than the specified minimum lot and from the persons defined as Promoters under the SEBI (ICDR) Regulations, 2009. The Promoters' contribution constituting 20% of the post-Issue capital shall be locked-in for a period of three years from the date of Allotment of the Equity Shares in the Issue.

All Equity Shares, which are to be locked-in, are eligible for computation of Promoters' Contribution, in accordance with the SEBI (ICDR) Regulations, 2009. Accordingly we confirm that the equity shares proposed to be included as part of the Promoters' Contribution:

- have not been subject to pledge or any other form of encumbrance; or
- have not been acquired, during preceding three years, for consideration other than cash and revaluation of assets or capitalisation of intangible assets is not involved in such transaction;
- is not resulting from a bonus issue by utilisation of revaluation reserves or unrealised profits of the



Issuer or from bonus issue against equity shares which are ineligible for minimum promoters' contribution;

- d) have not been acquired by the Promoters during the period of one year immediately preceding the date of filing of this DRHP at a price lower than the Issue Price.

The Promoters' Contribution can be pledged only with a scheduled commercial bank or public financial institution as collateral security for loans granted by such banks or financial institutions, in the event the pledge of the equity shares is one of the terms of the sanction of the loan. The Promoters' Contribution may be pledged only if in addition to the above stated, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of this Issue.

The Equity Shares held by our Promoters may be transferred to and among the Promoter Group or to new promoters or persons in control of our Company, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code, as applicable.

**(c) Details of Promoters' contribution locked in for one year:**

In addition to 20% of the post-Issue shareholding of our Company held by the Promoters (locked in for three years as specified above), in accordance with regulation 36 of SEBI (ICDR) Regulations, 2009, the entire pre-Issue share capital of our Company (including the Equity Shares held by our Promoters) shall be locked in for a period of one year from the date of Allotment in this Issue.

The Equity Shares held by persons other than our Promoters and locked-in for a period of one year from the date of allotment, in accordance with regulation 37 of SEBI (ICDR) Regulations, 2009, in the Issue may be transferred to any other person holding equity shares which are locked-in, subject to the continuation of the lock-in in the hands of transferees for the remaining period and compliance with the Takeover Code.

**(d) Lock-in of equity shares to be issued, if any, to the Anchor Investor**

Any Equity Shares to be allotted to Anchor Investors if any, under the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment of Equity Shares in the Issue.

**3. Equity Shares held by top ten shareholders**

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

<b>Name</b>	<b>No. of Shares</b>	<b>% age of pre-Issue capital</b>
Annu Agrawal	53,40,000	45.45
Comfort Intech Limited	57,50,000	48.94
Anil Agrawal	6,57,500	5.60
Anil Agrawal HUF	625	Negligible
Ankur Agrawal	625	Negligible
Amit Kumar Khemka	625	Negligible
Bharat Shiroya	625	Negligible
<b>Total</b>	<b>1,17,50,000</b>	<b>100</b>

- (b) Our top ten shareholders and the number of Equity Shares held by them ten days prior to the date of the DRHP are as under:

<b>Name</b>	<b>No. of Shares</b>	<b>% age of pre Issue Capital</b>
Annu Agrawal	53,40,000	45.45
Comfort Intech Limited	57,50,000	48.94
Mr. Anil Agrawal	6,57,500	5.60
Anil Agrawal HUF	625	Negligible
Ankur Agrawal	625	Negligible
Amit Kumar Khemka	625	Negligible
Bharat Shiroya	625	Negligible
<b>Total</b>	<b>1,17,50,000</b>	<b>100</b>

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

Name	No. of Shares	% age of pre-Issue capital
Annu Agrawal	10,68,000	59.33
Anil Agrawal	1,31,500	7.31
Comfort Intech Limited	6,00,000	33.33
Pramod S.Vyas	500	0.03
<b>Total</b>	<b>18,00,000</b>	<b>100.00</b>

4. Shareholding pattern before and after the Issue

Shareholders	Pre Issue		Post Issue	
	No. of shares	%	No. of shares	%
<b>PROMOTERS</b>				
Annu Agrawal	53,40,000	45.45	53,40,000	25.12
Anil Agrawal	6,57,500	5.60	6,57,500	3.10
Comfort Intech Limited	57,50,000	48.94	57,50,000	27.06
<b>SUB TOTAL [A]</b>	<b>1,17,47,500</b>	<b>99.99</b>	<b>1,17,47,500</b>	<b>55.28</b>
<b>PROMOTER GROUP</b>				
Anil Agrawal HUF	625	Negligible	625	Negligible
Ankur Agrawal	625	Negligible	625	Negligible
Amit Kumar Khemka	625	Negligible	625	Negligible
Bharat Shiroya	625	Negligible	625	Negligible
<b>SUB TOTAL [B]</b>	<b>2500</b>	<b>0.01</b>	<b>2500</b>	<b>0.01</b>
<b>NON-PROMOTER GROUP [C]</b>	<b>Nil</b>	<b>Nil</b>	<b>-</b>	<b>-</b>
<b>TOTAL PRE ISSUE SHARE CAPITAL</b>	<b>1,17,50,000</b>	<b>100</b>	<b>-</b>	<b>-</b>
<b>PUBLIC (PURSUANT TO THE ISSUE) [D]</b>	<b>-</b>	<b>-</b>	<b>95,00,000</b>	<b>44.71</b>
<b>TOTAL POST-ISSUE SHARE CAPITAL [A+B+C+D]</b>	<b>1,17,50,000</b>	<b>100</b>	<b>2,12,50,000</b>	<b>100.00</b>

5. None of our Directors or key managerial personnel hold Equity Shares in our Company, other than as follows:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue percentage Shareholding
1.	Annu Agrawal	53,40,000	45.45
2.	Anil Agrawal	6,57,500	5.60
3.	Amit Kumar Khemka	625	Negligible
4.	Bharat Shiroya	625	Negligible
	<b>TOTAL</b>	<b>59,98,750</b>	<b>51.05</b>

6. Our Company, our Promoters, our Directors and the BRLM have not entered into any buy-back arrangements and/or safety net facility for the purchase of Equity Shares from any person.
7. Other than as set out in “Capital Structure- Promoter contribution and lock in- History of the Share capital held by the Promoters, on page no 16 of the DRHP, our Promoters have not been issued Equity Shares for consideration other than cash.

8. There have been no purchase or sell of Equity Shares by the Promoters, Promoter Group and the Directors during a period of six months preceding the date on which the DRHP is filed with SEBI, other than as disclosed below:

Transferor	Transferee	Number of Equity Shares	Nature of the transaction	Price per Equity Share (Rs.)	Date of transfer
Pramod S Vyas	Ankur Agrawal	125	Transfer	10	August 04, 2010
Pramod S Vyas	Anil Agrawal HUF	125	Transfer	10	
Pramod S Vyas	Amit Kumar Khemka	125	Transfer	10	
Pramod S Vyas	Bharat Shiroya	125	Transfer	10	

9. An over-subscription to the extent of 10% of this Issue size can be retained for the purpose of rounding off while finalizing the basis of Allotment of Equity Shares.
10. As on the date of filing of the DRHP there are no outstanding warrants, options or rights to convert debentures, loans or other financial instrument into Equity Shares.
11. As per RBI regulations, OCBs are not allowed to participate in this Issue, sub accounts of FIIs who are foreign corporate or foreign individuals are not QIBs, and hence cannot Bid in the QIB Portion in the Issue.
12. Since the entire money of Rs. [●]/- per share (Rs. 10/- face value + Rs. [●]/- premium) is being called on application, all the successful applicants will be issued fully paid-up Equity Shares.
13. The Equity Shares of our Company are fully paid up and there are no partly paid up Equity Shares as on date.
14. In case of over-subscription in all categories, not more than 50% of the Issue to the Public shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be reserved for Mutual Funds. Further, not less than 15% of the Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue to the Public 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.
15. Under-subscription, if any, in any portion would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM and the Designated Stock Exchange.
16. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
17. Our Company has not raised any bridge loan against the proceeds of the Issue.
18. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this DRHP to SEBI until the Equity Shares issued/ to be issued pursuant to the Issue have been listed.
19. Our Company presently does not intend or propose to alter its capital structure for six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to venture into new finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.

20. Other than set out in “*Capital Structure - Notes to Capital Structure- Equity Share capital history of our Company*” on page No 16 of the DRHP, our Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
21. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
22. As of the date of filing of the DRHP, the total number of holders of Equity Shares is seven (7).
23. Our Company, Directors, Promoters or Promoter Group shall not make any payments, direct or indirect, discounts, commissions, allowances or otherwise under this Issue.
24. The Equity Shares to be issued pursuant to the Issue shall be fully paid-up at the time of Allotment.
25. Our Promoters and Promoter Group will not participate in this Issue.
26. Our Company has not made any public issue since its incorporation.
27. The Equity Shares which are subject to lock-in shall carry the inscription “non-transferable” and the non-transferability details shall be informed to the depositories. The details of lock-in shall also be provided to the stock exchanges, where the shares are to be listed, before the listing of the securities.
28. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed Issue. As and when, options are granted to our employees under the ESOP scheme, our Company shall comply with the SEBI (ICDR) Regulations 2009.
29. Except as stated in “*Capital Structure - Notes to Capital Structure- Equity Share capital history of our Company*” on page no 16 of the DRHP, there has been no allotment of Equity Shares that may be at a price lower than the Issue Price within the last 12 months from the date of filing the DRHP.
30. The Promoters, Promoter Group, Directors and their relatives have not financed the purchase by any other person of securities of the Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this DRHP with SEBI.
31. Our Company shall ensure that transactions in the Equity Shares by the Promoters and the Promoter Group between the date of filing of the Red Herring Prospectus with the RoC and the Bid/Issue Closing Date shall be reported to the Stock Exchanges within twenty-four hours of such transactions.

## OBJECTS OF THE ISSUE

The objects of this Issue are to raise funds to:-

1. Expand our domestic operations and network of branches
2. Enhancement of margin money maintained with the exchanges
3. Brand building & promotional activities
4. General corporate purposes
5. Public Issue expenses

In addition, our Company expects to receive the benefits of listing the Equity Shares on the Stock Exchange.

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised by us through this Issue. Further, we confirm that the activities we have been carrying out until now are in accordance with the object clause of our Memorandum of Association.

## OUR REQUIREMENT OF FUNDS AND MEANS OF FINANCE

We are a diversified financial services company in India, providing a wide range of products & services covering merchant banking, equity broking, currency derivatives and depository participants to all kinds of investors. We intend to utilize the proceeds of this Issue for financing the growth of our business towards the under-mentioned activities. The details of utilization of proceeds are as per the table set forth below:

(Rs. in lakh)		
S.N	Particulars	Proposed Utilizations of Issue Proceed
1	Expanding our domestic operations and network of branches	1,972.36
2	Enhancement of margin money maintained with the exchanges	3,125.00
3	Brand building & promotional activities	700.00
4	General corporate purposes	[●]
5	Public Issue Expenses	[●]
	<b>Total</b>	<b>[●]</b>

We propose to meet all the requirement of funds entirely from the proceeds of the Issue and, therefore, no amount is required to be raised through means other than the Issue for financing the same. Accordingly, regulation 4(2)(g) of the SEBI (ICDR) Regulations, 2009 (which requires firm arrangements of finance through verifiable means for 75% of the stated means of finance, excluding the amount to be raised through the proposed Issue) does not apply to the Issue.

The fund requirement and deployment, as mentioned in the “*Objects of the Issue*” on page no. 22 of this DRHP is based on the estimates of our management and has not been appraised by any bank or financial institution or any other independent agency. These fund requirements are based on our current business plan. We cannot assure that the current business plan will be implemented in its entirety or at all. In view of the highly competitive and dynamic nature of our business, we may have to revise our business plan from time to time and consequently these fund requirements. The deployment of the funds towards the Objects of the Issue is at the discretion of our Board of Directors and is not subject to monitoring by any external independent agency. Further, we cannot assure that the actual costs or schedule of implementation as proposed in the “*Objects of the Issue*” will not vary from the estimated costs or schedule of implementation. Any such variance may be on account of one or more factors, some of which may be beyond our control. Occurrence of any such event may delay our business plans and/or may have an adverse bearing on our expected revenues and earnings.

## Details of the Objects

### 1. Expanding our domestic operations and network of branches.

Our Company is headquartered at Malad, Mumbai and we also operate from another 9 branches offices in 6 Indian cities. For further details of our existing offices and branches, please see the chapter titled “Our Business” on page no. 47 of this DRHP. Going forward, we intend to set up four (4) regional offices in Ahmedabad, Jaipur, Kolkata and Chennai and 80 branch offices in 40 cities in India on leave and license basis.

Sr.No.	Particulars	Amount (Rs. in Lakh)
a)	Setting up four (4) regional offices	168.36
b)	Setting up additional 80 branch offices	1,664.00
c)	Contingency	140.00
	<b>Total</b>	<b>1,972.36</b>

#### a) Setting up four regional offices

We propose to set up the regional offices in four cities of India to expand our business and to enhance our visibility and also to exercise better control over the branches in these regions. Our Company intends to utilize approximately Rs. 168.36 Lakh of the Net Proceeds towards setting up the new regional offices. The following table highlights the break-up of costs under various heads expected to be incurred towards setting up these regional offices.

(Rs in Lakh)

Location	Appx Area	Security Deposits	Furniture & Fixtures	IT& Equipment	Admin. Expenses	Total
Chennai, Anna Salai	1650 Sq. Ft	9.96	21.10	11.50	2.00	44.56
Jaipur, Ashok Marg	1600 Sq. Ft	6.00	21.10	11.50	2.00	40.60
Ahmedabad, C G Road	1800 Sq. Ft	6.00	21.10	11.50	2.00	40.60
Kolkata, Park Street	1700 Sq. Ft	8.00	21.10	11.50	2.00	42.60
<b>Total</b>		<b>29.96</b>	<b>84.40</b>	<b>46.00</b>	<b>8.00</b>	<b>168.36</b>

#### b) Setting up additional 80 branch offices

We want to expand our reach in 40 cities by setting up 80 branches on lease basis. The cost involved in setting up a new branch on leave and license basis primarily comprises of deposit/advance rent for leave & license arrangements, expenditure on interiors, furniture and fixtures, electrical, installation of computers, network-connectivity, etc. Except the advance rent/ deposit for leave & license component, the other costs largely remain the same for similar sized branches in all the cities. We intend to utilize approx. Rs. 1,664 lakh for establishing 80 branches. The details of the cost of the establishing one branch are provided as below:

Particulars	Estimated Cost (Rs. in Lakh)
Deposits/ advance rentals (600-800 Sq. ft.)	3.50
Furniture & Fixtures	8.40
IT & Other office equipments	6.90
Administrative expenses	2.00
<b>Total</b>	<b>20.80</b>

The time taken to establish a branch may range from 60 to 90 days from the date of identification of the location of the prospective branch. Since the time required in establishing a branch is relatively short, we will be setting up these branches after completing the Issue, therefore, we have not made any arrangements for establishment of any of these branches. We do not intend to purchase any second-hand equipment and instruments from the Proceeds of the Issue.

### c) Contingency

A provision of Rs. 140 lakh has been provided which will take care of any escalation due to inflation, costs of furniture, fixture, computers and systems, etc. Any escalation in excess of Rs. 140 lakh on account of any contingencies presently not foreseen will be met from internal resources of the Company.

## 2. Enhancement of margin money maintained with the exchanges

Part of the proceeds of this Issue will be utilized for the margins to be placed with the stock exchanges. The margin requirements with the exchanges are determined on the basis of trading volumes and market volatility and to the extent of open interest in respect of equity/ stock future.

Such margin requirements comprise of “initial margin” representing initial margin paid and “margin deposits”, representing additional margin over and above the initial margin, for entering into contracts for equity index/ stock futures, which are released on final settlement and/or squaring up of underlying contracts. Further, equity index/ stock futures are marked-to-market on a daily basis, in which case, “mark-to-market margin” is required to be provided, representing the net amount paid or received on the basis of movement of price/ stock futures till the balance sheet date. While the initial margin and the margin deposits with the stock exchanges/ professional clearing members can be created by way of deposit of either stock or bank guarantees or fixed deposits with banks or cash, however, the marked-to-market margin is typically created by way of deposit of cash. As on August 31, 2010, the total margin placed with the exchanges were Rs. 1470 lakh. With the proposed expansion in the operation and branch network and the growth plan envisaged by our Company, we expect our trading volumes to increase leading to additional margin capital requirements for our Company. Provided below are the details of the levels of initial margin, margin deposits and marked-to-market margin maintained by us in the last two financial years:

Particulars	FY 2009	FY 2010
Margins maintained with stock exchanges (Rs. in lakh)	754	1,470

As above, we have witnessed an increased requirement to maintain margins with the stock exchanges. Consequently, we propose to deploy Rs. 3,125 lakh out of Issue proceeds by financial year 2012-13 towards enhancing the margins with the exchanges through either bank guarantees or fixed deposits with banks or cash. Such capital infusion will enable us to undertake more business in equities and derivatives markets. Any short fall in margin would be met through internal accruals.

## 3. Brand building and promotional activities

Brands are a means of differentiating an entity’s products and services from those of its competitors. In the financial services sector, a strong brand will help us to make our services distinct & more reliable in competition. It will also increase awareness about the services provided by our Company. In line with our Company’s expansion plans, we propose to establish a recognized brand for our Company. For this purpose, we intend to make advertisements in various forms of media including TV, print, etc., conduct investment awareness program and account opening campaign and also outdoor advertising. We have appointed Sun Capital Advisory Services Private Limited as our public relation counsel to advise, plan and monitor various activities in this regard. The total expenditure to be incurred is estimated to be Rs. 700 lakh, the details of which are given as under:-

Sr. No.	Particulars	Amount (Rs. in lakh)
a.	Investor awareness programs	150.00
b.	Account opening campaign	150.00
c.	Advertisement in print and electronic media	150.00
d.	Outdoor advertising	250.00
	<b>Total</b>	<b>700.00</b>

*The above estimations are based on the quotation received from Sun Capital Advisory Services Private Limited*

#### 4. General Corporate Purposes

We intend to deploy the balance Net Proceeds aggregating Rs. [●] lakh towards the general corporate purposes, including but not restricted to entering into strategic alliances, partnership, investment in other segments of the industry, growth through inorganic route and the strengthening our marketing capabilities or any other purposes as approved by our Board of Directors.

#### 5. Issue Related Expenses

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

Activity Expenses*	Amount (Rs. In lakh)
Lead management fee and underwriting commissions	[●]
Advertising and Marketing expenses	[●]
Printing and stationery	[●]
Others (Monitoring agency fees, Registrars fee, legal fees, etc)	[●]
<b>Total</b>	<b>[●]</b>

\* Will be incorporated after finalization of the Issue Price.

#### SCHEDULE OF DEPLOYMENT OF FUNDS

The Company proposes to deploy the funds over a period as follows:

(Rs. in Lakh)

Activity	Already Deployed	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3rd Year	Total
Expanding our domestic operations and network of branches	Nil	566	878	528.36	1972.36
Enhancement of Margin Money maintained with the Exchanges	Nil	1250	1875	NIL	3125
Brand building & promotional activities	Nil	350	350	NIL	700
General corporate Purposes	Nil	[●]	[●]	[●]	[●]
Issue Expenses	15.65	[●]	-	-	[●]
<b>Total</b>	<b>15.65</b>	<b>[●]</b>	<b>[●]</b>	<b>[●]</b>	<b>[●]</b>

#### FUNDS DEPLOYED

Ramanand & Associate, Statutory Auditor, have issued a certificate dated December 13, 2010 for the deployment of funds as on November 15, 2010, stating that the Company has not deployed any funds towards the aforesaid objects for which the Net Proceeds are being raised. The certificate further states that an amount of Rs 15.65 lakh has been incurred by our Company towards Issue related expenses out of their internal accruals.

#### BRIDGE FINANCING FACILITIES

We have not entered into any bridge loan facility that will be repaid from the Net Proceeds of the Issue.

#### INTERIM USE OF PROCEEDS

Our Company intends to use the proceeds of the Issue to meet all or any of the uses of funds described above. Pending utilization for the purposes described above, our Company intends to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or reducing overdrafts. Such investments would be in accordance with investment policies approved by the Board from time to time.



## **MONITORING OF UTILIZATION OF FUNDS**

Our Board will monitor the utilization of the Issue Proceeds raised through this public Issue. We will disclose the utilization of the proceeds of the Issue under a separate head along with details, for all such proceeds of the Issue that have not been utilized. We will indicate investments, if any, of unutilized proceeds of the Issue in our balance sheet for the relevant financial years subsequent to our listing.

As per Clause 49 of the listing agreements with the Stock Exchange, we shall disclose to the Audit Committee, the uses / applications of funds on a quarterly basis as a part of our quarterly declaration of financial results. Further, we shall, on a quarterly basis, prepare a statement indicating material deviations, if any, in the use of Issue proceeds. Such statement shall be furnished to the Stock Exchange along with the interim and / or annual financial statements and shall be published in the newspapers simultaneously with the interim or annual financial results, after placing it before our Audit Committee.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by us in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares offered by the Book Building Process and on the basis of the following qualitative and quantitative factors. The face value of the Equity Shares is Rs. 10 and the Issue Price is [●] times the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

### Qualitative factors

#### **An integrated & diversified financial services platform**

We offer our clients an integrated and diversified financial services platform, offering various financial services and products covering merchant banking, equity broking, currency derivatives and depository services. Our presence in diverse lines of business of financial services enables us to mitigate risks arising from product and client concentration.

#### **Diversified client base**

We have more than 1500 clients in our broking division and are not dependent on small set of high net worth individuals but have exposure to a well diversified client base ranging from retail investors to HNIs and institutional investors.

#### **Experienced Management**

Our senior management team is supported by professionals with a wide experience in financial services segment like merchant banking, equity sales and trading, and investment. Extensive experience and financial acumen of our management and professionals facilitates us with a significant competitive advantage.

#### **Growing client base built on well-recognized brand**

Our dedicated focus on client service and our ability to provide timely solutions enables us to resolve customer complaints, if any well in time. This assists us in establishing long-term relationships with our clients and enhancing our goodwill amongst them. The number of registered clients in our Equity Broking and Depository Participants Services has been growing at a rapid pace, which gives an indication of the substantial strength of our business activities.

For details on the qualitative factors, which form the basis for computing the price, please see the chapter titled “Our Business” on page no. 47 and “Risk Factors” on page no. xi respectively of this DRHP.

### Quantitative factors

Information presented in this chapter is derived from the Company’s restated, consolidated financial statements prepared in accordance with Indian GAAP. The quantitative factors, which form the basis for computing the price, are as follows.

#### **Adjusted basic and diluted earnings per share (EPS)**

Financial period	EPS (Rs.)	Weight
Financial year 2008	6.28	1
Financial year 2009	6.21	2
Financial year 2010*(annualised)	2.36	3
<b>Weighted average</b>	<b>4.30</b>	

\*The Financial year 2010 ended on August 31<sup>st</sup> 2010(17 months) during which EPS was Rs. 3.34 (Rs. 2.36 annualised).

**Notes:**

- The earnings per share has been computed on the basis of adjusted profits and losses for the respective years / periods after considering the impact of accounting policy changes, prior period adjustments / re-groupings pertaining to earlier years, as per the auditor's report.
- The face value of each equity share is Rs.10.
- Earnings per share calculations are in accordance with the Accounting Standard 20 "Earnings per Share" issued by Chartered Accountants of India.

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

- Based on annualised EPS for the financial year ended August 31, 2010 of Rs. 2.36
  - (a) P/E ratio in relation to the Floor Price :[●] times
  - (b) P/E ratio in relation to the Cap Price :[●] times
- Based on the Weighted average EPS of Rs 4.78
  - (a) P/E ratio in relation to the Floor Price : [●] times
  - (b) P/E ratio in relation to the Cap Price :[●] times
- Industry P/E (For Finance and Investments)\*:
  - (a) Highest: 283.1 times
  - (b) Lowest: 1.6 times
  - (c) Average: 21.4 times

\* Sources: Capital Market -Volume XXV/22- December 27, 2010-January 9, 2011

**Weighted average return on net worth (RoNW)\***

Financial period	RoNW (%)	Weight
Financial year 2008	18.61	1
Financial year 2009	17.17	2
Financial year 2010 (annualised)**	19.14	3
<b>Weighted average</b>	<b>18.40</b>	

\*Net worth has been computed by aggregating share capital, reserves and surplus and adjusting for revaluation reserves, intangible assets and deferred tax assets as per our audited restated financial statements

\*\*Return on net worth(RoNW) for Financial year 2010 (17 months) was 27.12% and 19.14%(annualised).

**Minimum Return on total net worth required to maintain pre-Issue EPS**

The minimum Return on total Net Worth after Issue required to maintain pre-Issue EPS at Rs. [●] is [●] %.

**Net Asset Value (NAV) per Equity Share**

NAV per equity share represents shareholders' equity less miscellaneous expenses as divided by restated weighted average number of equity shares. The NAV per Equity Share as at August 31, 2010 is Rs. 11.78.

**NAV per Equity Share after the Issue**

The NAV per Equity Share as of August 31, 2010 after the Issue is Rs. [●]

The Issue Price per Equity Share is Rs. [●].

The Issue Price per Equity Share will be determined on conclusion of the Book Building Process.

**Comparison of accounting ratios with other listed companies**

<b>Name of Companies</b>	<b>FV</b>	<b>EPS (Rs.) (TTM)</b>	<b>P/E</b>	<b>Return on Net Worth (%)</b>
Comfort Securities Limited*	10	*2.36	[●]	*19.14
<b>Peer group**</b>				
Fortune Financial Services Limited	10	7.7	24.7	9.1
Microsec Financial Services Limited	10	5.3	10.4	19.1
Centrum Capital Limited	10	17.3	95.1	8.5

\* Our EPS, Return on Net Worth and Net Asset Value per Share have been calculated from our audited restated financial statements for the financial year 2010 ending August 31, 2010 and we have taken the same on annualised basis.

\*\* Source: All figures for “peer group” are extracted from Capital Market .Vol XXV/22- Dec 27, 2010-Jan 09, 2011

The BRLM believes that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. For further details, see the section titled “Risk Factors” on page no. xi of this DRHP and the financials of our Company including important profitability and return ratios, as set out in the auditor’s report appearing in the section titled “Financial Information” on page no. 88 of this DRHP to have a more informed view.

## STATEMENT OF TAX BENEFITS

**The Board of Directors  
Comfort Securities Limited  
A-301, Hetal Arch,  
Opp. Natraj Market,  
S. V. Road, Malad (W),  
Mumbai – 400 064**

Dear Sirs,

Statement of Possible Tax Benefits available to Comfort Securities Limited and its shareholders

We hereby report that the enclosed statement provides the possible tax benefits available to Comfort Securities Limited ('the Company') under the Income-tax Act, 1961 presently in force in India and to the shareholders of the Company under the Income Tax Act, 1961 and Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

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

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

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

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.

We shall not be liable to any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

**For Ramanand & Associates  
Chartered Accountants**

**Sd/-  
Ramanand Gupta  
Partner  
Firm's registration number: 117776W  
Membership No: 103975**

**Place: Mumbai  
Date: December 13, 2010**

## **General Tax Benefits to the Company**

1. Dividends earned are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Act. However, as per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.
2. The Company will be entitled to amortise certain preliminary expenditure, specified under section 35D(2) of the I.T. Act, subject to the limit specified in Section 35D(3). The deduction is allowable for an amount equal to one-fifth of such expenditure for each of five successive assessment years beginning with the assessment year in which the business commences.
3. Income by way of interest, premium on redemption or other payment on notified securities, bonds, certificates issued by the Central Government is exempt from tax under section 10(15) of the Income-tax Act, 1961 (herein after referred to as 'the Act') in accordance with and subject to the conditions and limits as may be specified in notifications.
4. The depreciation rates in respect of Motor Cars is 15%, furniture & fittings is 10%, Intangible assets is 25%, Computers 60%, Buildings (Residential) is 5% and Buildings (Others) is 10%.
5. The amount of tax paid under Section 115JB by the company for any assessment year beginning on or after 1st April 2006 will be available as credit for ten years succeeding the Assessment Year in which MAT credit becomes allowable in accordance with the provisions of Section 115JAA.
6. In case of loss under the head "Profit and Gains from Business or Profession", it can be set-off against other income and the excess loss after set-off can be carried forward for set-off -against business income of the next eight Assessment Years.
7. The unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward indefinitely for set-off against the income of future years.
8. If the company invests in the equity shares of another company, as per the provisions of Section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to Securities Transaction Tax.
9. Income earned from investment in units of a specified Mutual Fund is exempt from tax under section 10(35) of the Act. However, as per section 94(7) of the Act, losses arising from the sale/ redemption of units purchased within three months prior to the record date (for entitlement to receive income) and sold within nine months from the record date, will be disallowed to the extent such loss does not exceed the amount of income claimed exempt.
10. Further, as per section 94(8) of the Act, if an investor purchases units within three months prior to the record date for entitlement of bonus, and is allotted bonus units without any payment on the basis of holding original units on the record date and such person sells/redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus units.
11. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of:
  - (a) 20 per cent (plus applicable surcharge and education cess) of the capital gains as computed after indexation of the cost. or
  - (b) 10 per cent (plus applicable surcharge and education cess) of the capital gains as computed without indexation.
12. In accordance with Section 111A, the tax on capital gains arising from the transfer of a short term asset being an equity share in a company or a unit of an equity oriented fund, is chargeable to tax at the rate of

15% (plus applicable surcharge and education cess), where such transaction is chargeable to Securities Transaction Tax. And if the provisions of Section 111A are not applicable to the short term capital gains, in case of non chargeability to Securities Transaction Tax, then the tax will be chargeable at the rate of 30% (plus applicable surcharge and education cess) as applicable.

13. Under section 36(1)(vii), any bad debt or part thereof written off as irrecoverable in the accounts is allowable as a deduction from the total income.

14. Under section 36(1)(viii) of the Act, subject to the conditions specified therein, a deduction is allowable in respect of an amount not exceeding 20% of the profits derived from eligible business [viz., providing long-term finance for industrial or agricultural development or development of infrastructure facility in India or development of housing in India] provided such amount is transferred to a special reserve account created and maintained for this purpose. Provided that where the aggregate of the amounts carried to such reserve account from time to time exceeds twice the amount of the paid up share capital and general reserves, no further deduction shall be allowable in respect of such excess.

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

#### Section 115-O

Tax rate on distributed profits of domestic companies (DDT) is 15%, the surcharge on Income tax is at 10%, and the education cess is at 3%.

#### Tax Rates

The tax rate is 30%. The surcharge on Income tax is 10%, only if the total income exceeds Rs.100 Lakh. Education cess is 3%.

#### General Tax Benefits to the Shareholders of the Company

##### (I) Under the Income-tax Act

##### A) Residents

1. Dividends earned on shares of the company are exempt from tax in accordance with and subject to the provisions of section 10(34) read with section 115-O of the Act. However, as per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

2. Shares of the company held as capital asset for a period of more than twelve months preceding the date of transfer will be treated as a long term capital asset.

3. Long term capital gain arising on sale of shares is fully exempt from tax in accordance with the provisions of section 10(38) of the Act, where the sale is made on or after October 1, 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax.

4. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income (ie dividend/exempt long-term capital gains) is not a tax deductible expenditure.

5. Under section 36(1)(xv) of the Act, securities transaction tax paid by a shareholder in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

6. As per the provision of Section 71(3), if there is a loss under the head "Capital Gains", it cannot be set-off with the income under any other head. Section 74 provides that the short term capital loss can be set-off against both Short term and Long term capital gain. But Long term capital loss cannot be set-off against short term capital gain. The unabsorbed short term capital loss can be carried forward for next eight assessment years and can be set off against any capital gains in subsequent years. The unabsorbed long term

capital loss can be carried forward for next eight assessment years and can be set off only against long term capital gains in subsequent years.

7. Taxable long term capital gains would arise [if not exempt under section 10(38) or any other section of the Act] to a resident shareholder where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

(a) Cost of acquisition/ improvement of the shares as adjusted by the cost inflation index notified by the Central Government; and

(b) Expenditure incurred wholly and exclusively in connection with the transfer of shares

8. Under section 112 of the Act, taxable long-term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and education cess) after indexation, as provided in the second proviso to section 48 of the Act. However, in case of listed securities or units, the amount of such tax could be limited to 10% (plus applicable surcharge and education cess), without indexation, at the option of the shareholder.

9. Short term capital gains on the transfer of equity shares, where the shares are held for a period of not more than 12 months would be taxed at 15% (plus applicable surcharge and education cess), where the sale is made on or after October 1, 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax. In all other cases, the short term capital gains would be taxed at the normal rates of tax (plus applicable surcharge and education cess) applicable to the resident investor. Cost indexation benefits would not be available in computing tax on short term capital gain.

10. Under section 54EC of the Act, long term capital gain arising on the transfer of shares of the Company [other than the sale referred to in section 10(38) of the Act] is exempt from tax to the extent the same is invested in certain notified bonds within a period of six months from the date of such transfer (upto a maximum limit of Rs 50 Lakh ) for a minimum period of three years.

11. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual and on which Securities Transaction Tax is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available if the individual-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares; and
- the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

12. If an individual or HUF receives any property, which includes shares, without consideration, the aggregate fair market value of which exceeds Rs 50,000, the whole of the fair market value of such property will be considered as income in the hands of the recipient. Similarly, if an individual or HUF receives any property, which includes shares, for consideration which is less than the fair market value of the property by an amount exceeding Rs 50,000, the fair market value of such property as exceeds the consideration will be considered as income in the hands of the recipient.



## Tax Rates

For Individuals, HUFs, BOI and Association of Persons:

Slab of income (Rs.)	Rate of tax (%)
0 – 160,000	Nil
160,001 – 500,000	10%
500,001 – 8,00,000	20%
800,001 and above	30%

### Notes:

In respect of women residents below the age of 65 years, the basic exemption limit is Rs. 190,000.

In respect of senior citizens resident in India, the basic exemption limit is Rs. 240,000.

Education cess will be levied at the rate of 3% on income tax.

### B) Non-Residents

1. Dividends earned on shares of the Company are exempt in accordance with and subject to the provisions of section 10(34) read with Section 115-O of the Act. However, as per section 94(7) of the Act, losses arising from sale/ transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt

2. Long term capital gain arising on sale of Company's shares is fully exempt from tax in accordance with the provisions of section 10(38) of the Act, where the sale is made on or after October, 1 2004 on a recognized stock exchange and the transaction is chargeable to securities transaction tax.

3. In accordance with section 48, capital gains arising out of transfer of capital assets being shares in the company shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter in, and sale of, shares and debentures of, an Indian company including the Company.

4. As per the provisions of Section 90, the Non Resident shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country for avoidance of double taxation of income.

Company [other than the sale referred to in section 10(38) of the Act] is exempt from tax to the extent the same is invested in certain notified bonds within a period of six months from the date of such transfer (upto a maximum limit of Rs 50 Lakh ) for a minimum period of three years.

5. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to Securities Transaction Tax, held as long term capital assets will be at the rate of 10% (plus applicable surcharge and education cess). A non-resident will not be eligible for adopting the indexed cost of acquisition and the indexed cost of improvement for the purpose of computation of long-term capital gain on sale of shares.

6. In accordance with Section 111A, the tax on capital gains arising from the transfer of a short term asset being an equity share in a company or a unit of an equity oriented fund, is chargeable to tax at the rate of 15% (plus applicable surcharge and education cess), where such transaction is chargeable to Securities Transaction Tax. If the provisions of Section 111A are not applicable to the short term capital gains, then the tax will be chargeable at the applicable normal rates plus surcharge and education cess as applicable.

7. Under section 54EC of the Act, long term capital gain arising on the transfer of shares of the Company [other than the sale referred to in section 10(38) of the Act] is exempt from tax to the extent the same is

invested in certain notified bonds within a period of six months from the date of such transfer (upto a maximum limit of Rs 50 Lakh ) for a minimum period of three years.

8. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual and on which Securities Transaction Tax is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years subject to regulatory feasibility. Such benefit will not be available if the individual-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares; and
- the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the residential house is transferred.

#### C) Non-Resident Indians

Further, a Non-Resident Indian has the option to be governed by the provisions of Chapter XII-A of the Income-tax Act, 1961 which reads as under:

1. In accordance with section 115E, income from investment or income from long-term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20% (plus education cess). Income by way of long term capital gains in respect of a specified asset (as defined in Section 115C (f) of the Income-tax Act, 1961), shall be chargeable at 10% (plus education cess).

2. In accordance with section 115F, subject to the conditions and to the extent specified herein, long-term capital gains arising from transfer of shares of the company acquired out of convertible foreign exchange, and on which Securities Transaction Tax is not payable, shall be exempt from capital gains tax, if the net consideration is invested within six months of the date of transfer in any specified new asset.

3. In accordance with section 115G, it is not necessary for a Non-Resident Indian to file a return of income under section 139(1), if his total income consists only of investment income earned on shares of the company acquired out of convertible foreign exchange or income by way of long-term capital gains earned on transfer of shares of the company acquired out of convertible foreign exchange or both, and the tax deductible has been deducted at source from such income under the provisions of Chapter XVII-B of the Income-tax Act, 1961.

4. In accordance with section 115-I, where a Non-Resident Indian opts not to be governed by the provisions of Chapter XII-A for any assessment year, his total income for that assessment year (including income arising from investment in the company) will be computed and tax will be charged according to the other provisions of the Income-tax Act, 1961.

5. As per the provisions of Section 90, the NRI shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country for avoidance of double taxation of income.

6. In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to Securities Transaction Tax.

7. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) will be exempt from tax.

8. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company or a unit of an equity oriented fund where such transaction has suffered Securities Transaction Tax is chargeable to tax at the rate of 15% (plus applicable surcharge and education cess). If the provisions of Section 111A are not applicable to the short term capital gains, then the tax will be chargeable at the applicable normal rates plus surcharge and education cess.

9. Under section 54EC of the Act, long term capital gain arising on the transfer of shares of the Company [other than the sale referred to in section 10(38) of the Act] is exempt from tax to the extent the same is invested in certain notified bonds within a period of six months from the date of such transfer (upto a maximum limit of Rs 50 Lakh) for a minimum period of three years.

10. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family on which Securities Transaction Tax is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years subject to regulatory feasibility. Such benefit will not be available if the individual or Hindu Undivided Family-

- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- purchases another residential house within a period of one year after the date of transfer of the shares; or
- constructs another residential house within a period of three years after the date of transfer of the shares; and
- the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from house property".

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

#### D) Foreign Institutional Investors (FIIs)

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) will be exempt from tax in the hands of Foreign Institutional Investors (FIIs).

2. In accordance with section 115AD, FIIs will be taxed at 10% (plus applicable surcharge and education cess) on long-term capital gains (computed without indexation of cost and foreign exchange fluctuation), if Securities Transaction Tax is not payable on the transfer of the shares and at 15% (plus applicable surcharge and education cess) in accordance with section 111A on short-term capital gains arising on the sale of the shares of the Company which is subject to Securities Transaction Tax. If the provisions of Section 111A are not applicable to the short term capital gains, then the tax will be charged at the rate of 30% plus applicable surcharge and education cess, as applicable.

In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income, if the transaction is chargeable to Securities Transaction Tax.

3. As per the provisions of Section 90, the Non Resident shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country for avoidance of double taxation of income.

4. Under section 196D (2) of the Income-tax Act, 1961, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD.

5. Under section 54EC of the Act, long term capital gain arising on the transfer of shares of the Company [other than the sale referred to in section 10(38) of the Act] is exempt from tax to the extent the same is invested in certain notified bonds within a period of six months from the date of such transfer (upto a maximum limit of Rs 50 Lakh) for a minimum period of three years.

E) Persons carrying on business or profession in shares and securities.

Under section 36(1)(xv) of the Act, securities transaction tax paid by a shareholder in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head “Profits and gains of business or profession”.

A non resident taxpayer has an option to be governed by the provisions of the Income-tax Act, 1961 or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial (section 90(2) of the Income tax Act, 1961).

Venture Capital company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992; and Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992, from investment in a Venture Capital Undertaking, is exempt from income tax, Exemption available under the Act is subject to investment in domestic company whose shares are not listed and which is engaged in certain ‘specified’ business/industry.

F) Mutual Funds

Under section 10(23D) of the Act, exemption is available in respect of income (including capital gains arising on transfer of shares of the Company) of a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or such other Mutual fund set up by a public sector bank or a public financial institution or authorized by the Reserve Bank of India and subject to the conditions as the Central Government may specify by notification.

G) Venture Capital Companies/Funds

In terms of section 10(23FB) of the I.T. Act, income of:-

(II) Under the Wealth Tax and Gift Tax Acts

1. “Asset” as defined under section 2(ea) of the Wealth-tax Act, 1957 does not include shares held in a Company and hence, these are not liable to wealth tax.

2. Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Any gift of shares of the Company is not liable to gift-tax. However, in the hands of the Donee the same will be treated as income unless the gift is from a relative as defined under Explanation to Section 56(vi) of Income-tax Act, 1961.

Notes:

1. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

2. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.

3. The above statement of possible tax benefits are as per the current direct tax laws relevant for the assessment year 2011-12. Several of these benefits are dependent on the Company or its shareholder fulfilling the conditions prescribed under the relevant tax laws.

4. This statement is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.

5. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the non-resident has fiscal domicile.

6. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

**For Ramanand & Associates**  
**Chartered Accountants**

**Ramanand Gupta**  
**Partner**  
**Firm's registration number: 117776W**  
**Membership No: 103975**

**Place:** Mumbai  
**Date:** December 13, 2010

## SECTION IV – ABOUT OUR COMPANY

### INDUSTRY OVERVIEW

*The information presented in this section has been obtained from publicly available documents from various sources including stock exchange and industry websites and from publications and government and company estimates. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Draft Red Herring Prospectus is reliable and that website data is as current as practicable, these have not been independently verified. Similarly, internal Company estimates, which we believe to be reliable, have not been verified by any independent agencies. Accordingly investment decisions should not be based on such information*

#### Indian Economy

India is now one of the fastest growing economies in the world. With an estimated GDP of approximately US\$3.56 (Rs.165.9) trillion in 2009, on a purchasing power parity ("PPP") basis, India is the fifth largest economy in the world after the European Union, the United States, China and Japan (*Source: CIA World Factbook*). In the past, India has experienced rapid economic growth, with GDP growing at an average growth rate of 8.8% between Financial Year 2003 and Financial Year 2008. As a result of the global economic downturn, this high growth trajectory was impeded in Financial Year 2009, with the growth rate of India's GDP decelerating to 5.9% in the second half of Financial Year 2009, compared to 7.3% in Financial Year 2008. (*Source: RBI, Macroeconomic and Monetary Developments: First Quarter Review: 2009-10*).

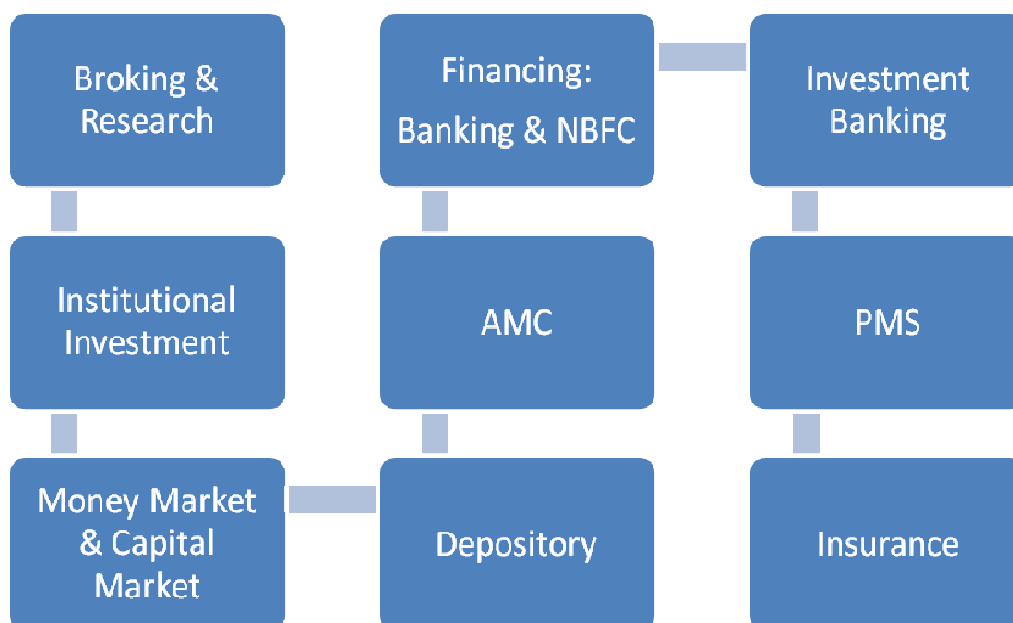
However, the Indian economy exhibited broad based recovery in the second half of 2009-10 from the slowdown that had started in the second half of 2008-09. Despite deficient monsoon and the fragile global recovery, India achieved 7.4 per cent growth in GDP in 2009-10, one of the highest in the world. As per IMF world economic outlook 2010, in India, the growth in real GDP will be supported by rising private demand, with consumption strengthening as a result of improvements in the labour market, and a boost to investment brought about by strong profitability, rising business confidence and favourable financing conditions. The Indian economy exhibited robust acceleration in the pace of recovery in the fourth quarter of 2009-10, led by strong double digit growth in industrial activities. Contrary to earlier concerns about the adverse impact of the deficient monsoon, the agricultural output showed modest positive growth. Services activities, which had remained resilient throughout the phase of slowdown, showed further pick-up in momentum. The IIP has continued to grow at a robust pace in 2010-11 so far, notwithstanding some moderation in May 2010. Capacity utilization rate remained high and employment growth was positive unlike the jobless recovery seen in advanced economies. Overall GDP growth in 2010-11 could be expected to accelerate further to get closer to its trend rate. As a consequence the IMF revised upwards its global growth projections for 2010 to 4.2 per cent from .3 per cent earlier. Recovery continues to remain uneven across countries in terms of both paces as well as sustainability.

	Year over Year			
	2008	2009	Projections	
			2010	2011
<b>World Output<sup>1</sup></b>	<b>3.0</b>	<b>-0.6</b>	<b>4.2</b>	<b>4.3</b>
<b>Advanced Economies</b>	<b>0.5</b>	<b>-3.2</b>	<b>2.3</b>	<b>2.4</b>
United States	0.4	-2.4	3.1	2.6
Euro Area	0.6	-4.1	1.0	1.5
Germany	1.2	-5.0	1.2	1.7
France	0.3	-2.2	1.5	1.8
Italy	-1.3	-5.0	0.8	1.2
Spain	0.9	-3.6	-0.4	0.9
Japan	-1.2	-5.2	1.9	2.0
United Kingdom	0.5	-4.9	1.3	2.5
Canada	0.4	-2.6	3.1	3.2
Other Advanced Economies	1.7	-1.1	3.7	3.9
Newly Industrialized Asian Economies	1.8	-0.9	5.2	4.9
<b>Emerging and Developing Economies<sup>2</sup></b>	<b>6.1</b>	<b>2.4</b>	<b>6.3</b>	<b>6.5</b>
Central and Eastern Europe	3.0	-3.7	2.8	3.4
Commonwealth of Independent States	5.5	-6.6	4.0	3.6
Russia	5.6	-7.9	4.0	3.3
Excluding Russia	5.3	-3.5	3.9	4.5
Developing Asia	7.9	6.6	8.7	8.7
China	9.6	8.7	10.0	9.9
India	7.3	5.7	8.8	8.4
ASEAN-5 <sup>3</sup>	4.7	1.7	5.4	5.6
Middle East and North Africa	5.1	2.4	4.5	4.8
Sub-Saharan Africa	5.5	2.1	4.7	5.9

Source – IMF World Economic Outlook

### Indian Financial Services Sector

The financial sector in India is characterized by liberal and progressive policies, vibrant equity and debt markets and prudent banking norms. India's financial sector has been one of the fastest growing sectors in the economy. India has a financial system that is regulated by independent regulators in the sectors of banking, insurance, capital markets etc. India. The Indian financial sector attributes its growth to technology up gradation, consolidation of large broking houses, evolution of e-broking business, growth in retail segment, regulatory reforms, diversified asset instruments and foreign investment participation. There is huge growth potential in the Indian financial sector. Sectors such as banking, asset management and brokerage have been liberalized to allow private sector involvement, which has contributed to the development and modernization of the financial services sector. This is particularly evident in the nonbanking financial services sector, such as equities, derivatives and commodities brokerage, residential mortgage and insurance services, where new products and expanding delivery channels have helped these sectors achieve high growth rates.



### Foreign Participation

As per the Securities and Exchange Board of India (SEBI), number of registered Foreign Institutional Investors (FIIs) as on May 31, 2010 was 1710. Foreign Institutional Investors play an important role in Indian securities markets. Since 1992-93, when FIIs were allowed entry into Indian financial markets, foreign institutional investment has increased over the years except in 1998-99 and 2008-09. In tandem with the boom in stock markets and sound global scenario, investments by FIIs into India were quite high in last few years, particularly since 2003-04. FIIs made a record investment in the Indian equity market in 2009-10, surpassing the 2007 inflows that was Rs. 66179 crore. During July 2010 FIIs net investment (FIIs total purchase less FIIs total sales) increased by 220% to Rs. 24,724 crore from Rs. 11,249 crore in June 2010.

**Investment by Foreign Institutional Investors (Rs. Crore) (Source: SEBI August – 2010 Bulletin)**

Year/Month	Equity	Debt	Total
1	2	3	4
2008-09	-47,706	1,895	-45,811
2009-10	1,10,220	32,438	1,42,658
2010-11 \$	38,738	17,329	56,066
Apr-10	9,361	3,032	12,393
May-10	-9,437	2,451	-6,986
Jun-10	10,508	741	11,249
Jul-10	16,617	8,107	24,724

**Indian Capital Market**

India has a transparent; highly technology enabled and well regulated stock / capital market. A vibrant, well developed capital market facilitates investment and economic growth. Today the stock markets are buoyant and have a range of players including mutual funds, FIIs, hedge funds, corporate and other institutions. Domestic savings and capital inflows are channelized in the capital markets. There were 1,504 companies listed on the NSE and 4,996 companies listed on the BSE as of August 31, 2010 in cash segment. In recent years, the capital markets have undergone substantial reforms in regulation and supervision. Reforms, particularly the establishment of SEBI, market-determined prices and allocation of resources, screen-based nation-wide trading, T+2 settlement, scrip less settlement and electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. There are presently 22 recognized stock exchanges in India.

**Primary security market**

Indian securities markets witnessed sharp turnaround in 2009-10. Whereas the markets were in downswing in 2008- 09 in consonance with the downward spiral in global equity markets triggered by international financial crisis, beginning of the financial year 2009-10 witnessed upward swing in the market. Earlier, in 2008- 09, the volatility in stock markets, slowdown in economic growth, slackening of expansion plans by corporates and poor investor response had led to a sharp fall in the number of issues and amounts raised through the primary market. However, there was a substantial improvement in the resource mobilization by corporate in the primary market in 2009-10 compared to the previous year (*Source – SEBI Annual Report*). The primary market segment has been witnessing a surge in activities driven by strong fundamentals of the Indian economy, a buoyant secondary market, and revival of structured reform by the government and an investor friendly framework provided by SEBI. Further robust & sustained growth of the corporate sector and its increasing capital have requirement have resulted in a record level of capital rising from primary equity market in the present year.

Due to better financial environment 76 issues accessed the primary market and raised Rs.57,555 Crore through public (47) and rights issues (29) during 2009-10 as against 47 issues which raised Rs.16,220 Crore in 2008-09 through public (22) and rights issues (25), there were 39 IPOs during 2009-10 as against 21 during 2008-09. The amount raised through IPOs during 2009-10 was significantly higher at Rs.24,696 Crore as compared to Rs.2,083 Crore during 2008-09.

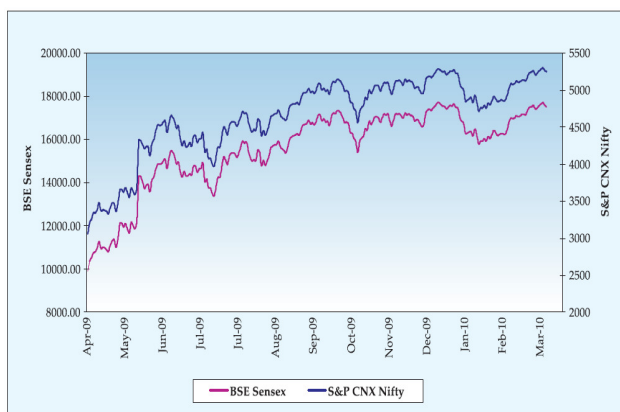
**Trend in Primary Market (Source – [www.sebi.gov.in](http://www.sebi.gov.in))**

Year/ Month	Total		Category - wise			
			Public		Rights	
	No.	Rs. in crore	No.	Rs. in crore	No.	Rs. in crore
2006-07	124	33508	85	29796	39	3710
2007-08	124	87029	92	54511	32	32518
2008-09	47	16220	22	3582	25	12637
2009-10	76	57555	47	47237	29	8319
2010-11 (up to Aug 2010)	26	13938.8	18	11127.8	8	2811



## Secondary Market

Equity markets witnessed significant uptrend during 2009-10 as compared to downward and volatile trend in 2008-09. However, at times, the domestic markets reflected the uncertainties in international financial market during the financial year under review. Markets were characterized by some bouts of volatility during the year, but it rewarded investors by giving five year best return in 2009-10. The BSE Sensex and S&P CNX Nifty appreciated by 80.5 percent and 73.8 percent, respectively, over March 31, 2009. The BSE Sensex increased 7819 points to close at two year high level at 17528 on March 31, 2010 from 9709 on March 31, 2009. The S&P CNX Nifty also increased 2228 points to close at 5249 points at the end of March 2010 over 3021 at the end of March 2009 mainly driven by higher growth rate, positive sentiments in market, better global environment, and FII inflows. Indian markets had recorded substantial decline and volatility in 2008-09 (*Source- SEBI annual report 2009-10*). The chart indicated below shows the upward movement in key indices post recession.



## Growth of Volumes Traded in Secondary market in BSE (Cash Segment)

Year	No. of Companies Listed *	No. of Companies Permitted *	No. of Companies Available for Trading* @	No. of Trading Days	No. of Companies Traded	No. of Trades (Lakh)	Traded Quantity (Lakh)	Turnover (Rs. crore)	Average Daily Turnover (Rs. crore)
1	2	3	4	5	6	7	8	9	10
2000-01	5869	0	9826	251	3927	1428	258511	1000032	3984
2001-02	5782	0	7321	247	5347	1277	182196	307292	1244
2002-03	5650	12	7363	251	2679	1413	221401	314073	1251
2003-04	5528	12	7264	254	2610	2028	390441	503053	1981
2004-05	4731	36	6897	253	2382	2374	477171	518715	2050
2005-06	4781	42	7311	251	2548	2640	664455	816074	3251
2006-07	4821	60	7561	249	2641	3462	560777	956185	3840
2007-08	4887	63	7681	251	2709	5303	986010	1578857	6290
2008-09	4929	66	7729	243	2559	5408	739600	1100074	4527

Source: [www.sebi.gov.in](http://www.sebi.gov.in)

### Growth of Volumes Traded in Secondary market in NSE (Cash Segment)

Year	No. of Comp- anies Listed *	No. of Comp- anies Permi- tted *	No. of Comp- anies Available for Tra- ding* @	No. of Trading Days	No. of Comp- anies Traded	No. of Trades (Lakh)	Traded Quantity (Lakh)	Turnover (Rs. crore)	Average Daily Turnover (Rs. crore)
1	2	3	4	5	6	7	8	9	10
2001-02	793	197	890	247	1019	1753	278408	513167	2078
2002-03	818	107	788	251	899	2398	364065	617989	2462
2003-04	909	18	787	254	804	3780	713301	1099534	4329
2004-05	970	1	839	255	856	4508	797685	1140072	4471
2005-06	1069	—	929	251	928	6089	844486	1569558	6253
2006-07	1228	—	1084	249	1114	7847	855456	1945287	7812
2007-08	1381	--	1236	251	1244	11727	1498469	3551038	14148
2008-09	1432	--	1291	243	1277	13650	1426355	2752023	11325

Source: www.sebi.gov.in

### Equity Brokerage

As the Indian capital markets continue to evolve, they are undergoing rapid consolidation driven by increased trading volumes, increased regulation, customer sophistication, availability of better technology and increased back-office requirements. As a result, significant changes have been introduced to strengthen risk management systems. Changes in the regulatory framework and settlement mechanics have resulted in smaller operating players losing market share, leading to consolidation in the industry. Market consolidation is even more pronounced in the on-line trading category where the top five brokers control a very significant share in the market. The rapid growth in on-line trading volumes can be attributed to the growing sophistication of retail investors, availability of reliable internet connectivity and the sophistication of the internet trading products.

The market share of the top five brokers on the NSE has increased from 7.14% in Financial year 2002 to 14.63% in Financial year 2010. Similarly the market share of the top twenty brokers on the NSE has grown from 23.62% in Financial year 2002 to 41% in Financial year 2010. These figures indicate a long-term consolidation process in a highly fragmented securities brokerage industry, with number of smaller players exiting the market and the larger brokers gaining market shares. Further the market share of the top five securities on the NSE has decelerated from 44.43% in financial year 2002 to 15.43% in financial year 2010. Similarly the market share of the top 25 securities on the NSE has decelerated from 82.24% in financial year 2002 to 46.80% in financial year 2010. This indicates that Indian market is flourishing and more & more companies are raising funds through public. As at end March 2010, the NSE had 1,136 members. A total of 41,153 (1,867 corporate, 2,705 partnership firms and 36,581 individuals) sub-brokers were affiliated to 609 trading members of the Exchange on March 31, 2010 (Source: NSE fact book).

Technology has been one of the key enablers of the consolidation that has taken place in the Indian broking industry. New technologies such as screen-based trading, electronic matching, and paperless securities have made the process of trading more convenient and streamlined. Better telecom connectivity and lower costs have made it possible to have large interconnected operations across multiple locations for centralized operations and effective risk management and control.

**Percentage Share of Top 'N' Securities/Member in Turnover:-**

Year	No. of Securities/Brokers				
	5	10	25	50	100
<b>Securities</b>					
2001-02	44.43	62.92	82.24	91.56	95.91
2002-03	40.58	55.41	77.8	89.16	95.38
2003-04	31.04	44.87	64.32	79.44	91.03
2004-05	25.88	41.65	57.98	72.40	84.26
2005-06	22.15	31.35	46.39	59.22	73.12
2006-07	16.97	25.25	43.46	61.94	77.22
2007-08	16.29	26.78	45.46	61.47	77.29
2008-09	20.48	32.58	56.36	74.66	87.69
2009-2010	15.43	26.15	46.80	64.24	78.20
<b>Members</b>					
2001-02	7.14	12.29	23.63	36.32	53.40
2002-03	10.26	16.41	29.07	42.49	59.15
2003-04	11.58	17.36	30.34	44.05	61.37
2004-05	13.52	20.20	34.97	49.01	65.09
2005-06	14.62	22.57	38.17	52.57	58.45
2006-07	14.72	24.27	42.61	56.71	71.22
2007-08	14.57	25.71	44.70	60.11	73.90
2008-09	13.56	23.62	43.55	61.21	75.42
2009-2010	14.63	23.48	41.00	57.01	72.71

Source-NSE Fact book

### Investment Banking

With the strong growth in the economy, Indian companies have grown profits rapidly and have increased the scale of their operations. At the same time, their requirements for capital have increased as has their demand for increasingly sophisticated methods of funding, need for strategic advisory services related to mergers, acquisitions and restructurings, and need for risk management solutions. Indian companies have been increasingly raising funds from both domestic and international equity and equity linked and international debt capital markets. In addition, the pace of private equity activity has accelerated over the past few years.

There has also been a significant increase in merger and acquisition ("M&A") activity by Indian companies in recent years. This continuing increase is evident in the inbound, outbound and domestic segments. With the strong growth in the economy, Indian companies are in constant pursuit of value creation. This phenomenon is leading Indian companies to constantly evaluate alternatives which help meet strategic objectives. Indian companies are also evaluating different means to raise capital in the equity and debt capital markets. Increasing internationalization by big industrial houses and MNCs operating in India with increasing competition has spurred the M&A activity in India. The increased competition in the global market has prompted the Indian companies to go for mergers and acquisitions as an important strategic choice. The trends of mergers and acquisitions in India have changed over the years. The immediate effects of the mergers and acquisitions have also been diverse across the various sectors of the Indian economy.

## Private Equity

PE is an asset class consisting of equity securities in operating companies that are not publicly traded on a stock exchange. Investments in PE most often involve either an investment of capital into an operating company or the acquisition of an operating company. Capital for private equity is raised primarily from institutional investors. PE can happen at various stages of a company namely: early stage, growth stage, late stage, pre-IPO and Private Investment in Public Entity (PIPE) transactions. Most of the investments have a fixed duration post which they divest their investments in companies so as to make a return. The emergence of the Indian private equity ("PE") and venture capital ("VC") market dates back to 1996-1997 after which it rapidly scaled up in 2000 primarily driven by the Information Technology ("IT"), IT Enabled Services ("ITES"), Telecom and the Internet sectors. During 2001-2003, an element of risk aversion and decline in activity followed after the NASDAQ lost 60% of its value during the second quarter of 2000 and other public markets (including those in India) were also adversely impacted. Consequently, the VCs and PEs started investing less money and in more mature companies in an effort to minimize the risks. The situation started improving 2006-07 as result of high growth in emerging economies. However FY 2008 & 2009 witnessed low PE investment in compare to previous year as a consequence of subprime crisis & liquidity crunch. The PE environment in India has fundamentally changed post the credit crunch in terms of deal volume, size of investments and fund raising which had been severely impacted has started improving.

## Buy Back

The total of 25 buyback offers were received during 2009-10 indicating a decrease of 45 percent over 46 buyback offers received during 2008-09. Out of the 22 cases filed during the year for buy back through open offer, 13 cases opened and closed, six cases opened but did not close whereas three cases did not open. Further, there were three cases of buyback through tender offer out of which one opened and closed and two did not open. The total of 14 buyback offers opened and closed during 2009-10 as compared 15 offers during 2008-09. The total buyback offer size during 2009-10 was Rs. 1,020 crore as compared to buyback offer size of Rs.5,411.55 crore in 2008-09 reflecting a decrease of 81.2 percent (*Source: www.sebi.gov.in*)

## Substantial Acquisition of Shares and Take over

As on March 31, 2009, total 14 draft letters of offer were with SEBI, for issue of observations. During the financial year 2009- 10, 87 draft letters of offer were filed with SEBI and observations were issued on 85 draft letters of offer and 16 draft letters of offers were with SEBI for issuance of observations as on March 31, 2010. During the financial year 2009-10, a total of 76 offers were launched for fulfilling open offers obligations and in 18 takeover panel applications SEBI granted exemption from open offer obligations.

### Open offer and exemption from open offer:-

Period	Open offers	(Number) Exemptions from open offers
1	2	3
2007-08	115	6
2008-09	113	15
2009-10	76	18

(Source: SEBI Annual Report 2010)

## Depository/ Dematerialization

There are two depositories in India viz., National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). The depositories have set up nation-wide network with proper infrastructure to handle the securities deposited or settled in dematerialized mode in the Indian stock markets. The number of companies signed up for dematerialization in NSDL rose from 7,801 in 2008-09 to 8,124 in 2009-10. Similarly, at CDSL, the number of companies signed up increased from 6,213 in 2008-09 to 6,805 in 2009-10. The number of dematerialized shares in NSDL went up by 24.4 percent from 28,28,700 lakh in 2008- 09 to 35,11,378 lakh in 2009-10. In CDSL, the number of shares dematerialized rose by 10.1 percent from 7,08,200 lakh in 2008- 09 to 7,79,500 lakh in 2009-10. In both the depositories, there was a substantial increase in the value of shares settled in dematerialized mode. (*Source SEBI Annual report*)

Particulars	NSDL		CDSL	
	2008-09	2009-10	2008-09	2009-10
1	2	3	4	5
Companies Signed up (Numbers)	7,801	8,124	6,213	6,805
Companies Available for Demat (Numbers)	7,801	8,124	6,213	6,805
Demat Quantity of Shares (lakh)	28,28,700	35,11,378	7,08,200	7,79,500
No. of Shares Settled in Demat (lakh)	5,43,543	8,68,089	2,06,147	4,62,545
Value of Shares Settled in Demat (Rs.crore)	10,88,895	14,97,880	2,23,989	4,29,869
Market Capitalisation of Companies in Demat (Rs.crore)	31,10,345	61,84,326	31,43,729	62,19,652

Source: SEBI Annual Report-2010.

### Industry Outlook

The has been considerable broadening and deepening of the Indian financial markets due to various financial market reforms undertaken by the regulators, the introduction of innovative financial instruments in recent years and the entry of sophisticated domestic and international players. Strong economic growth, favorable demographics, increased geographic penetration, growth of small and medium enterprises and the increasing needs for capital among Indian corporations are expected to continue to drive India's financial services industry.

## OUR BUSINESS

We are a diversified financial services company in India offering a wide range of products & services covering merchant banking, equity broking, currency derivatives and depository participants to all kinds of investors, namely, retail, high networth individuals and institutional. We are a professionally managed Company led by Mr. Anil Agrawal and Mrs. Annu Agrawal who have more than 10 years of experience in the financial markets and have steered the growth of our Company. One of our Promoters is a company registered as NBFC and is primarily focused in providing inter corporate loans, personal loans, loans against shares & securities, loans against properties, trade financing, bills discounting, trading in shares & securities and arbitrage business in stock and commodity market.

We are headquartered at Malad, Mumbai and we operate through 9 branches located at Indore, Jaipur, Mumbai, Kolkata, Gujarat and Kashmir and another 6 business associates. In Mumbai, we operate from 4 branches. The locations of our offices are driven by the demand for our financial products. We are members in the cash and derivative segments of both BSE and NSE, currency derivative segment of BSE, NSE and MCX-SX. Our Company is also registered as a DP with CDSL. We are also a registered as Category I Merchant Banker with SEBI.

We commenced our business of financial services in the year 2007 and within a short span of three years, our operations have grown tremendously. As per the restated financials of our Company, during the financial year 2008 to 2010, our income has increased from Rs. 203.95 Lakh to Rs. 702.35 Lakh. Our Company has recently extended the focus on merchant banking and advisory services viz public issues, rights issues, open offers, corporate advisory services and loan syndication.

Our Company aims to grow further and to provide better services to our client we have started providing an internet trading platform to our clients that allows us to integrate our diverse trading engines into a single platform. This allows customers, dealers and relationship managers to have a unique single window experience across all asset classes and product segments. This internet platform is architecturally scalable to handle a large number of customers concurrently.

## OUR STRENGTHS

- ***An integrated financial services platform***  
We offer our clients an integrated financial services platform by offering various financial services and products covering merchant banking, equity broking, currency derivatives and depository services. Our integrated service platform allows us to leverage relationships across the lines of businesses and our industry and product knowledge by providing multi-channel delivery systems to our client base, thereby increasing our ability to cross-sell our services.
- ***Diversified services***  
We believe that our wide range of products and services enables us to build stronger relationships with our clients and increase business volumes of our company. We continue to explore opportunities to build new businesses and widen our product portfolio by adding other products and services, where we can leverage our existing expertise. We believe that our presence in diverse lines of business of financial services enables us to mitigate risks arising from product and client concentration.
- ***Diversified client base***  
We serve more than 1500 clients in our broking division alone and are not dependent on small set of high networth individuals but have exposure to a well diversified client base ranging from retail investors to HNI and Institutional Investors. We constantly revamp our risk management system in order to avoid any margin shortfall on broking clients or on funding clients. We have deployed adequate policy based monitoring and squaring off not only for mass retail but also for high networth clients. This helps us in protecting our capital during adverse market movements and also sustains our financial performance.
- ***Experienced Management***  
We believe that our senior management and our talented and experienced professionals are the principal reason for the growth of our company. Our senior management team is supported by professionals with a varied background in merchant banking, equity sales and trading, and investment advisory services. We believe that the extensive experience and financial acumen of our management and professionals facilitates us with a significant competitive advantage.

- ***Geared to address the competitive challenges of discount brokerage through online investment portal***  
To grow further and to provide better services to our client we have started an internet trading platform that allows us to integrate our diverse trading engines into a single platform. We have received permission from BSE, MCX and NSE for internet based trading. Internet-based delivery allows us to offer financial products on a self-service model. It allows clients to transact and view reports online, thus eliminating customer contact at the branch level. Furthermore, customers are able to plan their investments from locations of their own convenience and we are able to access potential customers in locations where we do not have a physical presence.
- ***Growing client base built on well-recognized brand***  
Our Company believes in maintaining long term relationships with our clients. Our dedicated focus on client service and our ability to provide timely solutions enables us to resolve customer complaints, if any well in time. This has helped us to establish long-term relationships with high net worth individual clients. This has helped us to receive repeated business from our clients. We also believe that because of our timely trade execution, competitive pricing and customer service, we enjoy goodwill amongst our customers. The number of registered clients in our Equity Broking and Depository Participants Services is growing at a rapid pace, which we believe gives an indication of the substantial strength of our business activities.

## **OUR STRATEGY**

- ***Continue to build a diversified business platform***  
Our Company intends to continue to build a diversified business platform by identifying business opportunities with long term prospects for growth and profitability and offering products and services across a broad spectrum of financial services. We believe that this will enable us to maintain growth and profitability notwithstanding market cycles by limiting our dependence on any particular line of business.
- ***Consolidating our position in existing lines of business***  
Our Company offers various financial services and products covering merchant banking, equity broking, currency derivatives and depository services. We plan to increase the number of client relationships and then leverage those client relationships into offering in a whole suite of financial products. We intend to maintain high growth and profitability by increasing the scope and intensity of activities in our existing lines of business by introducing new products and also intend to start new lines of business. In Merchant banking, we will continue to build new relationships and strengthen existing relationships with our corporate and institutional clients by focused coverage activities and quality execution of strategic advisory, equity capital markets and capital raising transactions. In the brokerage segment we will focus on adding institutional investors and HNI to our client network. We will continue to focus on advising our investor clients on attractive investment opportunities based upon emerging themes in the economy and the capital markets, backed by our independent research.
- ***Client Service***  
Our strategy is to provide the most convenient, efficient and value added services to the client at the lowest possible cost and offers the clients with choice and varied access points. We believe that our multiple channel strategy has been particularly effective in the affluent segment where many sophisticated clients like to have an office close-by so that they can access and yet have the flexibility of Internet account management, transactions and electronic funds transfer and settlement.
- ***Expanding of Network of Branches***  
Our Company is headquartered at Malad, Mumbai and we also operate from 9 branches, located in 6 cities in India, and another 6 business associate. For further details of our existing offices and branches, please see the chapter titled “General Information” on page no. 7 of this DRHP. Going forward, we intend to set up four (4) regional offices in Ahmedabad, Jaipur, Kolkata and Chennai and 80 branch offices in 40 cities across the country. For further details please refer chapter titled “Objects of the Issue” on page no. 22 of this DRHP.
- ***Research Department with wide spectrum of products***  
To strengthen our broking business, our Company provides its valued research services to our existing customers as well as target segment. In our value added research services, we evaluate performances of the companies across sectors, performance of the various sectors, analysis of the market and the economy, etc. on daily basis. However, we intend to develop an independent research department, which would carry out research on selected listed companies, new IPOs, sector-wise research as well as



technical research on selected scrips and indices. These research reports would be disseminated to our clients as well as would be hosted to our websites for the access of general investors. As and when these researches would prove a track record on a gradual basis, we believe that this will augment our transactions volume of existing clients and also intensify our clientele basis.

- ***Brand recognition***

We are in such a business where we are facing lot of competition. We are planning to put more efforts to build “**Comfort**” as well known brand. We will be making the necessary arrangements for our brand recognition. Our brand recognition would include organizing Investor awareness programmes, initiating with account opening campaign, advertisement in print and electronic media and outdoor advertising.

- ***Attracting and retaining the highest quality professionals.***

Our people are our most important asset, and it is their reputation, talent, integrity and dedication that results in our success. We offer a entrepreneurial culture with a strong, team-based approach which we believe is attractive to our employees. We have been successful in attracting and retaining key professionals and intend to continue to seek out talent to further enhance and grow our business.

- ***Expand our Internet-based delivery***

We plan to significantly enhance our on-line trading capabilities and have established our on-line trading system to complement our other products and services offerings. We believe that an Internet-based, easily scalable product delivery model will enable us to respond effectively to the competitive challenges of discount equity brokerages and which will eventually help us deliver a wider range of products and services on-line.

## **OUR BUSINESS STREAMS**

The following table sets forth our business lines, as carried out by our Company:-

<b>BROKING</b>	<b>MERCHANT BANKING</b>	<b>DEPOSITORY PARTICIPANTS</b>
<p><b><i>Equity</i></b></p> <ul style="list-style-type: none"> <li>• Registered with SEBI as an approved stock broker with membership of National Stock Exchange of India Ltd (NSE) and Bombay Stock Exchange Ltd (BSE) in cash segment</li> <li>• Registered with SEBI as trading &amp; self clearing member of National Stock Exchange of India Ltd (NSE) and trading member of Bombay Stock Exchange Ltd (BSE) in derivative segment</li> </ul> <p><b><i>Currency Derivatives</i></b></p> <ul style="list-style-type: none"> <li>• Registered with SEBI as a trading member of BSE, NSE &amp; MCX in currency derivative segment.</li> </ul>	<p><b><i>Registered with SEBI as category I Merchant Banker offering</i></b></p> <p>IPO/Rights Issue/FPO</p> <p>Takeovers</p> <p>Delisting</p> <p>ESOP/ESOS</p> <p>QIPs</p> <p><b><i>Corporate Advisory</i></b></p> <ul style="list-style-type: none"> <li>• Mergers and Amalgamations</li> <li>• Valuations</li> <li>• Equity / Debt Syndications</li> </ul>	<p><b><i>Registered with SEBI for providing DP services of CDSL</i></b></p>



## I. Broking

### a) Equity Broking

We are members of BSE & NSE and primarily offer secondary market broking services to the retail customers and high net worth individuals. Our dedicated dealers and advisors provide personalized trade and execution services to active traders, retail investors and high net worth investors. We started our broking business in the year 2007 and within short span of three years, our broking operations have grown tremendously. As on August 31, 2010, we have 1,581 registered clients. Our strength of broking our operations is also reflected by growth in trading turnover in both cash and derivatives segment at BSE and NSE, which is presented in following table:

Particulars	For the year ended 31 March 2008	For the year ended 31 March 2009	For the year ended 31 August 2010
Trading turnover - Cash Equity (Rs. in Lakh)	53,792	1,11,898	2,19,955
Trading Turnover - Equity Derivatives (Rs. in Lakh)	90,460	1,01,554	1,05,035
No. of Equity Clients (Cash and Derivatives)	581	857	1,581*

\* The no. of clients as on November 30, 2010 amounted to 1,944.

Further to strengthen our broking business, our company is providing valued research services to our existing customers as well as target segment. In our value added research services, we evaluate performance of the companies across sectors, performance of various sectors, analysis of the market and the economy, etc. on a daily basis.

### b) Currency Derivative

Our Company is member of NSE and MCX under the currency derivatives segment. Our Company was granted the aforesaid memberships in the year 2008. But our Company has actively started trading in currency segment from Oct 2009 only. During a short span of one year our Company achieved a turnover of more than Rs. 316.00 Crore thereby generating revenue of more than Rs. 5.15 Lakh. Our Company is member of currency derivative segment of BSE. However, we have voluntarily not activated the same.

## II. Merchant banking

With a view to provide diversified services to our clients and investors, we have broadened the scope of our services and started Merchant banking activities since June 2008. We are registered with SEBI as Category I- Merchant Banker. We have divided our merchant banking business into two segments namely, merchant banking and transaction advisory services. Our merchant banking services include underwriting public equity offerings, mergers and acquisitions, advisory services, corporate restructuring services, placement of private debt and equity offerings etc. Since the commencement of our merchant banking business, our merchant banking team has closed following transactions:

### Mandates Completed:

1. Rights Issue of Nouveau Multimedia Limited
2. Rights Issue of Syncom Formulations (India) Limited
3. IPO of Tarapur Transformers Limited and Ravi Kumar Distilleries Ltd
4. Advisory Services for Merger of Sreeleathers Pvt. Limited, Deys Holding Private Limited, Deys Finance Private Limited in to Cat Financial Services Limited.
5. Delisting of Aqualand (India) Limited. (Venture of Essel Group)
6. Advisory Services in relation to Preferential allotment of Odyssey Corporation Limited and DB International Stock Broking Limited
7. Valuations for Demerger of Bilpower Limited and merger of AJEL Infotech Limited
8. ESOP Certification of Various Companies such as St. Jude Medical Inc., United Online Inc., Automatic Data Processing, INC., D/S Norden A/S, JRG Securities Limited, Monster.com, etc.
9. Takeover assignment of target company Zenzy Technocrats Limited.

### III. DEPOSITORY SERVICES

We are also registered with CDSL and offer depository services to our broking customers as a value-added service. Broking clients are able to use the depository service to execute and settle their trades. We have started our depository service business since January 2008. As on November 30, 2010 we have opened 1343 depository accounts.

### IV. RISK MANAGEMENT

We believe that effective risk management is of primary importance to the success of our operations. Accordingly, we have deployed necessary resources in terms of technology, people and processes to monitor, evaluate and manage the principal risks we assume in conducting our activities which include market, credit & liquidity, operational, legal and reputation risks.

We analyze factors and reasons causing risk on a periodic basis, plan for control of identified risks, decide on and implement appropriate risk management tools and monitor policies and procedures with the view of continuous improvement.

- ***Risk management policy and organization***

Our Risk management limits the exposure and margins of each client whether they are serviced directly by us or through a Business Associate. We believe that we have effective procedures for evaluating and managing the market, credit and other risks to which we are exposed, as well as protecting our reputation in the market. To meet the need for a robust and efficient risk management system, we have created a risk management cell which is regionally operational and centrally controlled and administered by the head office team at Malad in order to mitigate business risk. Risk management policies are decided by a risk management committee. This committee is constituted of senior officials of our Company. These policies are monitored, reviewed and revised periodically.

- ***Risk monitoring and mitigation***

We use products from leading software companies such as Admin of Financial Technology, Back office software of Acer and Reliable Software along with multiple in-house software programs to monitor, among other things, client level margins and MTM losses. These software packages enable us to provide broking services through our remote branches, including online trading for various categories of clients. We have experienced personnel to manage risk and regulatory compliance and ensure implementation of risk management policy. The risk management policy is controlled by the top management of our Company. All the regional risk team members work under the direction and control of the central risk management team at our head office. Team reviews set monitoring parameters, suggest changes on the basis of regulatory and stock exchange requirements and share best practices.

- ***Risk management levels:***

Risk management in our Company is carried out at the client-level, the scrip-level and the company-level:

- a) **Client-level risk management:**

This is carried out by using online surveillance and monitoring tools developed by professional software companies in the industry and with the help of Comfort's internal team. We have developed procedures to serve multiple clients' requirements and controlling the overall risk at the same time. Trading parameters are set on a dynamic basis and are robust enough to incorporate changes required due to market conditions and clients' trading potential.

- b) **Scrip-level risk management:**

We use internal 'scrip-based margining', which is based on various parameters including impact cost, liquidity, volatility and share price fundamentals. We maintain scrip level, group level and segment level margins and limits as per the policy. The scrip list with new margin rates is revised using established parameters on a periodic basis. We strictly follow exchange defined derivative margining systems for forward and options trading.

**c) Company-level risk management:**

Technology is optimized internally to implement established risk policies, create and maintain support to end users and implement robust data and network backup plans so that company-wide risk in our business can be reduced.

- ***Real-time risk management***

For real time risk management, a software called “Protector”, and also a part of the software “ODIN” named “ADMIN” is used. Both these softwares are supplied by Financial Technology (India) Limited. “Protector” is complemented by a real-time risk management system that gives users information on clients’ open positions. This system can evaluate risks at pre-trade and post-trade levels on a dynamic or real time basis. The integrated risk management features allow our risk management team to exercise a high degree of control over the entire process. This assists us in keeping a check over the exposure limit utilized by various clients and also enables us to take action to mitigate risk in due course.

- ***Security and disaster recovery***

We have a information security policy and conduct periodic systems and network penetration tests to review the vulnerability of our infrastructure. At least three recent and complete backups (not incremental backups) made on different dates containing the company’s critical records are always stored offsite. This policy ensures that a sufficient number of backup copies are always available for an important restore operation following an emergency or a disaster. If only one copy was used, the same could be damaged during a restore operation.

- ***Compliance***

We have in place an independent and comprehensive compliance structure to address compliance and reputation risk. The compliance function is headed by company secretary who reports to the Corporate Governance Committee of the Company on matters relating to prevention of Insider trading as specified in the policy. The Compliance department’s role is to ensure that the Company operates in accordance with the laws and regulations of the exchanges and regulators. The Compliance officer provides support for each of the businesses. In addition, the Department provides advice on general regulatory matters, including policy, advertising, anti - money laundering, account opening, personal investment, and maintenance of Chinese wall, prevention of Insider Trading and general policies and procedures relating to regulations. The Compliance department is the main liaison arm of our Company with the regulators and handles all regulatory matters. It also ensures that persons connected to our Company do not profit by dealing in securities on the basis of unpublished price sensitive information.

- ***Limited access to confidential information***

As the Merchant banking activity is one of the main area which handles price sensitive information, the work areas and personnel engaged in the Merchant banking activity have been physically segregated and have a secure and distinct network access. This ensures that persons not normally privy to the confidential information handled by these departments do not have access to such information. All employees are required to maintain adequate security of their computer files by using appropriate login and password. Access to network folders is restricted only to personnel belonging to a particular department. Similarly, computer equipment has been allocated to each particular department and personnel from other departments are restricted to use the same.

- ***Preservation of Price Sensitive Information***

We have an insider trading policy in place. As per the policy all connected and deemed to be connected persons including, directors, officers and designated employees of the company shall maintain the confidentiality of all unpublished price sensitive information. Such persons shall also not pass on such information to any person directly or indirectly by means such as making a recommendation for the purchase or sale of securities etc. Unpublished Price Sensitive Information is to be handled on a "need to know" basis, i.e., Price Sensitive Information should be disclosed only to those within the company who need such information to discharge their duties. All files, whether electronic or manual, containing confidential information shall be kept secure.

- ***Receivables Management:***

In order to facilitate funds movement, we have adopted a centralized funds management system.

## TECHNOLOGY AND NETWORK SUPPORT SYSTEM

We recognize the need to have a sophisticated technology network in place to meet our customer needs, reduce processing costs and maintain a risk management system. For that, we have set up a data centre in Malad, Mumbai and have invested in high-performance trading software. Our technology infrastructure is aimed at ensuring that our trading and information systems are reliable and performance enhancing and that client data are protected.

The highlights of our technology infrastructure and systems include:

1. A technology team comprising of experienced persons in their respective field.
2. Managing a complex multi-product/multi-architecture system serving the needs of our customers
3. Balanced approach to IT combined with a quick response to business needs
4. Scalable platforms for order management and risk management requiring minimal human intervention
5. Sophisticated server and network infrastructure
6. Redundancy (alternate connectivity) for network
7. Data back-up is taken on an incremental basis on hard disk drives and sent to another location.

- ***Connectivity infrastructure***

We have set up a Local Area Network (LAN) & leased line at our office at Malad. Additionally, we also use a radio link for connectivity. We have a range of service providers which ensures connectivity for the trading platform and other services. All service providers endeavor to minimize time & increase speed.

- ***Internet based Share Trading System***

We have implemented an internet trading platform that allows us to integrate our diverse trading engines into a single platform. This allows customers, dealers and relationship managers to have a unique single window experience across all asset classes and product segments. This internet platform is architecturally scalable to handle a large number of customers concurrently.

- ***Real-Time Risk Management***

For real time risk management, we are using the software “Protector” which is complemented by a real-time risk management system that gives users information on clients’ open positions. This system can evaluate risks at pre-trade and post-trade levels on a dynamic or real time basis. The integrated risk management features allows our risk management team to exercise a high degree of control over the entire process. This assists us in keeping a check over the exposure limit utilized by various clients and also enables us to take action to mitigate risk in due course.

- ***Back office and data processing management***

The back office for the entire organization is centralized at the Malad data centre. We use software named “Tradenet” supplied by Acer that has been specifically customized for our requirements. The software has advanced risk management and reporting capabilities and has been designed and developed to cater the large transaction volumes of our business.

## MARKETING SETUP

Our top management and key executives enjoy the confidence of several HNIs and corporate clients and we market ourselves only to a selected setup of clients. Our Company is headquartered at Malad, Mumbai and we also operate from 9 branches, located in 6 cities in India, and another 6 business associates. Going forward, we intend to set up four (4) regional offices in Ahmedabad, Jaipur, Kolkata and Chennai and 80 branch offices in 40 cities in India.

## COMPETITION

We face the competition in all the segments of our business. Our competitors are other merchant banking firms, merchant bankers, broking firms and financial advisory firms. We compete with some of our competitors nationally and with others on a regional, product or business line basis. Many of our competitors have substantially large capital base and resources than we do and offer a broader range of financial products and services. We believe that the principal factors affecting competition in our business

include client relationships, reputation, the abilities of employees, market focus and the relative quality and price of the services and products. In recent years there has been substantial consolidation and convergence among companies in the financial services industry. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of many of our competitors. Many of our competitors have the ability to offer a wider range of products and services that may enhance their competitive position. They may also have the ability to support merchant banking and securities products and services with commercial banking, insurance and other financial services capabilities in an effort to gain market share, which could result in pricing pressure in our businesses. We have experienced intense price competition in some segments of our business like discounts in large block trades and trading commissions and spreads. The ability to execute trades electronically through the Internet and through other alternative trading systems has increased the pressure on trading commissions and spreads. We believe that this trend toward alternative trading systems will continue. In other segments also like equity underwriting, multiple book runners and co-managers the competitive pressure in the merchant banking industry is increasing. This may lead to lower average transaction fees. Competition is also intense for the recruitment and retention of qualified professionals. Our ability to continue to compete effectively in our businesses will depend upon our continued ability to attract new professionals and retain and motivate our existing professionals.

## **PROPERTIES**

The registered office of our Company has been taken on a leave & licences basis from Mrs. Annu A Agrawal and Anil Agrawal HUF. Our Company has entered into a leave and license agreement dated October 4, 2010, and is paying rent of Rs 0.10 lakh per month for using the said premise. The agreement is valid till August 31, 2011. All the branch offices, through which we operate our business, are based on leave and license from third parties. We operate substantially all our businesses from rented properties.

## **EMPLOYEES**

As on November 30, 2010, we employed approximately 26 persons on a full-time basis.

## **INTELLECTUAL PROPERTY**

We have entered into an agreement with Comfort Intech Limited to use the trademark dated October 4, 2010 for a period of five years at a consideration of Rs. 4,500 p.a. The trademark is registered in the name of Comfort Intech Limited under the Trademarks Act of 1999 *vide* registration no1559010. Comfort Intech Limited is one of the promoters of our Company.

## **INSURANCE**

Our Company has availed of only stock brokers' indemnity policies and comprehensive crimes and liabilities policy which provide coverage against incomplete transactions and computer crimes in compliance with byelaws including circulars of the various Indian stock exchanges. In addition, our Company has taken staff welfare insurance for some of our employees. Apart from aforesaid policies, our Company has not availed of any additional insurance policy to cover any kind of risk.

## REGULATIONS AND POLICIES IN INDIA

*The following description is a summary of certain laws and regulations, which are relevant for our business. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.*

*We offer varied financial services, including investment advisory services, merchant banking, underwriting of issues, and stock broking. We are also registered as a Depository Participant, as a Trading Member of BSE and NSE and , as a clearing member of NSE and BSE. The Government of India, the Securities Exchange Board of India, the recognized stock exchanges and other statutory bodies have framed rules and regulations and policies all of which apply to our Company. A summary of these regulations and policies is detailed below. The regulations set out below are not exhaustive, and are only intended to provide general information to Bidders and are neither designed nor intended to be a substitute for professional legal advice. Taxation statutes such as the Income Tax Act, 1961, Central Excise Tax Act, 1956 and applicable labour regulations such as the Employees State Insurance Act, 1948 and the Employees Provident Fund and Miscellaneous Act, 1952, and other miscellaneous regulations such as the Trade and Merchandise Marks Act, 1958 and applicable shops and establishments statutes apply to us as they do to any other Indian company. For details of government approvals obtained by our Company in compliance with these regulations, please refer the chapter titled “Government Approvals” on page no. 129 of this DRHP. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.*

### **I Dealing in Securities**

Securities regulation in India takes place under the provisions of the Securities Contracts Regulations Act, 1956 with Rules and Regulations (SCRA), Securities Exchange Board of India Act, 1992 (SEBI), the Depositories Act, 1996 and the rules and regulations promulgated there under.

#### **SCRA**

The SCRA seeks to prevent undesirable transactions in securities by regulating the business of dealing in securities and other related matters. The SCRA provides for grant of recognition for stock exchanges by the Central Government. Every recognized stock exchange is required to have in place a set of rules relating to its constitution and bye-laws for the regulation and control of contracts.

The bye-laws of the Stock Exchange provide inter alia for:

- the opening and closing of markets and the regulation of the hours of trade;
- the fixing, altering or postponing of days for settlements;
- the determination and declaration of market rates, including the opening, closing highest and lowest rates for securities;
- the terms, conditions and incidents of contracts, including the prescription of margin requirements, if any, and conditions relating thereto, and the forms of contracts in writing;
- the regulation of the entering into, making, performance, recession and termination of contracts, including contracts between members or between a member and his constituent.

#### **SEBI Act, 1992**

Pursuant to Section 12 of the SEBI Act, and the rules, regulations and guidelines issued by SEBI, a stockbroker, sub-broker and depository participant or any other intermediary associated with the securities market, may buy, sell or deal in securities only after obtaining a valid certificate of registration from SEBI in accordance with the applicable regulations.

### ***Stock Broker Regulations***

Further, the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 provides the eligibility criteria and conditions required to be satisfied in order to obtain the certificate of registration. They further provide the procedure for obtaining the certificate of registration to carry on business as a stock broker and/or a sub-broker who is required to be affiliated to a stock broker registered under the aforesaid regulations. On registration, the stockbroker and sub-broker are required to adhere to a code of conduct prescribed under the SEBI (Stock Brokers and Sub-Brokers) Regulations. In addition, a stock broker and/or a sub-broker is required to abide by the rules, regulations and bye-laws of the stock exchange or stock exchanges of which it is a member. Further, in case of any change in its status or constitution, the stock broker and/or the sub-broker are required to obtain the prior permission of SEBI in order to continue to buy, sell or deal in securities in any stock exchange.

Apart from the registration of stockbrokers and sub-brokers, the Stock Broker Regulations provide for registration of trading and clearing members. A trading member is a member of the derivatives exchange or derivatives segment of a stock exchange and who settles the trade in the clearing corporation or clearing house through a clearing member. A clearing member is a member of a clearing corporation or clearing house of the derivative exchange or derivatives segment of an exchange, which clears and settles transactions in securities.

The minimum net worth for clearing members is Rs. 30 million (Rs. 10 million for acting as a self-clearing member) and are required to deposit a sum of at least Rs. 5 million with the clearing corporation or clearing house of the derivatives exchange or derivatives segment of an exchange, as applicable. The code of conduct specified for stock brokers is applicable *mutatis mutandis* to the trading and clearing members.

### ***Fit and Proper Person Criteria***

The criteria for determination of whether an entity can be registered under any of the above regulations are governed by the SEBI (Criteria for Fit and Proper Person) Regulations, 2004. The Company is also required, as an intermediary, to be registered under the SEBI (Central Database of Market Participants) Regulations, 2003.

### ***Internet Trading***

Internet based trading was approved by SEBI through its Circular No. SMDRP/POLICY/CIR-06/2000 dated January 31, 2000. The circular provides that SEBI registered stock brokers interested in providing internet based trading services must obtain formal permission of the concerned stock exchange. The stock exchange, before giving permission must ensure the fulfilment of certain minimum conditions such as a minimum net worth of Rs.5 million, the system used by the broker has provision for security, reliability and confidentiality of data through use of encryption technology and has adequate backup systems and data storage capacity. The broker's web site providing the internet based trading facility should contain information meant for investor protection. Certain mandatory security features are also prescribed in the circular for all internet-based trading systems.

## **II. Depository Regulation**

### ***The Depositories Act***

The Depositories Act, 1996 (as amended from time to time) provides for regulation of depositories in securities and other related matters. Every person subscribing to securities offered by an issuer has the option either to receive the security certificates or hold securities with a depository. All securities held by a depository are required to be dematerialised and in a fungible form. A depository after obtaining a certificate of commencement of business from SEBI can enter into an agreement with one or more participants as its agent. Any person, through a participant, may enter into an agreement with any depository for availing its services.

### ***Depository Regulations***

The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended from time to time ("Depository Regulations") provide *inter alia* the eligibility criteria and the procedure for obtaining the certificate of registration to carry on business as a depository participant. They also provide the various rights and obligations of the depository participants. On registration, the depository participant is required to adhere to a code of conduct prescribed under the Depository Regulations.

The depository is deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of a beneficial owner. The depository does not have any voting rights or any other rights in respect of securities held by it. The beneficial owner of the securities is entitled to all the rights and benefits and is subjected to all the liabilities in respect of his securities held by a depository.

### **III. Merchant Banking**

#### ***Merchant Banker Regulations***

The SEBI (Merchant Banker) Regulations, 1992 provide the eligibility criteria, procedure for obtaining the certificate of registration to carry on business as a Merchant Banker. Based on the satisfaction of the specified capital adequacy requirements, SEBI grants registration under categories ranging from Category I to Category IV.

According to the category identified, the Merchant Bankers are permitted to carry out certain activities as are prescribed in the Merchant Banker Regulations. Further, the Merchant Bankers are required to adhere to a code of conduct prescribed under the Merchant Banker Regulations.

### **IV. Insider Trading**

#### ***Insider Trading Regulations***

The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time ("Insider Trading Regulations") govern the law with respect to insider trading in India. The Insider Trading Regulations *inter alia* prohibit all insiders from dealing in securities of a listed company when the insider is in possession of unpublished price sensitive information ("UPSI"). It further prohibits an insider from communicating, counselling or procuring, directly or indirectly, any UPSI to any person who while in possession of such UPSI is likely to deal in such securities.

Information is said to be price sensitive if it is likely to materially affect the price of the securities of the company to which it relates. Under the Insider Trading Regulations, the concept of an "insider" is related to those of a connected person and a deemed connected person. A person is said to be connected to a company when he or she is a director, employee or officer in the company or stands in a professional or business relationship with the company and when he or she may reasonably be expected to have access to UPSI and includes *inter alia* market intermediaries, Merchant Bankers, share transfer agents, registrars to an issue, debenture trustees, brokers, Portfolio Managers, investment advisors. The Insider Trading Regulations further provide that all listed companies and organisations associated with the securities market including *inter alia* intermediaries as defined under the SEBI Act, asset management companies, trustees of mutual funds etc. should frame a code of internal procedures and conduct based on the Model Code of Conduct specified under the Insider Trading Regulations.

### **V. FII Regulations**

FIIs including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional Portfolio Managers, are allowed to make portfolio investments in all securities of listed and unlisted companies in India. Investments by registered FIIs or non-resident Indians made through a stock exchange are known as portfolio investments. Foreign investors wishing to invest and trade in Indian securities in India under the portfolio investment route are required to register with the SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 ("FII Regulations"). Foreign investors are not necessarily required to register with the SEBI under the FII Regulations, as FIIs may invest in securities of Indian companies pursuant to the FDI route discussed above. FIIs that are registered with SEBI are required to comply with the provisions of the FII Regulations. A registered FII may buy, subject to certain ownership restrictions, and sell freely securities issued by any Indian company (excluding companies in certain sectors). The total holding of each FII/SEBI approved sub-account shall not exceed 10 per cent of the total paid-up capital of an Indian company and the total holdings of all FII/sub-accounts of FIIs aggregated shall not exceed 24 per cent of the paid-up capital. The threshold of 24 percent can be increased to the sectoral cap or statutory limit applicable to the Indian company concerned by resolution of such company's board of directors followed by the passing of a special resolution by such Company.



## **VI. Transfer of Property**

### ***Transfer of Property Act, 1882***

The transfer of property is governed by the Transfer of Property Act, 1882 (“T.P. Act”). The T.P. Act establishes the general principles relating to the transfer of property including among other things identifying the categories of property that are capable of being transferred, the persons competent to transfer property, the validity of restrictions and conditions imposed on the transfer and the creation of contingent and vested interest in the property.

### ***Registration Act, 1908***

The Registration Act, 1908 (“Registration Act”) has been enacted with the object of providing public notice of execution of documents affecting a transfer of interest in property. Section 17 of the Registration Act identifies documents for which registration is compulsory and includes among other things, any non-testamentary instrument which purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, in immovable property of the value of one hundred rupees or more, and a lease of immovable property for any term exceeding one year or reserving a yearly rent. Section 18 of the Registration Act provides for non-compulsory registration of documents as enumerated in the provision.

### ***The Indian Stamp Act, 1899***

The Indian Stamp Act, 1899 (“Stamp Act”) and the relevant State Stamp Acts provide for the imposition of stamp duty at specified rates on instruments listed in Schedule I of the Act. The applicable rates for stamp duty on these instruments, including those relating to conveyance, are prescribed by state legislation. Instruments chargeable to duty under the Stamp Act which are not duly stamped are inadmissible in a court of law and have no evidentiary value. Public officials have the power to impound such documents and if the executor wants to rectify them, he may have to pay a penalty of up to 10 times the original stamp value.

### ***The Easements Act, 1882***

The law relating to easements is governed by the Easements Act, 1882 (“Easements Act”). The right of easement is derived from the ownership of property and has been defined under the Easements Act to mean a right which the owner or occupier of land possesses for the beneficial enjoyment of that land and which permits him to do or to prevent something from being done in respect of certain other land not his own. Under this law an easement may be acquired by the owner of immovable property, i.e. the “dominant owner”, or on his behalf by the person in possession of the property. Such a right may also arise out of necessity or by virtue of a local custom.

## **VII. Laws relating to Employment**

### ***Shops and Establishments legislations in various states***

The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia* registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work .

### ***Labour Laws***

Various labour laws, include the Contract Labour (Regulation and Abolition) Act, 1970, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Payment of Wages Act, 1936, the Payment of Gratuity Act, 1972, the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952.

## **VIII. Intellectual Property**

The Trademarks Act, 1999, The Patents Act 1970 and the Copyright Act, 1957 *inter alia* govern the law in relation to intellectual property, including patents, copyrights, trade marks, service marks, brand names, trade names and research works.

*The above list is indicative in nature and not exhaustive. The applicability of laws would change as per new and evolving legislations of the country in addition to changing circumstances and transactions which the company may enter into.*

## HISTORY AND CERTAIN CORPORATE INFORMATION

Our Company was originally incorporated as a private limited company under the provisions of the Companies Act, 1956 pursuant to a certificate of incorporation issued by the Registrar of Companies at Mumbai, Maharashtra dated July 19, 2002. Our Company was converted into a public limited company and a fresh certificate of incorporation dated November 15, 2010 was issued. Consequently, the name of our Company was changed from “Comfort Securities Private Limited” to “Comfort Securities Limited”.

Our Company was incorporated as Comfort Securities Private Limited with an intent to take over the Proprietorship Concern, M/s. Comfort Securities (CS) of Ms. Annu Agrawal wherein the company had acquired assets and liabilities of M/s. Comfort Securities for a net consideration of Rs. 15,78,963.46. In lieu of the purchase consideration, the company allotted 85,000 Equity Shares @ of Rs.10/- amounting to Rs. 8,50,000 and balance amount of Rs. 7,28,963.46 remained payable by the company to Ms. Annu Agrawal. . However due to procedural constraints the procedure of transferring the brokershhip held in name of the Proprietary concern could not be completed, hence, CSL decided to return the assets taken over of CS to Mrs. Annu Agrawal and gradually all of the assets have been returned and funds have been received from Mrs. Annu Agrawal. For more information on take over please refer to section titled “Financial Information – Annexure 03” on page no 100 of the DRHP.

We are headquartered at Malad, Mumbai and we operate through 9 branches located at Indore, Jaipur, Mumbai, Kolkata, Gujarat and Kashmir and another 6 business associates. In Mumbai, we operate from 4 branches. The locations of our offices are driven by the demand for our financial products. We have membership in the cash and derivative segments of both BSE and NSE, currency derivative segment of BSE, NSE and MCX-SX. Our Company is also registered as a DP with CDSL. We are also a SEBI registered Category I Merchant Banker.

### MAJOR EVENTS IN THE HISTORY OF OUR COMPANY:

Year	Major Events
2002	Incorporated as Comfort Securities Private Limited
2007	<ul style="list-style-type: none"> <li>Registered as Trading cum Clearing Member of BSE as a Stock Broker for Cash Segment</li> <li>Registered as Trading Member of BSE as a Stock Broker for F&amp;O Segment</li> <li>Registered as Trading &amp; Clearing Member of NSE for Cash Segment</li> <li>Registered as Trading Member of NSE for F&amp;O Segment</li> </ul>
2008	<ul style="list-style-type: none"> <li>Registered as Category I Merchant Banker with the SEBI</li> <li>Registered as Depository Participant (CDSL)</li> <li>Registered as Trading Member of MCX-SX</li> <li>Registered as Trading Member of NSE and BSE for Currency Derivatives Segment</li> </ul>
2009	Registered Self Clearing Member for F&O Segment of the NSE
2010	Commenced internet based trading with BSE, MCX and NSE Conversion of Private Limited to Public Limited Company as Comfort Securities Limited

### CHANGE IN OUR REGISTERED OFFICE

At the time of incorporation our registered office was situated at 228, Natraj Market, S.V. Road, Malad. Subsequently we shifted our registered office to another place, the details of which are provided below:

From	To	Date of Board Resolution	Filing With ROC
228, Natraj Market, S.V. Road, Malad (West). Mumbai :- 400064	A- 301, Hetal Arch, Opposite Natraj Market, S.V. Road, Malad (West) Mumabi – 400064	March 06, 2007	March 8, 2007

## MAIN OBJECTS

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

1. Deleted
2. To carry on in India or elsewhere the business of security company in all its branches and to sale, purchase, exchanges, subscribe, acquire, undertake, underwrite, hold, auction, convert or otherwise to deal in all types of shares, securities, stock, bonds, fully convertible debenture, partly convertible debenture, non convertible debenture, debenture stocks, warrants, certificates, premium note, mortgages, obligations, interoperate deposit, call money deposit, public deposits, commercial papers and other similar instruments whether issued by government, semi government, local authorities, public sector undertakings, companies, corporation, co-operative societies, and similar organization at national & international levels and to acquire membership of any Stock Exchanges or elsewhere.
- 2 (a) To carry on and engage in the business of share and stock broking as a member of any recognized stock exchange under Securities Contracts (Regulation) Act, 1956, to become and act as a member of cash, forward (derivatives) and Debt Segment of such exchanges, to become sub-broker of a member of any such exchange, to engage and act as brokers and / or underwriters, to primary issue of shares, bonds, securities, units of mutual funds or financial instrument of any other kind and description, subject to rules, regulations, by laws, sanctions and permissions of such recognized stock exchanges, Securities and Exchange Board of India and other government authorities for the time being competent to regulate the functioning of the capital market.
- 2 (b) To carry on and engage in the business of Depository participant subject to necessary approvals from the Securities and Exchange Board of India or any other government authorities, if any.
- 2 (c) To provide services, advice and facilities of every description all those capable of being provided by portfolio manager of investment and retirement benefit funds and advisors, promoters and managers of other investment media, subject to necessary approvals from the Securities and Exchange Board of India or any other government authorities, if any.
- 2 (d) To carry on the business of Merchant Banking subject to approval of Securities and Exchange Board of India under Securities and Exchange Board of India (Merchant Bankers) Rules, 1992 and regulations made there under and such other approvals as may be required from other authorities in this regard but not to carry on all or any part of banking business as contemplated by the Reserve Bank of India/ Banking Regulation Act, 1949.

Our Company's main object & our ancillary objects as contained in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised through this Issue.

## CHANGE IN MEMORANDUM OF ASSOCIATION

Date of Shareholder's Approval	Change in the Memorandum of Association
EGM dated February 26, 2007	Clause V of the Memorandum of Association of the Company was amended to increase the authorized share capital from Rs. 15 lakh to Rs. 200 lakh
EGM dated November 23, 2007	Amendment to clause III (a) of the Memorandum of Association of our Company thereby deleting the then existing clause 1 pertaining take over the business of comfort securities and adding the following new clauses , which are reproduced below: 2(a) To carry on and engage in the business of share and stock broking as a member of any recognized stock exchange under Securities Contracts (Regulation) Act, 1956, to become and act as a member of cash, forward (derivatives) and Debt Segment of such exchanges, to become sub-broker of a member of any such exchange, to engage and act as brokers and / or underwriters, to primary issue of shares, bonds, securities, units of mutual funds or financial instrument of any other kind and description, subject to

	<p>rules, regulations, by laws, sanctions and permissions of such recognized stock exchanges, Securities and Exchange Board of India and other government authorities for the time being competent to regulate the functioning of the capital market.</p> <p>2 (b) To carry on and engage in the business of Depository participant subject to necessary approvals from the Securities and Exchange Board of India or any other government authorities, if any.</p> <p>2 (c) To provide services, advice and facilities of every description all those capable of being provided by portfolio manager of investment and retirement benefit funds and advisors, promoters and managers of other investment media, subject to necessary approvals from the Securities and Exchange Board of India or any other government authorities, if any.</p> <p>2 (d) To carry on the business of Merchant Banking subject to approval of Securities and Exchange Board of India under Securities and Exchange Board of India (Merchant Bankers) Rules, 1992 and regulations made there under and such other approvals as may be required from other authorities in this regard but not to carry on all or any part of banking business as contemplated by the Reserve Bank of India/ Banking Regulation Act, 1949.</p>
EGM dated November 14, 2009	Clause V of the Memorandum of Association of the Company was amended to increase the authorized share capital from Rs. 200 lakh to Rs. 250 lakh
EGM dated August 07, 2010	Clause V of the Memorandum of Association of the Company was amended to increase the authorized share capital from Rs. 250 lakh to Rs. 2,200 lakh
EGM dated November 09, 2010	Amendment to clause I of the Memorandum of Association upon change of name of the company from Comfort Securities Private Limited to Comfort Securities Limited pursuant to conversion of our Company to a public limited company.

#### **SUBSIDIARIES OF OUR COMPANY**

There is no subsidiary of our Company as on date of the DRHP.

#### **SHAREHOLDERS AGREEMENTS**

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

#### **OTHER AGREEMENTS**

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

#### **COLLABORATION**

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

#### **STRATEGIC PARTNER**

Our Company does not have any strategic partner as on the date of filing of the DRHP.

#### **FINANCIAL PARTNER**

Our Company does not have any financial partner as on the date of filing of the DRHP.

#### **NUMBER OF SHAREHOLDERS**

Our Company has 7 (seven) shareholders on date of DRHP.

## OUR MANAGEMENT

As per our Articles of Association, we cannot have less than three and more than twelve directors. Currently, we have eight directors on our Board. Our two whole time directors namely, Mrs. Annu Agrawal and Mr. Amit Khemka, manage our day to day operations under the supervision, direction and control of our Board of Directors. The constitution of our Board of Directors meets the requirements of corporate governance.

### BOARD OF DIRECTORS

The details of the Directors of our Company are given below:

Sr. No	Name, father's name, designation, address, occupation, nationality, tenure & DIN	Age	Status of Director in our Company	Other Directorships
1.	Ms. Chandrakala J. Purohit <b>D/o:</b> Jagdish Prasad Purohit <b>Designation:</b> Chairman <b>Address:</b> 6/1, Bijoy Mukherjee lane, Kolkata -700025.West Bengal India <b>Occupation:</b> Business <b>Nationality:</b> Indian <b>Tenure:</b> Retire by Rotation <b>DIN:</b> 01617901	30 years	Chairperson & Non Executive Independent Director	NIL
2.	Mr. Shiv Ratan Agarwal S/o Babu Lal Agarwal <b>Designation:</b> Director <b>Address:</b> 34a, Metcalfe Street 6th, Floor, R.N.6f, Kolkata - 700013.West Bengal India <b>Occupation:</b> Business <b>Nationality :</b> Indian <b>Tenure:</b> Retire by Rotation <b>DIN:</b> 00681526	50 years	Non Executive Independent Director	Binatone Merchantiles Pvt. Ltd  Jailaxmi Properties Pvt. Ltd  Colaba Tracom Pvt. Ltd  Ekdant Enclave Pvt. Ltd  Premier Shares Ltd
3.	Mr. Sushil K Jain S/o: Kasturchand Jain <b>Designation:</b> Director <b>Address:</b> Cliff Tower CHS Ltd, flat no 503, plot no 34, Cross rd no 3, Swami Samarth Ngr, Andheri (w), Mumbai. Maharashtra India 400053 <b>Occupation:</b> Business <b>Nationality :</b> Indian <b>Tenure:</b> Retire by Rotation <b>DIN:</b> 01662552	50 years	Non Executive Independent Director	Equator Space Management Private Limited  Explore Broadcasting Private Limited
4.	Mr. Anil B. Agrawal S/o: Late Beniprasad Agrawal <b>Designation:</b> Director <b>Address:</b> 501, Siddhi Building, Marve Road, Malad (West), Mumbai 400064. <b>Occupation:</b> Business <b>Nationality:</b> Indian <b>Tenure:</b> Retire by rotation <b>DIN:</b> 00014413	47 years	Non Executive Non Independent Director	Comfort Intech Limited Comfort Capital Pvt Ltd Luharuka Investment and Consultants Pvt Ltd Luharuka Export Pvt Ltd Comfort Commotrade Pvt. Ltd Luharuka Commotrade Pvt Ltd Luharuka Sales & Service Pvt Ltd

				Blend Financial Services Limited A. K. Luharuka & Associates–Proprietor Luharuka Dealers Private Limited
5.	Mr. Jugal C. Thacker S/o Mr Chandrakant Thacker <b>Designation:</b> Director <b>Address:</b> 20/9, Arihant, Flat no. 4 Rafi Ahmed Kidwadi Road, Wadala, Mumbai - 400031 <b>Occupation:</b> Business <b>Nationality :</b> Indian <b>Tenure:</b> Retire by rotation <b>DIN:</b> 00015460	46 years	Non Executive Non Independent Director	Comfort Intech Limited  SRBH Engg & Equipment Pvt Ltd  Topgrain Management Pvt Ltd  Desatan Iron and Steel Pvt Ltd
6.	Mr. Bharat N. Shiroya S/o Mr. Nanubhai Shiroya <b>Designation:</b> Director <b>Address:</b> B-102, Abhishek C H S Building, Opp. Atul Tower, Road No. 3, Kandivali, Mumbai - 400067. <b>Occupation:</b> Service <b>Nationality :</b> Indian <b>Tenure :</b> Retire by rotation <b>DIN:</b> 00014454	39 years	Non Executive Non Independent	Comfort Intech Limited  Comfort Commotrade Pvt. Ltd
7.	Mrs. Annu A. Agrawal D/o: Mr. Narayandas Khemka W/o: Mr. Anil Agrawal <b>Designation:</b> Whole Time Director <b>Address:</b> 501, Siddhi Building, Marve Road, Malad (West), Mumbai 400064 <b>Occupation:</b> Business Nationality: Indian <b>Tenure:</b> 5 years since March 6, 2007 <b>DIN:</b> 00014487	43 years	Executive Non Independent Director	Comfort Intech Limited Comfort Capital Pvt Ltd Luharuka Investment and Consultants Pvt Ltd Luharuka Export Pvt Ltd Comfort Commotrade Pvt. Ltd Luharuka Commotrade Pvt Ltd- Luharuka Sales & Services Pvt Ltd Luharuka Dealers Private Limited
8.	Mr. Amitkumar N. Khemka S/o Narayandas Khemka <b>Designation:</b> Whole Time Director <b>Address:</b> CK 8/55, Garwasi Tola Chowk Varanasi Uttar Pradesh India 221001 Occupation: Service Nationality: Indian <b>Tenure:</b> 5 years since August 7, 2008 <b>DIN:</b> 01612605	27 years	Executive Non Independent Director	Comfort Commotrade Pvt Ltd

**Note:** None of the above mentioned Directors are on the RBI List of wilful defaulters as on date.

## BRIEF DETAILS OF BOARD OF DIRECTORS

1. **Ms. Chandrakala Purohit** aged 30 years is an independent director and Chairperson of our Company. She has done her Masters in Finance and advance diploma in finance from ICFAI. She has an experience of five years in areas of financial research, financial modelling and trend forecasting.
2. **Mr. Shiv Ratan Agarwal**, aged 50 years is an independent director of our Company. He is a qualified Chartered Accountant. He has more than 24 years of experience in the field of accounting and finance like auditing, taxation and capital market. He also is an advisor to various companies for public and rights issues.
3. **Mr. Sushil K Jain**, aged 50 years is an independent director of our Company. He is a Bachelor of Commerce and L.L.B. (Gen) and has successfully passed intermediate course of Chartered Accountants from ICAI. He is also a financial consultant since last 20 years.
4. **Mr. Anil B Agrawal**, aged 48 years is the Promoter Director of our Company. He is a Chartered Accountant and qualified cost and works accountant from ICWAI. He has more than 24 years of experience in the field of finance, Capital markets and related activities. He is one of the founder promoters of the company. He is presently involved in activities related to merchant banking, future planning, financial control, man-management and strategic decision-taking. He is also a practicing chartered account running a sole proprietary concern under the name of A. K. Luharuka & Associates since 24 years and has high expertise in business advisory and Investments, Capital Markets, Mutual Funds and taxation. He is also on the board of the trustees of Seth Govindaram Charitable trust with activities in Mumbai.
5. **Mr. Jugal C. Thacker** aged 46 years is a Non Executive Non Independent Director of our Company. He is qualified a chartered accountant and experience in finance and investment field. He has experience in debt syndication, Issue Managements, Buy-back, delisting, open offers etc.
6. **Mr. Bharat Shiroya** aged 40 years is Non Executive Non Independent Director of our Company. He is a graduate and M.B.A from National Institute of Management. He has more than 12 years of experience in securities and financial services. He is also qualified for derivatives trading in stock exchange and possesses a diploma for the same.
7. **Mrs. Annu Agrawal** , aged 43, is our Promoter. She is a Bachelor of Arts (Hons) from the Banaras Hindu University and has 8 years of experience in the field of capital market including research, dealing etc. She is presently involved in day to day affairs including future planning, finance control, human resource management, and in strategic decision making of our Company. She is one of the trustees of Seth Govindaram CharitableTrust which carries on charitable activities in Mumbai.
8. **Mr. Amit Kumar Khemka**, aged 27, is our Whole Time Director and is responsible for the broking operations of our Company. He has been also appointed as designated director of our Company. He is a graduate and has over five years of experience in securities market. He is actively involved in our Company's derivative business.

## NATURE OF FAMILY RELATIONSHIP AMONG DIRECTORS

Except as mentioned below, none of the directors are related to each other:

Sr. No.	Name of Director	Relatives
1	Mrs. Annu Agrawal	Wife of Mr. Anil Agrawal and sister of Mr. Amit Khemka
2	Mr. Anil Agrawal	Husband of Mrs. Annu Agrawal
3	Mr. Amit Kumar Khemka	Brother of Mrs. Annu Agrawal

## BORROWING POWERS OF THE BOARD

Pursuant to a special resolution passed at the Extra Ordinary General Meeting of our Company held on December 8, 2010, our Board is authorized to borrow money(s) on behalf of our Company in excess of the paid up share capital and the free reserves of our Company from time to time, pursuant to the provisions of Section 293 (1) (d) of the Companies Act, subject to a maximum amount not exceeding Rs. 5000 Lakh. For further details of the provisions of our Articles of Association regarding borrowing powers, please refer to the section titled 'Main provisions of Articles of Association of our Company' on page no. 184 of the DRHP.

## TERMS OF APPOINTMENT & COMPENSATION OF WHOLE TIME DIRECTOR

<b>Name</b>	Mr. Amit Kumar Khemka								
<b>Designation</b>	Whole Time Director								
<b>Period</b>	With effect from August 7, 2008 for the period 5 years								
<b>Date of Appointment</b>	Board Meeting dated August 7, 2008								
<b>Remuneration</b>	<table> <tr> <th>Particular</th><th>Amount (in Rs.) (p.a )</th></tr> <tr> <td>Basic Salary</td><td>20,000</td></tr> <tr> <td>Allowances</td><td>5000</td></tr> <tr> <td>Total</td><td>25,000</td></tr> </table>	Particular	Amount (in Rs.) (p.a )	Basic Salary	20,000	Allowances	5000	Total	25,000
Particular	Amount (in Rs.) (p.a )								
Basic Salary	20,000								
Allowances	5000								
Total	25,000								
<b>Remuneration paid in FY August 2010</b>	Rs. 3,41,667 (Rs 300,000 as salary and balance as bonus and leave encashment salary as per the policy of the company)								

<b>Name</b>	Mrs. Annu Agrawal
<b>Designation</b>	Whole Time Director
<b>Period</b>	5 years since March 6, 2007
<b>Date of Appointment</b>	Board Meeting dated March 6, 2007
<b>Remuneration</b>	Nil
<b>Remuneration paid in FY ended August 2010</b>	Nil

There is no definitive and /or service agreement that has been entered into between our Company and the directors in relation to their appointment. Further, all the directors have been appointed by a Board resolution passed at a Board meeting of the Company.

### Non – Executive Directors

Currently, Non-Executive Directors are not paid sitting fees.

## CORPORATE GOVERNANCE

The provisions of the Listing Agreement to be entered into with BSE with respect to corporate governance and the SEBI Guidelines in respect of corporate governance will be applicable to our Company immediately upon the listing of our Equity Shares on the Stock Exchange. Our Company undertakes to adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchange on Listing.

The Board of Directors consists of a total of eight Directors of which three are independent Directors (as defined under Clause 49), which constitutes one third of our Board of Directors. Our Chairman is a Non Executive Independent Director. This is in compliance with the requirements of Clause 49. In terms of Clause 49, our Company has already appointed independent directors and constituted the following committees:

- (a) Audit committee;
- (b) Shareholders'/Investors' grievance committee

### (a) Audit committee

The audit committee comprises:

Name of the Directors	Designation in the Committee	Nature of Directorship
Mr. Shiv Ratan Agarwal	Chairman	Non Executive Independent Director
Mr. Sushil Jain	Member	Non Executive Independent Director
Mr. Anil Agrawal	Member	Non Executive Non Independent Director
Ms. Mayuri Thakkar	Secretary to the committee	Company Secretary



The Audit Committee was constituted at our Board meeting held on November 16, 2010. The purpose of the Audit Committee is to ensure the objectivity, credibility and correctness of our Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters.

#### **Terms of reference of the Audit Committee**

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

- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee
21. Review the Financial Statements of its subsidiary company, if any.
  22. Review the composition of the Board of Directors of its Subsidiary Company, if any.
  23. Review the use/application of funds raised through an issue (public issues, right issues, preferential issues etc) on a quarterly basis as a part of the quarterly declaration of financial results. Further, review on annual basis statements prepared by the Company for funds utilized for purposes other than those stated in the offer document.

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

#### **B. Shareholders'/investors' grievance committee**

The shareholders'/investors' grievance committee comprises of:

<b>Name of the Directors</b>	<b>Designation in the Committee</b>	<b>Nature of Directorship</b>
Mr. Sushil Jain	Chairman	Non Executive Independent Director
Mr. Amit Kumar Khemka	Member	Whole Time Director
Mr. Bharat Shiroya	Member	Non Executive Non Independent Director
Ms. Mayuri Thakkar	Secretary to the Committee	Company Secretary

The Shareholders/Investors Grievance Committee was constituted at our Board meeting held on November 16, 2010. The purpose of the Shareholders"/Investors" Grievance Committee is to look into the shareholders and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.

#### **Terms of reference / scope of the Shareholders"/Investors" Grievance Committee**

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

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

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

#### **SHAREHOLDING OF OUR DIRECTORS**

As per our Articles of Association, our Directors are not required to hold any qualification Equity Shares in our Company. Save and except as below, our Directors do not hold any Equity Shares in our Company as on the date of filing of the DRHP.

<b>Sr. No</b>	<b>Name of the Directors</b>	<b>No. of Equity Shares</b>
1.	Mrs. Annu A. Agrawal	53,40,000
2.	Mr. Anil B. Agrawal	6,57,500
3.	Mr. Amitkumar N. Khemka	625
4.	Mr. Bharat N. Shiroya	625
	<b>Total</b>	<b>5998750</b>

#### **INTEREST OF DIRECTORS**

All our Directors, including independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses, if any, payable to them under our Articles of Association and to the extent of remuneration, if any, paid to them for services rendered as an officer or employee of our Company.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations.

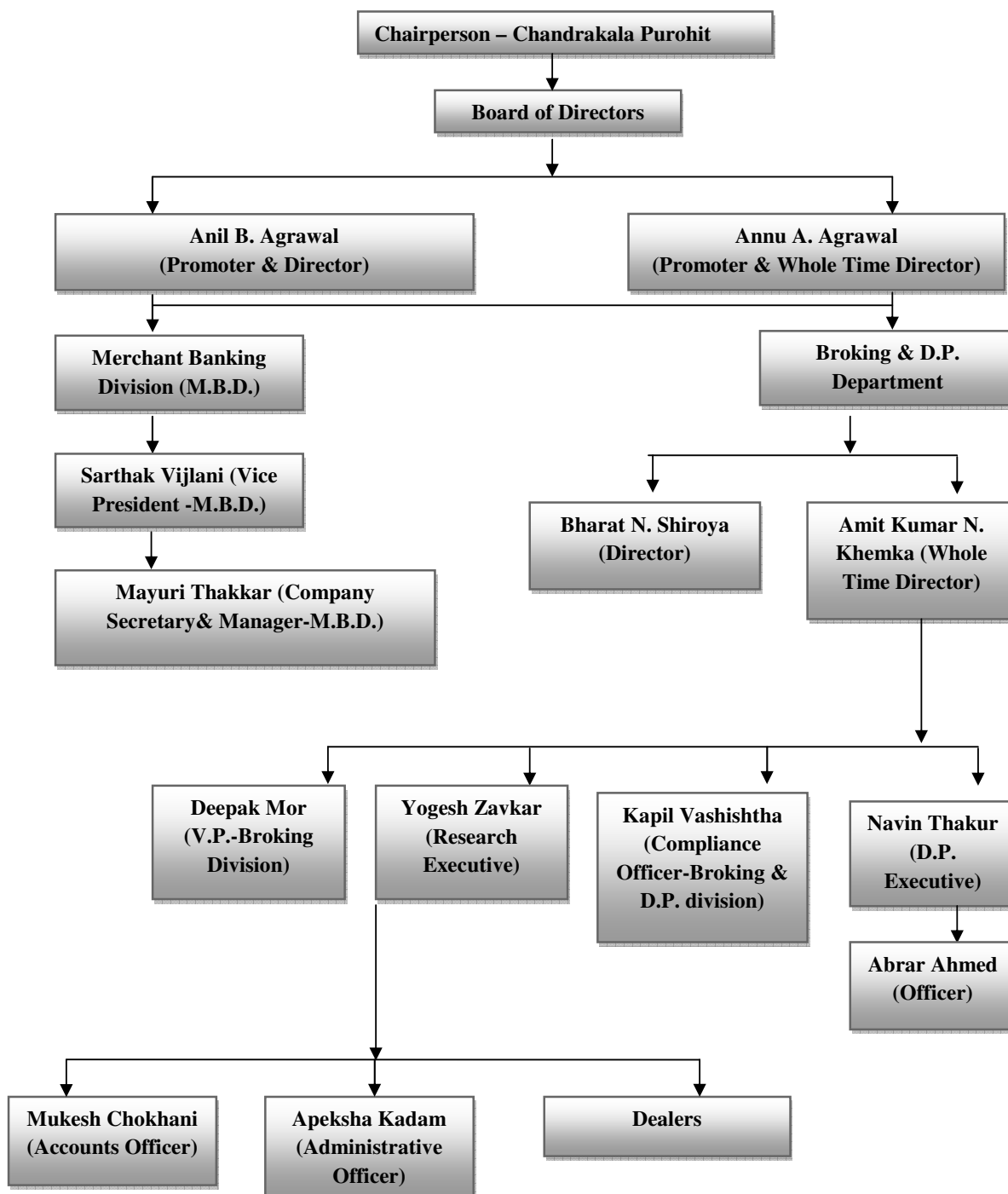
All the Directors may also be deemed to be interested to the extent of equity shares, if any, already held or that may be subscribed for and allotted to them or to the companies, firms and trusts, in which they are interested as directors, members, partners and/or trustees, out of the present offer and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares.

Except stated otherwise under chapter titled “Related Party Transactions” on page no. 87 and in chapter titled “Our Business – Properties”, on page no. 54 of this DRHP, our Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the DRHP 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, property or are proposed to be made to them.

#### CHANGES IN THE DIRECTORS IN THE LAST THREE YEARS

Sr. No.	Name of Director	Date of Appointment/Change in designation	Date of Cessation	Remarks
1	Mr. Pramod Vyas	March 06, 2007	NA	Appointed as additional and Whole Time Director
2	Mrs. Annu A. Agrawal	March 06, 2007	NA	Appointed as Whole Time Director
3	Mr. Rup Narayan More	August 08, 2007	NA	Appointed as Additional Director
4	Mr. Jugal C. Thacker	August 08, 2007	NA	Appointed as Additional Director
5	Mr. Bharat N. Shiroya	August 07, 2008	NA	Appointed as Additional Director
6	Mr. Shiv Ratan Agarwal	August 07, 2008	NA	Appointed as Additional Director
7	Ms. Chandrakala J Purohit	August 07, 2008	NA	Appointed as Additional Director
8	Mr Rup Narayan More	NA	August 07, 2008	Resignation
9	Mr. Amitkumar N Khemka	August 07, 2008	NA	Appointed as Whole Time Director
10	Mr. Pramod Vyas	NA	August 08, 2008	Resignation
11	Mr. Jugal C. Thacker	September 13, 2008	NA	Designation changed from Additional Director to Director
12	Mr. Bharat N. Shiroya	September 13, 2008	NA	Designation changed from Additional Director to Director
13	Mr. Shiv Ratan Agarwal	September 13, 2008	NA	Designation changed from Additional Director to Director
14	Ms. Chandrakala J. Purohit	September 13, 2008	NA	Designation changed from Additional Director to Director
15	Mr. Sushil K Jain	August 04, 2010	NA	Appointed as Additional Director
16	Mr. Sushil K Jain	September 30, 2010	NA	Designation changed from Additional Director to Director

## MANAGEMENT ORGANISATION CHART



## **OUR KEY MANAGERIAL PERSONNEL**

Apart from Mr. Amitkumar N. Khemka and Anil A. Agrawal, Whole Time Director, the key managerial personnel of our Company as on the date of this DRHP are as follows.

### **1. Mr. Sarthak Vijlani – VP – M.B.D**

Mr. Sarthak Vijlani, aged 27, joined our Company on April 1, 2007. He is primarily responsible for all activities relating to merchant banking division. He is also appointed as compliance officer for the Merchant Banking Division of our Company. He holds a Bachelor degree in Commerce and also a qualified Chartered Accountant. He has about three years of experience in the field of finance and merchant banking.

### **2. Mr. Kapil Vashishtha – Compliance officer – Broking Division**

Mr. Kapil Vashishtha, aged 29, joined our Company on April 15, 2005. He is primarily responsible for compliances under Broking Division only. Presently he is appointed as compliance officer for the Broking Division and DP Division of our Company. He holds a Bachelors degree in Science from Rajasthan University and has also done MSc in IT from Sikkim Manipal University, Gangtok. He has also passed certificate courses relating to technical field like C++, VB, C#, Cold Fusion, HTML, J Script, Vbscript, MS Access 2000, Oracle.

### **3. Mr. Mukesh Chokhani – Accounts officer**

Mr. Mukesh Chokhani, aged 32, joined the Company on September 25, 2007. He is primarily responsible for handling accounts and finance of the Company. He holds a Bachelors degree in Commerce from University of Mumbai and has also done M.B.A in Marketing Management from University of Mumbai.

### **4. Ms. Apeksha Kadam – Administrative officer**

Ms. Apeksha Kadam, aged 28, joined the Company on October 01, 2008, as Administrative Officer. She is primarily responsible for activities relating to administration and human resource. She holds a Bachelors degree in Commerce. She has about 4 years of experience in the field of Administration. Prior to joining our Company, she was associated with Mind Sources Outsourcing Private Limited.

### **5. Ms. Mayuri Thakkar – Company Secretary and Manager – M.B.D**

Ms. Mayuri Thakkar, aged 25, joined our Company on March 29, 2010 as Manager in Merchant Banking Division and was appointed as Company Secretary on September 9, 2010. She holds a Master degree of Commerce and is also L.L.B (Gen) from University of Mumbai. She is qualified Company Secretary.

### **6. Deepak Mor – V.P. Broking Division**

Mr. Deepak Mor, aged 23, joined our Company on October 8, 2010, as Vice President in Broking Division. He is a qualified Chartered Accountant and also is fellow of Insurance Institute of India. He has also holds certificate of MCX Certified Commodity Professional from MCX. He has about two years of working experience in audit, accounts, tax prior to joining the Issuer he was associated with R. N. More & Associates, Chartered Accountants.

All the Key Managerial Persons are permanent employees of our Company

### **Shareholding of key managerial personnel**

None of the Key managerial personnel holds any Equity Shares in our Company.

### **ESOPs granted to our key managerial personnel**

There are no ESOPs granted to the key managerial personnel of our Company.

**Bonus and/or profit sharing plan for the key managerial personnel**

There is no profit sharing plan for the Key managerial personnel.

**Changes in key managerial personnel**

There have been no changes in the key managerial personnel of the Issuer since inception except as mentioned below:

<b>Sr. No</b>	<b>Names</b>	<b>Appointment Resignation</b> /	<b>Nature of Change</b>
1	Sarthak Vijlani	April 1, 2007	Appointment
2	Kapil Vashishtha	April 15, 2005	Appointment
3	Mukesh Chokhani	September 25, 2007	Appointment
4	Apeksha Kadam	October 1, 2008	Appointment
5.	Mayuri B. Thakkar	March 29, 2010	Appointment
6.	Deepak Mor	October 8, 2010	Appointment

**Payment or benefit to our officers (Non –Salary Related)**

Except as stated in the DRHP, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of its officers except for the normal remuneration paid to Directors, officers or employees since the incorporation of the Company.

## OUR PROMOTERS AND PROMOTER GROUP

### PROMOTERS

1. Mr. Anil Agrawal
2. Mrs. Annu Agrawal
3. Comfort Intech Ltd

Details of the Promoters are as under:-

#### 1. Mr. Anil Agrawal



**Mr. Anil Agrawal**, aged 47, (Passport No. E 7223307, Driving License number: MH/02/89/5374, PAN: ACTPA6034D, Voter ID: Not Available, Bank Account Details: Union Bank of India, Bank Account No: 318004010035084), a resident Indian national is our Promoter. He was one of the subscribers of our Memorandum and Articles of Association. He is a Chartered Accountant and qualified Cost and Works Accountant from ICWAI residing at 501, Siddhi Building, Marve Road, Malad (W), Mumbai-400064 is the director of our Company. He has more than 24 years of experience in the field of finance, capital markets and related activities. He is presently involved in future planning and strategic decision making of our Company. He is also practicing as a Chartered Accountant having firm in the name and style of M/s A. K. Luharuka & Associates since the past 20 years and has expertise in business advisory and capital market transactions. He is one of the trustees of Seth Govindaram Charitable Trust –which carries on charitable activities in Mumbai.

#### 2. Mrs. Annu Agrawal



**Mrs. Annu Agrawal**, aged 43, (passport no.E9446565), Driving License Number: MH 0295/7554, PAN: ADMPA0248F, Voter ID: Not Available, Bank Account Details: Union Bank of India, Bank Account No: 318004010035082), a resident Indian national is our Promoter. She is a Bachelor of Arts (Hons) from the Banaras Hindu University and has 8 years of experience in the field of capital market including research, dealing etc. She is presently involved in day to day affairs including future planning, finance control, human resource management, and in strategic decision making of our Company. She is one of the trustees of Seth Govindaram Charitable Trust which carries on charitable activities in Mumbai

#### 3. Comfort Intech Limited (CIL)

CIL is a NBFC, incorporated on October 17, 1994 in the name of Comfort Fininvest Limited as a public limited company under the provisions of the Companies Act, 1956. The name was changed to Comfort Intech Limited and a fresh certificate of incorporation was obtained on March 24, 2000. CIL is duly registered with RBI, Ahmedabad bearing registration no. B 01.00419 dated June 25, 2002. The registered office of CIL is situated at 106, Avkar Algani Nagar, Kalaria, Daman, Daman Diu – 396210 (U.T). The promoter of the company is Mr. Anil Agrawal and presently the company is engaged in NBFC activities. The shares of the company are listed with BSE and JSE.

## Main Objects

The main objects as contained in its memorandum of association are:

1. To perform and undertake activities pertaining to Installment credit, hire purchase and leasing, and to provide financial assistance by means of hire purchase or the leasing of all forms of Immovable and movable properties and assets Including buildings, godowns, warehouses and real estate or roads, bridges, highways and waterways of any kind, nature or use, whatsoever and all types of industrial, office and other plant, equipment and machinery, including heavy or medium Industrial machinery, computers including software such as computer programmes, electronic data processors, tabulators, air-conditioning, equipment, scientific apparatus, medical equipment or any systems and any systems and any other items of any kind whatsoever and whether required for industrial commercial or agricultural purposes for construction, consumer or other activities, and all types of vehicles, ships or aircraft, and any other property of any kind nature or use whatsoever and whether required for manufacturing, processing, marketing, transportation, trading or any other industrial commercial or service business, on such terms covenants and conditions as may be thought fit and for the purpose, to purchase of otherwise acquire dominion over the same, whether new or used, and to alter, repair and maintain the same.
  - (a) To undertake design, development and research of software systems, products and solutions in all areas of applications including internet, intranet, web sites, application solution software, enterprise resource planning, e-commerce, value added products, entertainment, information and other business applications either for its own use or for sale in India or for export out of India and to design, develop such systems and application, software for or on behalf of manufacturers, owners and users of computer systems, satellite channels, telecom, digital, electronic equipments in India or elsewhere in world and also to set up, operate and be a service provider of Internet.
  - (b) To set up and run software / hardware training centres, software consultancy, systems studies management consultancy, techno-economic feasibility studies of projects, design and development of management information systems in India and outside India and to focus on identification, selection, training of software manpower for onsite placement In India and outside India for Is own use and/or clients use and recruitment and job placement services In India or outside India.
  - (c) To research, design, develop, process, set up, fabricate, manufacture, assemble, purchase, take on hire, import or otherwise acquire, stock, erect, construct, maintain, manage, alter, repair, renovate, fit, improve, recondition, sell, hire, lend, export or otherwise dispose off and deal In electronic, electrical, telecommunication, computer hardware and software products.
2. To act as managers to issues and offers, whether by way of public offer or otherwise of shares, stocks, debentures, bonds, units, participation, certificates, deposit certificates, notes, bills, warrants or any other instruments, whether or not transferable or negotiable, commercial or other paper or scripts (hereinafter collectively referred to as the "securities") to act as a discount house for any of the consultants, advisers and counselors in investment and capital markets, to underwrite, sub-underwrite or to provide stand-by or procurement arrangements, to issue guarantees or to enter into other commitments for subscriptions for the securities, to act as an issue house, or a registrar to issues or a transfer agent for the securities, to manage and administer computer centres and clearing houses for the securities, to form syndicates or consortia of managers, agents and purchasers for or of any of the securities, to act as a jobber, broker, dealers, and agent of or in connection with the securities, to arrange or syndicate any package of financial assistance whether in the domestic market or international markets and whether by way of loans, guarantees, export and import or other credits
3. To carry out financing and perform financing services including factoring, forfeiting. The purchase, sale or discounting of cheques, bills, promissory mortgage lending, balling, making of loans both short term and long term to provide credit card services and facilities for the transfer of funds, scripts, or other instruments from any place In India or abroad to any other place.



**Present Board of Directors**

S. N	Name of the Director	Designation
1.	Mr. Anil B Agrawal	Chairman & Managing Director
2.	Mr. Bharat N Shiroya	Executive Director
3.	Mrs. Annu A Agrawal	Director
4.	Mr. Jugal C Thacker	Director
5.	Mr. Janak G Mehta	Director
6.	Mr. Anand H Agarwal	Director

**Shareholding Pattern (As On September 30<sup>th</sup> 2010)**

Category of Shareholder	Total No. of Shares	Total Shareholding as a % of total No. of Shares
<b>(A) Shareholding of Promoter and Promoter Group</b>		
(1) Indian		
Individuals / Hindu Undivided Family	13,124,370	4.10
Bodies Corporate	148,995,060	46.57
Sub Total	162,119,430	50.67
(2) Foreign		
<b>Total shareholding of Promoter and Promoter Group (A)</b>	<b>162,119,430</b>	<b>50.67</b>
<b>(B) Public Shareholding</b>		
(1) Institutions		
Foreign Institutional Investors	59,000	0.02
Sub Total	59,000	0.02
(2) Non-Institutions		
Bodies Corporate	72,219,383	22.57
Individuals		
Individual shareholders holding nominal share capital up to Rs. 1 lakh	19,202,441	6.00
Individual shareholders holding nominal share capital in excess of Rs.1 lakh	63,990,557	20.00
<b>Any Others (Specify):-</b>	<b>2,347,269</b>	<b>0.73</b>
Clearing Members	2,046,464	0.64
Non Resident Indians	300,805	0.09
Sub Total	157,759,650	49.31
<b>Total Public shareholding (B)</b>	<b>157,818,650</b>	<b>49.33</b>
<b>Total (A)+(B)</b>	<b>319,938,080</b>	<b>100.00</b>

CIL is not a sick industrial unit within the meaning as per clause (o) of subsection (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 and is not in the process of winding up. CIL has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

**Financial Performance**

Financial performance of CIL for the last three financial years is as follows:

(Rs. in Lakh)

Particulars	For the Year ending March 31, 2010	For the Year ending March 31, 2009	For the Year ending March 31, 2008
Equity capital	1599.69	1,599.69	999.69
Reserves & Surplus (excluding revaluation reserves)	733.43	628.80	172.79

Total revenue	4425.88	2,606.56	5,514.00
Profit After Tax	198.21	85.55	89.45
EPS (Rs.)	0.12	0.07	0.89
NAV Per Share	1.44	1.39	1.17

**Stock market data:**

Month	High (Rs.)	Date of High	Volume	Low (Rs.)	Date of Low	Volume	Total Volume in the Month	Average price
December 2010	13.95	1-Dec-10	2398392	2.96	31-Dec-10	5157838	23130619	8.45
November 2010	16.68	1-Nov-10	1117057	13.1	19-Nov-10	3079267	55340497	14.89
October 2010	16.65	4-Oct-10	904994	13.65	14-Oct-10	1305845	43925047	15.15
September 2010	17.35	20-Sep-10	2991198	13	1-Sep-10	4163671	40932339	15.18
August 2010	17.5	2-Aug-10	4153790	12.95	18-Aug-10	3242452	63317245	15.23
July 2010	16.6	14-Jul-10	2007845	14.2	28 July 10	3450168	55810898	15.40
June 2010	30.5	01 June 2010	1886039	14.17	30-Jun-10	1388517	30449903	22.34

(Above table will be modified at the time of filing RHP with ROC)

**Disclosure on capital issue**

1. CIL came out with an initial public offering of 25 Lakh Equity Shares of Rs 10/- each at par in the year 1995 and obtained listing on BSE, JSE and MPSE.
2. In the year 2005, the company further came out with a rights issue of 60, 00,150 Equity Shares of Rs. 10/- each for cash at par in the ratio 3:2.
3. In the year 2010, CIL again issued 15,99,69,040 right share of Rs.4/- each for cash at premium of Rs.3 per share in the ratio of 1:1.

**Other details**

PAN Number	<b>AAACC5567H</b>
Bank Account Number	Union Bank of India – Malad Branch A/c No. 318001010036374
Company Registration Number	<b>56-01678</b>
ROC	Registrar of Companies, Goa, Daman & Diu SH. E. Ahmed Kunju Daulat Building 2nd Floor ST.Inez Panaji, Goa – 403001

## PROMOTER GROUP

The Promoter Group consists of natural persons, HUF's, private companies, trust and partnership/proprietorship firms.

### (i) Individual Promoter

- a) The natural persons who are part of our Promoter Group (due to the relationship with our promoters), other than the Promoters named above are as follows:

Relationship	Mr. Anil Agrawal	Mrs. Annu Agrawal
Father	Late Shri Beni Prasad Agrawal	Narayandas Khemka
Mother	Sharda Devi Agrawal	Kantadevi Khemka
Spouse	Annu Agrawal	Mr. Anil Agrawal
Brother	Umakant Agrawal Pradeep Agrawal Manoj Agrawal	Mr. Amit Kumar Khemka
Sister	Manju Khandalia	Anju Ravi Dhelia Brinda Manish Agrawal Ritu Narayandas Khemka Monika Sunil Agrawal
Children	Ankur Agrawal Deepika Agrawal	Ankur Agrawal Deepika Agrawal

- b) Companies, firms and HUFs which form part of our Promoter Group are as follows:

S.N.	Relationship	Mr. Anil Agrawal	Mrs. Annu Agrawal
1	Any company in which 10% or more of the share capital is held by the Promoter or an immediate relative of the Promoter or a firm or HUF in which the Promoter or any one or more of his immediate relatives is a member	<ul style="list-style-type: none"> <li>Luharuka Investment &amp; Consultants Pvt Ltd</li> <li>Luharuka Export Pvt Ltd</li> <li>Comfort Commotrade Pvt. Ltd</li> <li>Luharuka Sales &amp; Services Pvt Ltd</li> <li>Luharuka Commotrade Pvt. Ltd</li> <li>Luharuka Dealers Pvt. Ltd</li> </ul>	<ul style="list-style-type: none"> <li>Luharuka Investment &amp; Consultants Pvt Ltd</li> <li>Luharuka Export Pvt Ltd</li> <li>Comfort Commotrade Pvt. Ltd</li> <li>Luharuka sales &amp; Services Pvt Ltd</li> <li>Luharuka Commotrade Pvt. Ltd</li> <li>Luharuka Dealers Pvt. Ltd</li> </ul>
2	Any company in which a company mentioned in (1) above, holds 10% of the total	Comfort Intech Limited	Comfort Intech Limited
3	Any HUF or firm in which the aggregate share of the Promoter and his immediate relatives is equal to or more than 10% of the total	<ul style="list-style-type: none"> <li>Seth Govindaram Charitable Trust</li> <li>A.K Luharuka &amp; Associates</li> <li>Anil B. Agrawal HUF</li> </ul>	NA

### (ii) Corporate Promoter

S.N	Relationship	Comfort Intech Limited
1	A subsidiary or holding company of that company	NA
2	Any company in which the Promoter holds 10% or more of the equity capital, or which holds 10% or more of the equity capital (other than issuer company) of the Promoter	Comfort Commotrade Pvt. Ltd. Luharuka Investment & Consultants Pvt Ltd Luharuka Export Pvt Ltd

S.N	Relationship	Comfort Intech Limited
3	Any company in which a group of individuals or companies or combinations thereof who hold 20% or more of the equity capital in that company, also hold 20% or more of the equity capital of the Issuer company #	CIL holds 49% in Issuer Company and in turn Luharuka Investment & Consultants Pvt Ltd holds 23.41 % in CIL and Luharuka Export Pvt Ltd holds 23.157% in CIL.

Luharuka Travels and Luharuka Enterprises, the proprietary concerns of Mr. Pradeep Agrawal, brother of Mr. Anil Agrawal, do not wish to be included as part of the group companies stating that they are in an entirely different line of business and also do not consider themselves as part of the promoter group of our Company. They have also given written communication to our Company in this regard. However, Luharuka Travels and Luharuka Enterprises provide services to our Company as travel agents.

Other than those stated above, there are no partnership firms, trusts, HUFs, proprietorships or other entities that are part of the Promoter Group.

**The details of our Promoter Group companies and entities are as provided below:**

#### **1. Comfort Commotrade Private Limited**

Comfort Commotrade Private Limited was incorporated on November 05, 2007 under the Companies Act, 1956 in the State of Maharashtra, having its registered office at A/301, Hetal Arch, Opp. Natraj Market, S.V. Road, Malad (West), Mumbai – 400 064. The shares of Comfort Commotrade Private Limited are not listed on any of the stock exchanges in India. The company is member of MCX with registration no MCX/TCM/CORP/1574.

#### **Nature of Business**

The Company is currently engaged in providing commodity broking services to its constituents.

#### **Board of Directors**

Name	Designation
Mr. Anil B Agrawal	Director
Mrs. Annu A Agrawal	Director
Mr. Bharat N Shiroya	Director
Mr. Amitkumar N. Khemka	Director

#### **Shareholding Pattern**

**The shareholding pattern of this company as on December 14, 2010, is as under:**

Name	No. of Shares held	% holding
Mr Anil B Agrawal	1,35,000	46.55
Mrs Annu A Agrawal	25,000	8.65
Anil B Agrawal -HUF	65,000	22.40
Comfort Intech Limited	65,000	22.40
<b>Total</b>	<b>2,90,000</b>	<b>100.00</b>

## Financial Performance

(Rs. in Lakh)

	For the Financial Year ended		
	31 <sup>st</sup> March 2010	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2008
Particular	(Audited)	(Audited )	(Audited )
Total Income	23.22	10.22	NIL
Profit/loss after Tax	4.14	2.96	(0.22)
Share Capital (Equity)	29.00	29.00	14.50
Reserves and Surplus (excluding revaluation reserve)	53.58	51.13	13.28
Earnings Per share (in Rs.)	1.43	1.06	(0.15)
Book Value per equity share (in Rs.)	28.22	27.29	18.31
Face Value per Share (in Rs.)	10	10	10

## 2. Comfort Capital Private Limited

Comfort Capital Private Limited was originally incorporated on January 05, 1993 under the Companies Act, 1956 in the State of Maharashtra, in the name and style of Luharuka Advertising Private Limited. Further, the name was changed to Comfort Advertising Private Ltd on October 9, 1996. The name was further changed to Comfort Capital Private Ltd on September 14, 2009. Registered office is located at A/301, Hetal Arch, Opp. Natraj Market, S.V. Road, Malad (West), Mumbai – 400 064. The shares of Comfort Capital Private Limited are not listed on any of the stock exchanges in India.

### Nature of Business

The main object of the company is to carry on business of finance and investments. Further Comfort Capital Private Limited desired to get registered as non deposit taking NBFC Company and had forwarded the application to RBI on November 9, 2009. The said application is under process with RBI.

### Board of Directors

Name	Designation
Mr. Anil B Agrawal	Director
Mrs. Annu A Agrawal	Director

### Shareholding Pattern

The shareholding pattern of this company as on December 14, 2010 is as under:

Name	No. of Shares held	% holding
Mr. Anil B.Agrawal	100	0.03
Mrs. Annu Agrawal	9,900	2.58
Mr. Devendra T Mandawala	100	0.03
Prakash Chand Jain (HUF)	29,500	7.70
Bhag Chand Jain (HUF)	24,500	6.40
Rajmal Prakash Chand (HUF)	32,500	8.48
Darshan Kumar Jain (HUF)	24,500	6.40
Jambu Kumar Jain (HUF)	31,500	8.22
Naveen Jain (HUF)	31,500	8.22

Dharmesh Jain (HUF)	38,000	9.92
Ritesh Jain (HUF)	4,000	1.04
Vaibhav Jain	26,000	6.79
Sumitra Devi Jain	12,000	3.13
Kalpana Jain	44,500	11.62
Veenu Jain	38,500	10.05
Ritesh Jain HUF	36,000	9.40
<b>Total</b>	<b>3,83,100</b>	<b>100.00</b>

#### Financial Performance

(Rs. in Lakh)

Particulars	For the Financial Year ended		
	31 <sup>st</sup> March 2010	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2008
	(Audited)	(Audited )	(Audited)
Total Income	17.59	10.82	46.72
Profit/loss after Tax	8.33	0.61	0.50
Share Capital (Equity)	38.3	1.01	1.01
Reserves and Surplus (excluding revaluation reserve)	349.08	5.05	4.44
Earnings Per share (in Rs.)	3.5	6.03	4.94
Book Value per equity share (in Rs.)	101	60.00	53.98
Face Value per Share (in Rs.)	10	10	10

### 3. Luharuka Export Private Limited

Luharuka Export Private Limited was incorporated on January 5, 1993 under the Companies Act, 1956 in the State of Maharashtra, having its registered office at , 227, Natraj Market, S.V. Road, Malad (West), Mumbai – 400 064. The shares of Luharuka Export Private Limited are not listed on any of the stock exchanges in India.

#### Nature of Business

The company is incorporated to carry on business of export / import and to deal in any type of goods for foreign trading.

#### Board of Directors

Name	Designation
Mr. Anil B Agrawal	Director
Mrs. Annu A Agrawal	Director

#### Shareholding Pattern

The shareholding pattern of this company as on December 14, 2010 is as under:

Name	No. of Shares held	% holding
Mr Anil B Agrawal	55,625	55.72
Mrs Annu A Agrawal	10,700	10.72
Mr. Anil Agrawal HUF	33,500	33.56
<b>Total</b>	<b>99,825</b>	<b>100.00</b>

**Financial Performance**

Particulars	For the Financial Year ended (Rs. in Lakh)		
	31 <sup>st</sup> March, 2010	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2008
	(Audited)	(Audited )	(Audited)
Total Income	11.93	10.82	12.99
Profit/(loss) after Tax	9.44	10.72	12.91
Share Capital (Equity)	9.98	9.98	5.03
Reserves and Surplus (excluding revaluation reserve)	348.59	339.15	135.29
Earnings Per share (in Rs.)	9.45	17.22	25.66
Book Value per equity share (in Rs.)	359.29	349.82	278.97
Face Value per Share (in Rs.)	10	10	10

**4. Luharuka Investment & Consultants Private Limited**

Luharuka Investment & Consultants Private Limited was incorporated on September 13, 1989 under the Companies Act, 1956 in the State of Maharashtra, having its registered office at , 227, Natraj Market, S.V. Road, Malad (West), Mumbai – 400 064. The shares of Luharuka Investment & Consultants Private Limited are not listed on any of the stock exchanges in India.

**Nature of Business**

The main object of the company is to carry on business of financing, investing and financial advisory services.

**Board of Directors**

Name	Designation
Mr. Anil B Agrawal	Director
Mrs. Annu A Agrawal	Director

**Shareholding Pattern**

The shareholding pattern of this company as on December 14, 2010 is as under:

Name	No. of Shares held	% holding
Mr. Anil B Agrawal	90,200	45.29
Mrs. Annu A Agrawal	33,950	17.05
Mr. Anil Agrawal HUF	48,750	24.47
Mr. Ankur Agrawal	26,270	13.19
<b>Total</b>	<b>1,99,170</b>	<b>100.00</b>

**Financial Performance -:****(Rs. in Lakh)**

Particulars	For the Financial Year ended		
	31 <sup>st</sup> March 2010	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2008
	(Audited)	(Audited )	(Audited)
Total Income	9.63	11.32	19.36
Profit/(loss) after Tax	7.48	10.88	16.45

Particulars	For the Financial Year ended		
	31 <sup>st</sup> March 2010	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2008
	(Audited)	(Audited )	(Audited)
Share Capital (Equity)	17.24	17.24	8.23
Reserves and Surplus (excluding revaluation reserve)	357.28	349.80	167.73
Earnings Per share (in Rs.)	4.33	6.31	19.99
Book Value per equity share (in Rs.)	217.19	212.85	213.67
Face Value per Share (in Rs.)	10	10	10

## 5. Luharuka Dealers Private Limited

Luharuka Dealers Private Limited was incorporated on December 8, 2010, under the Companies Act, 1956 in the State of Maharashtra, having its registered office at , A-301, Hetal Arch, S.V.Road , Malad West, Mumbai 400064. The shares of Luharuka Dealers Private Limited are not listed on any of the stock exchanges in India.

### Nature of business

To carry on the business of dealing in various commodities, substances, articles, merchandise, goods, and things whether solid or liquid or gaseous, licencees, merchants, traders, sales organizers, representatives of manufacturers of commodities, goods articles, merchants, traders, sales organizers, representatives of manufactures of commodities, goods articles, materials and things and for that purpose to buy, to sell exchange, market, pledge, distribute, install, service, maintain, or otherwise deals in commodities, goods articles and things and agency business.

### Board of Directors:

Name	Designation
Mr. Anil B Agrawal	Director
Mrs. Annu A Agrawal	Director

### Shareholding Pattern

The shareholding pattern of this company as on December 14, 2010 is as under:

Name	No. of Shares held	% holding
Mr. Anil B Agrawal	5,000	50.00
Mrs. Annu A Agrawal	5,000	50.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

### Financial Performance

The Company has been incorporated only in December 8, 2010, hence it is possible to provide with the financial performance of the Company only after its first AGM.

## 6. Seth Govindaram Charitable Trust:

**PAN:** AAATS2703C

**Date of Formation:** March 20, 1995

**Address:** 227, Natraj Market, S.V.Road, Malad (West), Mumbai-400064



**Objects:**

Seth Govindaram Charitable Trust is a registered Trust, primarily formed to work in Social, Educational, Cultural, Sports and health areas to help the needy and unfortunate people of the society. The trust has organized various programs for the benefit of the society and is aimed at cultural and social upliftment.

**Name of Trustees**

Mr. Anil B Agarawal  
Mrs. Annu A Agarawal  
Mr. Ankur A Agarawal

**Financial Performance**

Particulars	For the financial year ended (Rs in Lakh)		
	March 2010	March 2009	March 2008
	(Audited )	(Audited )	(Audited)
Total Income	5.7	6.47	3.08
Surplus after Tax	0.25	2.27	0.93
Corpus Fund	84.69	53.06	39.80
Surplus/Deficit as per Income & Expenditure	4.5	4.25	1.99

**7. Luharuka Commotrade Private Limited**

Luharuka Commotrade Private Limited was incorporated on June 22, 2010 under the Companies Act, 1956 in the State of Maharashtra, having its registered office at A 301 Hetal Arch Opposite Natraj Market S. V. Road Malad (West) Mumbai 400064, The shares of Luharuka Commotrade Private Limited are not listed on any of the stock exchanges in India.

**Nature of Business**

The main object of the company is to carry on business as portfolio managers, consultants, advisors for capital issues, investment consultants and management advisers to corporate bodies' individuals and others in commercial and industrial management. To make project evaluation, feasibility studies, projects report forecasts and surveys and to give expert advice and suggest ways and means for improving efficiency in business organizations and to carry on in India or abroad the business as traders, merchants, wholesalers, retailers brokers, suppliers, indenters, buying and selling agents or otherwise to exchange handle in all types of equipments, commodities consumables, accessories, spare parts, ingredients systems, substances, instruments, raw materials, waste residue, residue derivatives, appliances, stores used in any industry, commerce, transport, public welfare needs, constructions, power transmission pollution.

**Board of Directors**

Name	Designation
Mr. Anil B Agrawal	Director
Mrs. Annu A Agrawal	Director

**Shareholding Pattern**

The shareholding pattern of this company as on December 14, 2010 is as under:

Name	No. of Shares held	% holding
Mr. Anil B Agrawal	5000	50
Mrs. Annu A Agrawal	5000	50
<b>Total</b>	<b>Total</b>	<b>100.00</b>

**Financial Information**

Since the company was incorporated on June 22, 2010. Financials for the last three years are not available.

**8. Luharuka Sales & Services Private Limited**

Luharuka Sales & Services Private Limited was incorporated on July 5, 2010 under the Companies Act, 1956 in the State of Maharashtra, having its registered office at A 301 Hetal Arch Opposite Natraj Market S. V. Road Malad (West) Mumbai 400064, The shares of Luharuka Sales & Services Private Limited are not listed on any of the stock exchanges in India.

#### Nature of Business

The main object of the company is to carry on business of dealing in various commodities, substances, articles, merchandise goods, and things whether solid or liquid or gaseous. This means to include buying and selling and dealing as representatives of manufacturers.

#### Board of Directors

Name	Designation
Mr. Anil B Agrawal	Director
Mrs. Annu A Agrawal	Director

#### Shareholding Pattern

The shareholding pattern of this company as on December 14, 2010 is as under:

Name	No. of Shares held	% holding
Mr. Anil B Agrawal	25800	51.06
Mrs. Annu A Agrawal	24200	49.04
<b>Total</b>	<b>50000</b>	<b>100.00</b>

#### Financial Information

Since the company was incorporated on July 5, 2010. Financials are not available

#### 9. M/s A.K Luharuka & Associates

M/s A.K Luharuka & Associates is a sole proprietary concern of Mr. Anil B. Agrawal under whose name and style Mr. Anil Agrawal practices as a Chartered Accountant.

**PAN:** ACTPA6034D

**Membership No:** 39025

**Address:-** 227, Natraj Market, S.V Road, Malad (West), Mumbai- 400 064

#### Financial Performance

(Rs in Lakh)

Particulars	For the financial year ended (un audited )		
	March 2010	March 2009	March 2008
Total Income	3.08	6.95	45.76
Profit/(loss) after Tax	1.11	5.76	40.70
Capital	70.16	62.61	66.80

## **DECLARATION**

We confirm that

- the permanent account number, bank account number and passport number of our individual promoters and
  - the permanent account number, bank account number, company registration number and Address of ROC where the company is registered of our corporate promoter
- will be submitted to BSE and NSE at the time of filing the DRHP.

## **SICK COMPANIES**

Neither Promoter Company nor Promoter Group companies listed above have been declared as a sick company under the SICA. There are no winding up proceedings against any of the Promoter company and Promoter Group companies. Except as disclosed in this chapter the Promoter Group companies do not have negative net worth. Further, no application has been made by any of them to RoC to strike off their names.

## **CONFIRMATION**

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

## **COMMON PURSUITS**

Comfort Intech Limited, one of the Promoters is also providing the corporate advisory services. Apart from this, few of the constituents of our Promoter Group entities, namely Luharuka Investment and Consultants Private Limited, Luharuka Commotrade Private Limited, Comfort Commotrade Private Limited and Comfort Capital Private Limited are authorized by their respective memorandum of associations to engage in businesses similar to that of our Company. At present, except CIL, none of these companies carry on activities, which conflict with our business. However, in the future, these companies may venture in to the businesses similar to that of our Company. Presently, though these companies do not carry on activities which conflict with our business, in the future, these may venture in to the businesses similar to that of our Company. This may result in a conflict of interest with respect to business strategies of our Company.

## **INTEREST IN PROMOTION OF THE ISSUER**

Our Company has been promoted by Mr. Anil Agrawal and Mrs. Annu Agrawal. Our Promoters may be deemed to be interested in the promotion of the Issuer to the extent of the Equity Shares held by themselves as well as their relative and also to the extent of any dividend payable to them and other distributions in respect of the aforesaid Equity Shares. Further, our Promoters may also be interested to the extent of Equity Shares held by or that may be subscribed by and allotted to companies, firms and trust, in which either of them are interested as a director, member, partner or trustee. In addition, our Promoters, being director and whole time director of our Company, may be deemed to be interested to the extent of fees, if any, payable for attending meetings of the Board or a committee thereof as well as to the extent of remuneration and reimbursement of expenses, if any, payable under our Articles of Association and to the extent of remuneration, if any, paid for services rendered as an officer or employee of our Company as stated in chapter titled "Our Management" on page 62 of this DRHP.

## **INTEREST IN ANY PROPERTY ACQUIRED BY THE ISSUER WITHIN TWO YEARS OF THE DATE OF THE DRHP OR PROPOSED TO BE ACQUIRED BY THE ISSUER.**

Our Promoter do not have any interest in any property acquired by our Company within the two years preceding the date of the DRHP or proposed to be acquired by our Company except that the registered office of our Company has been taken on leave & licences basis from Mrs. Annu A Agrawal and Anil Agrawal HUF, persons forming part of Promoter and Promoter Group. Our Company has entered into a leave and license agreement dated October 4, 2010, and is paying rent of Rs 0.10 Lakh per month for using the said premise. The agreement is valid till August 31, 2011.

## **PAYMENT OR BENEFIT TO OUR PROMOTERS**

No payment has been made or benefit given to our Promoters in the two years preceding the date of the DRHP except as mentioned / referred to in this chapter and in the chapters titled '*Our Management*', '*Auditors Report on Restated Financial Information*' and '*Capital Structure*' on page nos. 62, 88 and 15 respectively of this DRHP.

## **LITIGATION**

For details on litigations and disputes pending against the Promoters and Promoter Group entities and defaults made by them, please refer to the chapter titled "Outstanding Litigations and Material Developments" on page 118 of the DRHP.

## **DISASSOCIATED BY THE PROMOTER IN THE LAST THREE YEAR**

Our promoters have disassociated from Ever Comfort Travels (I) Limited. The date of such disassociation is June 5, 2007. The reason of such dissociation was to concentrate in the core business.

## **RELATED PARTY TRANSACTION**

For details on our related party transactions please refer to the chapter titled "Related Party Transactions" on page no. 87 of this DRHP.

## **SALES/PURCHASES BETWEEN OUR COMPANY AND PROMOTER COMPANY & PROMOTER GROUP ENTITIES**

There are no sales or purchases between our Company and Promoter Group entities which exceeds in value aggregating ten per cent of the total sales or purchases of our Company.

## **COMMERCIAL TRANSACTION BETWEEN CSL AND PROMOTER COMPANY & PROMOTER GROUP ENTITIES**

Except as mentioned below, Promoter Group Entities do not have any commercial business interest in our Company:-

<b>Name of entities</b>	<b>Nature of commercial business interest</b>	<b>Amount (Rs. In Lakh) (For FY 2009-10)</b>
Comfort Intech Limited	Brokerage and DP charges	7.23
Luharuka Invt. & Consultant Pvt. Ltd.	Brokerage and DP charges	0.02
Luharuka Export Pvt. Ltd	Brokerage and DP charges	0.04
Comfort Commotrade Private Limited	DP charges and reimbursement of expenses from CCPL for ODIN license charges	1.64
Anil Agrawal HUF	Brokerage and DP charges and rent paid	2.18

## DIVIDEND POLICY

Our Company has no stated dividend policy. The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders at the annual general meeting, who have the right to decrease but not to increase the amount of the dividend recommended by the Board of Directors, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial position. The dividend (including Interim Dividends) paid by the Company in the last five financial years is as provided herein:

<b>Particulars</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
Face value per share (Rs.)	10	10	10	10	10
Paid up share capital (Rs. in lakh)	12	50	180	180	1175
Dividend (Rs. in lakh)	0	0	9	9	18*
Dividend Tax (Rs. lakh)	0	0	1.53	1.53	2.99
Dividend per equity share (Rs.)	0	0	0.50	0.50	1.00
Dividend rate (%)	0	0	5%	5%	10%

\*Interim dividend of 10% was recommended by Board of Directors on July 1, 2010 on the paid up Capital of our Company of Rs. 180 lakh.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

#### **RELATED PARTY TRANSACTIONS**

For details on Related Party Transaction of our Company, please refer Annexure 17 of restated financial statement under section titled “Financial Information” on page no 107 of the DRHP.

**SECTION V – FINANCIAL INFORMATION**  
**AUDITORS REPORT ON RESTATED FINANCIAL INFORMATION**

**The Board of Directors,  
Comfort Securities Limited  
A-301, Hetal Arch,  
S.V.Road,  
Malad (West),  
Mumbai - 400 064**

Dear Sirs,

1. We have examined the financial information of COMFORT SECURITIES LIMITED (“the Company”), annexed to this report, as approved by the Board of Directors of the Company & Audit Committee of Board of Directors, which has been prepared in accordance with requirements of :
  - a) Paragraph B of Part II of Schedule II to the Companies Act, 1956 (‘the Act’) and amendments thereof;
  - b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, and related clarifications and the amendments made thereto from time to time (‘the SEBI Guidelines’); and
  - c) The Guidance Note on the Reports in Company Prospectuses (Revised) and Guidance Note on audit Reports / Certificates on Financial information in Offer Documents Issued by the Institute of Chartered Accountants of India (ICAI) and
  - d) In terms of our engagement agreed upon with you in accordance with our Engagement letter

**Financial Information as per audited financial statements:**

- 2) The Management of the Company is responsible for the preparation of the restated Financial Statements from the audited financial statements for the financial years ended on March 31, 2006, 2007, 2008, 2009 and August 31st, 2010
- 3) Audit for the financial year ended 31st March, 2009 was conducted by previous auditor M/s. PKC & Associates, Chartered Accountants and accordingly reliance has been placed on the financial information examined by him for the said year. The financial report included for these years is based solely on the report submitted by them. Further, audit for financial year ended 31st August, 2010 was audited by M/s. PKC & Associates, Chartered Accountants, and reaudited by us for this purpose. The annual accounts for the financial year ended 31st August, 2010 have been prepared for a period of seventeen months from 01st April, 2009 to 31st August, 2010.
- 4) In terms of Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009 and other provisions relating to accounts of Comfort Securities Limited, we, M/s. Ramanand & Associates, Chartered Accountants, statutory auditors, of Comfort Securities Limited have been subjected to the peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the ‘Peer Review Board’ of the ICAI.
- 5) The financial information for the above periods was examined to the extent practicable, for the purpose of audit of financial information in accordance with the Engagement Standards issued by the Institute of Chartered Accountants of India (ICAI). Those standards require that we plan and perform the audit to obtain reasonable assurance, whether the financial information under examination is free of material misstatement. We have reported on the financial information on the basis information and explanations provided by the management, books and records produced to us and such other tests and procedures, which in our opinion, were necessary for our reporting. These procedures included comparison of the attached financial information of the company with the respective audited financial statements.

- 6) In accordance with the requirements of Paragraph B Part II of Schedule II of the Act, the SEBI Guidelines and the Engagement Letter, we further report that:
- a) The Restated Statement of Assets and Liabilities of the Company as at March 31, 2006, 2007, 2008, 2009 and 31st August, 2010 examined by us, as set out in Annexure 1 to this report are after making such adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies, Notes on adjustments and Notes to accounts set out in Annexure 3.
  - b) The Restated Statement of Profit or Loss of the Company for the years ended March 31, 2006, 2007, 2008, 2009 and 31st August, 2010 examined by us, as set out in Annexure 2 to this report are after making such adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies, Notes on adjustments and Notes to accounts set out in Annexure 3.
  - c) The Restated Statement of Cash flows of the Company for the years ended March 31, 2006, 2007, 2008, 2009 and 31st August, 2010 examined by us, as set out in Annexure 4 to this report are after making such adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies, Notes on adjustments and Notes to accounts set out in Annexure 3.
  - d) Based on the above, we are of the opinion that the restated financial information has been made after incorporating:
    - i) adjustments for any material amounts in the respective financial years to which they relate; and
    - ii) there are no Extra-ordinary items that need to be disclosed separately in the Restated Summary Statements or Auditor's qualification requiring adjustments.
    - iii) Recomputation of Financial Statements in accordance with the correct accounting policies
    - iv) There was no change in accounting policies, which needs to be in the "Restated Summary Statements".
    - v) There are no revaluation reserves, which need to be disclosed separately in the "Restated Summary Statements".
    - vi) There are no audit qualifications requiring adjustments in the "Restated Summary Statements" and audit qualifications which do not require any adjustments in the "Restated Summary Statements" and Non – quantifiable / Non - adjustments items are included in the Notes on accounts as set out in Annexure 3.
  - 7) We have not audited any financial information statements of the company as of any date or for any period subsequent to August, 31 2010. Accordingly, we express no opinion on the financial position, results of operations or cash flow of the company as of any date or for any period subsequent to August 31, 2010.

**Other Financial Information:**

- 8) We have also examined the following other restated financial information related to the Company for the years ended March 31, 2006, 2007, 2008, 2009 and August 31st, 2010 set out in the following annexures prepared by the Management and approved by the Board of Directors for the purpose of inclusion in Offer Document.
  - i. Significant Accounting Policies & Notes to Adjustments in Restated Financial Statements 'Annexure 3' to this report;
  - ii. Statement of Cash Flow as appearing in 'Annexure 4' to this report;
  - iii. Statement of Reserves & Surplus as appearing in 'Annexure 5' to this report;
  - iv. Accounting Ratios as appearing in 'Annexure 6' to this report;
  - v. Statement of Dividends as appearing in 'Annexure 7' to this report;
  - vi. Statement of Tax Shelter as appearing in 'Annexure 8' to this report;
  - vii. Statement of Investments as appearing in 'Annexure 9' to this report;
  - viii. Statement of Debtors as appearing in 'Annexure 10' to this report;



- ix. Details of deposits, loans and advances as given in 'Annexure 11' to this report;
  - x. Details of other Current Assets as given in 'Annexure 12' to this report;
  - xi. Statement of Secured Loans as appearing in 'Annexure 13' to this report;
  - xii. Statement of Unsecured Loans taken including that from related parties enclosed as 'Annexure 14' to this report;
  - xiii. Capitalization Statement as appearing in 'Annexure 15' to this report;
  - xiv. Statement of Current Liabilities as appearing in 'Annexure 16' to this report;
  - xv. Details of transactions with the Related Parties as appearing in 'Annexure 17' to this report;
  - xvi. Details of Contingent Liabilities as appearing in 'Annexure 18' to this report.
- 9) In our opinion, the "Financial information as per Audited Financial Statements" and "Other Financial Information" mentioned above contained in Annexure 1 to 18 of this report have been prepared in accordance with Part II of Schedule II to the Act, the SEBI Guidelines and the Guidance Note on the reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India (ICAI).
- 10) Consequently the financial information has been prepared after making such regroupings and adjustments as were, in our opinion, considered appropriate to comply with the same. As result of these regroupings and adjustments, the amount reported in the financial information may not necessarily be same as those appearing in the respective audited financial statements for the relevant years / period.
- 11) This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed public issue of the Company. Our report should not be used, referred to, or distributed for any other purpose without our prior written consent.
- 12) This report should not be in any way be constructed as a re-issuance or redrafting of any of the previous audit reports issued by us or by any other firm of Chartered Accountants, nor should this report be constructed as a new opinion on any of the financial statements referred to herein.

**For Ramanand & Associates**  
**Chartered Accountants**

**Ramanand Gupta**  
**Partner**  
**Firm's registration number: 117776W**  
**Membership No: 103975**

**Place: Mumbai**  
**Date: December 13, 2010**

**Annexure-01****STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED****(Rs. in Lakh)**

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
Assets					
Fixed Assets-Gross Block	67.12	34.42	22.28	0.66	4.15
Less: Depreciation	16.37	5.93	1.45	0.26	0.74
Net Block	50.75	28.49	20.83	0.40	3.41
Less: Revaluation Reserve		-	-	-	-
Net Block after adjustment for Revaluation Reserve (A)	50.75	28.49	20.83	0.40	3.41
CAPITAL WIP	-	-	-	-	-
Total (A)	50.75	28.49	20.83	0.40	3.41
Investments (B)	-	34.19	51.92	2.90	2.90
Current Assets, Loans and Advances					
Receivables	666.33	109.81	22.11	-	-
Cash & Bank Balances	428.76	75.11	133.57	126.91	0.88
Deposits, Loans & Advances	753.50	649.04	533.87	10.30	13.11
Other Current Assets	32.75	21.30	19.55	-	0.08
Total Current Assets ( C )	1,881.34	855.26	709.11	137.21	14.07
Total Assets (D) = (A) + (B) + ( C )	1,932.09	917.94	781.86	140.51	20.39
Liabilities & Provisions					
Loan Funds :					
Secured Loans	22.32	68.64	0.64	-	-
Unsecured Loans	-	-	23.00	20.00	-
Current Liabilities & Provisions:					
Current Liabilities	400.21	144.11	168.50	1.13	0.31
Provisions	117.48	48.91	32.42	2.73	0.70
Deferred Tax Liability	7.91	4.86	2.13	0.09	(0.17)
Total Liabilities & Provisions (E)	547.93	266.52	226.69	23.95	0.84
Net Worth (D) - (E)	1,384.16	651.42	555.17	116.56	19.55
Represented By:					
Share Capital	1,175.00	180.00	180.00	50.00	12.00
Reserves & Surplus	226.90	482.52	381.22	68.41	7.78
Less: Revaluation Reserve	-	-	-	-	-
Reserves (Net of Revaluation Reserve)	226.90	482.52	381.22	68.41	7.78
Less : Misc. expenditure to the extent not written off	17.74	11.10	6.05	1.85	0.24
Total Net Worth	1,384.16	651.42	555.17	116.56	19.55

**Annexure 2****STATEMENT OF PROFIT AND LOSS AS RESTATED**

(Rs. in Lakh)

<b>Particulars</b>	<b>31.08.10</b>	<b>31.03.09</b>	<b>31.03.08</b>	<b>31.03.07</b>	<b>31.03.06</b>
<b>Income</b>					
Brokerage & Commission	264.91	67.45	74.91	18.23	0.37
Income from Merchant Banking operations	108.11	27.85	-	-	-
Income from DP Operations	8.42	1.38	0.09	-	-
Income from trading & investment in Shares and Securities	239.48	91.93	114.78	(3.82)	2.28
Dividend Income	1.39	0.06	0.17	0.03	0.03
Interest on Bank Fixed Deposits / Bank Interest	49.80	29.48	13.57	-	0.03
Other Income	30.24	14.44	0.43	0.13	-
<b>Total</b>	<b>702.35</b>	<b>232.59</b>	<b>203.95</b>	<b>14.57</b>	<b>2.71</b>
<b>Expenditure</b>					
Employee's Cost	60.93	30.25	20.04	3.67	-
Administration Expenses	169.82	60.62	55.62	4.67	0.19
Preliminary expenditure written off	7.01	4.95	1.81	0.45	0.04
<b>Total</b>	<b>237.76</b>	<b>95.81</b>	<b>77.47</b>	<b>8.79</b>	<b>0.23</b>
<b>Profit before Depreciation, Interest and Tax</b>	<b>464.58</b>	<b>136.77</b>	<b>126.47</b>	<b>5.78</b>	<b>2.48</b>
Depreciation	10.43	4.48	1.19	0.10	0.26
<b>Profit before Interest &amp; Tax</b>	<b>454.15</b>	<b>132.29</b>	<b>125.28</b>	<b>5.68</b>	<b>2.23</b>
Interest & Finance Charges	0.72	1.55	1.36	0.02	0.00
<b>Net Profit before Tax</b>	<b>453.43</b>	<b>130.74</b>	<b>123.91</b>	<b>5.67</b>	<b>2.22</b>
<b>Less: Provision for Tax-Current Tax</b>	<b>75.00</b>	<b>15.40</b>	<b>18.32</b>	<b>1.65</b>	<b>0.70</b>
Deferred Tax	3.06	2.73	2.03	0.26	(0.20)
Fringe Benefit Tax	-	0.78	0.22	0.13	-
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>375.37</b>	<b>111.83</b>	<b>103.34</b>	<b>3.63</b>	<b>1.72</b>
<b>Extraordinary Item (Net of Tax)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Profit After Extraordinary Items</b>	<b>375.37</b>	<b>111.83</b>	<b>103.34</b>	<b>3.63</b>	<b>1.72</b>
Proposed Dividend	18.00	9.00	9.00	-	-
Tax on Dividend	2.99	1.53	1.53	-	-
<b>Net Profit</b>	<b>354.38</b>	<b>101.30</b>	<b>92.81</b>	<b>3.63</b>	<b>1.72</b>

**Annexure-03****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNT FOR PREPARATION OF RESTATED FINANCIAL STATEMENT****A. SIGNIFICANT ACCOUNTING POLICIES:****1. Basis of Preparation of Financial Statements**

- The Restated Consolidated Financial Information for the period ended 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and period ended on 31 August 2010 has been extracted by the management of the Company from the audited financial statements of the company for the year ended 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009 and period ended on 31 August 2010.
- The Restated Consolidated Financial Information are after making adjustments/ restatements and regrouping as necessary in accordance with paragraph B(1) of Part II of Schedule II of The Companies Act, 1956 and SEBI Regulations.

- c. The Financial Statements have been prepared under Historical Cost conventions and in accordance with the Generally Accepted Accounting Principles ('GAAP') applicable in India, Companies (Accounting Standard) Rules, 2006 notified by Ministry of Company Affairs and Accounting Standards issued by the Institute of Chartered Accountants of India as applicable and relevant provisions of the Companies Act, 1956.
- d. The company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

## **2. Use of Estimates**

The preparation of Financial Statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates include the useful lives of fixed assets and intangible assets, provision for doubtful debts / advances, future obligations in respect of retirement benefit plans, etc. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized. Management believes that the estimates used in preparation of financial statements are prudent and reasonable.

## **3. Fixed Assets and Depreciation**

- i. Fixed Assets are shown at historical cost inclusive of incidental expenses less accumulated depreciation.
- ii. Depreciation on fixed assets is provided on Straight Line Method at the rates prescribed under Schedule XIV of the Companies Act, 1956.
- iii. Depreciation on fixed assets sold during the year, is provided on pro-rata basis with reference to the date of addition/deletion.

## **4. Revenue Recognition**

- i. The Company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis except in the case of dividend income, debenture interest and interest receivable from/payable to government on tax refunds/late payment of taxes, duties/levies which are accounted for on cash basis.
- ii. Brokerage income earned on secondary market operation is accounted on settlement date.

## **5. Investments**

Investments in Quoted as well as unquoted are stated at Cost.

## **6. Retirement Benefits**

No provision under the Provident fund scheme is made by the Company. The liability for Gratuity to employees as at the Balance Sheet date is as per the obligation to fund to a Gratuity fund administered by the trustees and managed by Life Insurance Corporation of India. The contribution thereof paid/payable for the relevant period is charged off to Profit and Loss Account.

## **7. Impairment of Assets**

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

## **8. Borrowing Costs**

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

## **9. Taxation**

Tax expenses for the year comprise of current tax and deferred tax. Current tax is measured after taking into consideration the deductions and exemptions admissible under the provision of Income Tax Act, 1961 and in accordance with Accounting Standard 22 on "Accounting for Taxes on Income", issued by ICAI.

Deferred Tax assets or liabilities are recognized for further tax consequence attributable to timing difference between taxable income and accounting income that are measured at relevant enacted tax rates. At each Balance Sheet date the company reassesses unrecognized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

## **10. Leases**

### **Finance Lease**

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

### **Operating Lease**

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

## **11. Preliminary Expenses**

Preliminary expenses are amortized as per applicable income tax rules.

## **12. Earnings per Share**

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

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

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

## **13. Contingent Liabilities & Provisions**

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

Contingent Liability is disclosed for

a) Possible obligation which will be confirmed only by future events not wholly within the control of the company or

b) Present obligations arising from the past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made.

c) Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

#### **14. Foreign Exchange Transactions**

(i) Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the respective transactions.

(ii) Foreign Exchange monetary items in the Balance Sheet are translated at the year-end rates. Exchange differences on settlement / conversion are adjusted to Profit and Loss Account.

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

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

#### **C. NOTES ON RESTATED FINANCIAL STATEMENTS**

##### **(I) NOTES ON REGROUPINGS MADE IN THE RESTATED FINANCIALS**

###### **(a) For the financial year ending 31<sup>st</sup> March, 2006**

Regrouping made in the restated accounts for the financial year ended 31st March, 2006 which has no impact on the Profit and Loss Account.

i) Profit/ (Loss) from F&O trading of Rs.(57,653), Speculation Profit of Rs. 1,542, Long Term Capital Gain of Rs. 1,04,172 and Short Capital Gain of Rs. 1,80,228 included in Income from Operations has been regrouped as a separate line item under Income as "Income from trading & investment in Shares and Securities".

###### **(b) For the financial year ending 31<sup>st</sup> March, 2007**

Regrouping made in the restated accounts for the financial year ended 31st March, 2007 which has no impact on the Profit and Loss Account.

i) Profit/ (Loss) from F&O trading of Rs.(4,43,870), and Short Capital Gain of Rs. 61,911 included in Income from operations has been regrouped as a separate line item under Income as "Income from trading & investment in Shares and Securities".

ii) Profit on sale of office premises of Rs. 14,456, sundry balances written back of Rs. 11,983 included in Income from Operations and Loss on Sale of Networking Equipment of Rs. 13,490 included in Administration Expenses has been regrouped as a separate line item under Income as "Other Income".

###### **(c) For the financial year ending 31<sup>st</sup> March, 2008**

Regrouping made in the restated accounts for the financial year ended 31st March, 2008 which has no impact on the Profit and Loss Account.

i) Profit/ (Loss) from F&O trading of Rs.16,86,549, Long Term Capital Gain of Rs. 53,401 and Short Capital Gain of Rs. 97,37,576 included in Other Income has been regrouped as a separate line item under Income as "Income from trading & investment in Shares and Securities".

ii) Dividend Income of Rs. 16,920 and Interest on Fixed Deposit of Rs. 13,57,240 included in Other Income has been regrouped as a separate line item under Income.

**(d) For the financial year ending 31<sup>st</sup> March, 2009**

Regrouping made in the restated accounts for the financial year ended 31st March, 2009 which has no impact on the Profit and Loss Account.

- i) Profit/ (Loss) from F&O trading of Rs.24,512, Long Term Capital Gain of Rs. 89,39,225 and Short Capital Gain of Rs. 2,28,839 included in Other Income has been regrouped as a separate line item under Income as “Income from trading & investment in Shares and Securities”.
- ii) Dividend Income of Rs. 6,128 and Interest on Fixed Deposit of Rs. 29,48,278 included in Other Income has been regrouped as a separate line item under Income.
- iii) Bank Overdraft of Rs. 68,63,925 included in Current Liabilities & Provisions has been regrouped under Secured Loans.

**(e) For the financial year ending 31<sup>st</sup> August, 2010**

Regrouping made in the restated accounts for the financial year ended 31st August, 2010 which has no impact on the Profit and Loss Account.

- i) Long Term Capital Gain of Rs. 2,37,85,473 and Short Capital Gain of Rs. 1,62,672 included in Other Income has been regrouped as a separate line item under Income as “Income from trading & investment in Shares and Securities”.
- ii) Dividend Income of Rs. 1,39,427 and Interest on Fixed Deposit/Bank Interest of Rs. 49,79,788 included in Other Income has been regrouped as a separate line item under Income.
- iii) Bank Overdraft of Rs. 22,31,840 included in Current Liabilities & Provisions has been regrouped under Secured Loans.

**(II) NOTES ON RESTATEMENTS MADE IN THE RESTATED FINANCIALS**

(Rs. in Lakhs)

Financial Year ended	August, 31st	March, 31st	March, 31st	March, 31st	March, 31 <sup>st</sup>
	2010	2009	2008	2007	2006
Profit after tax as per Audited Statement of Accounts (A)	379.47	112.85	104.09	3.88	2.22
Adjustment on account of:					
i) Other Adjustments:					
Gratuity Provision	(4.10)	(1.02)	(0.75)	(0.25)	
Sub Total (B)	(4.10)	(1.02)	(0.75)	(0.25)	
ii) Tax Adjustments					
Normal Tax Adjustments	-	-	-	-	(0.50)
Sub Total (C)	-	-	-	-	(0.50)
Total Adjustments (A+B+C) (E)	(4.10)	(1.02)	(0.75)	(0.25)	(0.50)
Net Adjusted Profits after tax (A+E)	375.37	111.83	103.34	3.63	1.72

**(a) For the financial year ending 31<sup>st</sup> March, 2006**

- i. Provision for Income Tax of Rs. 49,997 relating to financial year 2005-06 was made in the financial year 2008-09 has been restated in the Financials for the year ended 31<sup>st</sup> March, 2006 and adjusted in the Opening Reserves & Surplus and Provisions as on 1<sup>st</sup> April 2006, 2007 and 2008.

The above restatements have resulted in the reduction of Profits/Reserves and consequential impact on Provisions.

**(b) For the financial year ending 31<sup>st</sup> March, 2007**

- i. Provision for Gratuity of Rs. 24,984 for the financial year was made and consequent impact was given to Profit & Loss A/c for the year and adjusted in the Opening Reserves & Surplus and Provisions as on 1<sup>st</sup> April 2007, 2008, 2009.

The above restatements have resulted in the reduction of Profits/Reserves and consequential impact on Provisions.

**(c) For the financial year ending 31<sup>st</sup> March, 2008**

- i. Provision for Gratuity of Rs. 75,040 for the financial year was made and consequent impact was given to Profit & Loss A/c for the year and adjusted in the Opening Reserves & Surplus and Provisions as on 1<sup>st</sup> April 2008 and 2009.

The above restatements have resulted in the reduction of Profits/Reserves and consequential impact on Provisions.

**(d) For the financial year ending 31<sup>st</sup> March, 2009**

- i. Provision for Gratuity of Rs. 1,01,873 for the financial year was made and consequent impact was given to Profit & Loss A/c for the year and adjusted in the Opening Reserves & Surplus and Provisions as on 1<sup>st</sup> April 2009.

The above restatements have resulted in the reduction of Profits/Reserves and consequential impact on Provisions.

**(e) For the financial year ending 31<sup>st</sup> August, 2010**

- i. Provision for Gratuity of Rs. 4,09,589 for the financial year was made and consequent impact was given to Profit & Loss A/c for the year.

The above restatements have resulted in the reduction of Profits/Reserves and consequential impact on Provisions.

**(III) OTHER NOTES**

**General**

1. The Company has been converted from Private Limited to Public Limited Company vide resolution of its members at the Extraordinary General Meeting held on 09<sup>TH</sup> November, 2010 and the approval of the Registrar of Companies vide certificate dated 15<sup>th</sup> November, 2010.

2. Income from Merchant Banking division has been netted off to the extent of professional fees paid.

**3. Contingent liabilities**

The contingent liability for the year ended 31<sup>st</sup> March, 2009 for Rs. 50 Lakhs towards counter guarantee provided to Union Bank of India against bank guarantee facility granted by the bank to Comfort Commotrade Pvt Ltd pertaining to the notes for the corresponding year, has now been disclosed. The details of Contingent Liabilities are provided in Annexure 18.

**4. Details of Directors remuneration:**

Particulars	Period Ended 31.08.2010
Whole time Director	
Salary	3,41,667

**5. Details of Deferred Tax assets and liabilities:**

In view of the Accounting Standard 22 issued by Institute of Chartered Accountants of India, the significant component and classification of deferred tax liability/asset because of timing difference comprises of the following:



Particulars	Period Ended 31.08.10	Period Ended 2009	Period Ended 2008	Period Ended 2007	Period Ended 2006
Deferred Tax Liabilities/ (Assets) at the beginning of the year	4.86	2.13	0.09	(0.17)	0.03
On account of Difference between book and Tax Depreciation	3.06	2.73	2.04	0.26	0.28
Disallowance as per Income Tax Act.	-	-	-		-
Unabsorbed depreciation and business loss					(0.48)
Deferred Tax Liabilities/ (Assets)	7.92	4.86	2.13	0.09	(0.17)

(Rs. in Lakh)

Particulars	Period Ended 31.08.10	Period Ended 2009	Period Ended 2008	Period Ended 2007	Period Ended 2006
Deferred Tax Liabilities/ (Assets) at the beginning of the year	4.86	2.13	0.09	(0.17)	0.03
On account of Difference between book and Tax Depreciation	3.06	2.73	2.04	0.26	0.28
Disallowance as per Income Tax Act.	-	-	-		-
Unabsorbed depreciation and business loss					(0.48)
Deferred Tax Liabilities/ (Assets)	7.92	4.86	2.13	0.09	(0.17)

#### 6. Details of Dues to Micro enterprises and Small enterprises:

Under the Micro, Small and Medium Enterprise Development Act, 2006 certain disclosure is required to be made related to micro, small and medium enterprise. The company does not have any transaction with micro, small and medium enterprise defined under the act and hence there are no amounts due to such undertakings.

#### 7. Accounting Year/Period:

- The current accounting year ending on 31<sup>st</sup> March, 2010 has been extended upto 31<sup>st</sup> August, 2010. In view of this the accounts for the current year has been prepared for seventeen months period ending on 31<sup>st</sup> August, 2010.
- The previous years figures are for twelve months ended 31<sup>st</sup> March, 2009, 2008, 2007 and 2006 while those of current period are for seventeen months hence same are not comparable.

#### 8. Expenditure in foreign currency:

(Rs. In Lakh)

Particulars	Period Ended 31.08.2010	Period Ended 2009	Period Ended 2008	Period Ended 2007	Period Ended 2006
Traveling Expenses	1.50	-	-	-	-

#### 9. Segment Reporting

The company operates only in one reportable business segment namely share and stock broking and other related ancillary services. Hence there are no reportable segments under Accounting Standard -17. During the years/period under report the Company was engaged in its business only within India. The conditions prevailing in India being uniform no separate geographical disclosures are considered necessary.

- In the opinion of the Board, subject to the debts considered doubtful, Current Assets and Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.

#### 11. Investments

Investment represents Unquoted and Quoted Investments which are stated at cost. For details please refer to Annexure 09.

12. Impairment of Assets

Assets of the Company are being tested for impairment. Considering the internal and external sources of information, there was no indication of potential impairment loss, and hence estimation of recoverable amount does not arise.

13. Earnings per Share

The details of Earnings Per Share as per AS-20 are provided in Annexure 06.

14. Related Party Transactions:

The details of Related Party Transactions as per AS-18 are provided in Annexure 17.

15. The figures in the Restated Financials are stated in Lakh and rounded off to two decimals and minor rounding off difference is ignored.

16. On 19th July, 2002, Comfort Securities Limited was incorporated as Comfort Securities Private Limited with the intent to take over the Proprietorship Concern, M/s. Comfort Securities of Ms. Annu Agrawal wherein the company had acquired assets and liabilities of M/s. Comfort Securities for a net consideration of Rs. 15,78,963.46. In lieu of the purchase consideration, the company allotted 85,000 Equity Shares @ of Rs.10/- amounting to Rs. 8,50,000 and balance amount of Rs. 7,28,963.46 remained payable by the company to Ms. Annu Agrawal. During the period between 27th January, 2003 and 31st March, 2003, the company had returned various assets and liabilities acquired in the take over to M/s. Comfort Securities and net assets returned were Rs. 12,75,106.72. Further there were certain other advances made to Ms. Annu Agrawal to the tune of Rs. 92,820.20 during the FY 2002-03. The net effect to the aforesaid transactions was net due from Ms. Annu Agrawal of Rs. 6,38,963.46. as on 31.03.2003

During the financial year 2003-04, the company advanced further net amount of Rs. 18,282.36 and net balance due from Annu Agrawal as on 31.03.2004 was Rs. 657,245.82. During the financial year 2005-06, the company advanced further net amount of Rs. 1,60,000.20 and net balance due from Ms. Annu Agrawal as on 31.03.2006 was Rs 8,17,246. On 30th August, 2006 certain other assets amounting to Rs. 7,46,097.74 were sold to Ms. Annu Agrawal, therefore total due on 30.08.2006 was Rs. 15,63,343.76. This amount has been paid by Ms. Annu Agrawal in financial year 2006-07.

17. Audit Qualifications

- i. Auditors Report issued for the period ended 31st August, 2010, 31st March 2009, 31st March 2008 was qualified on account of non-provision of gratuity payable to its employees as required under Accounting Standard (AS- 15) for accounting of retirement benefits in the financial statements of Employers issued by the Institute of Chartered Accountants of India. The adjustment for the said qualification has been made based on actuarial valuation using the projected unit credit method for period ended 31st August, 2010, 31st March 2009, 31st March 2008, 31st March, 2007.
- ii. Auditor's Report issued for the period ended 31st March 2009 and 31st March 2008 was qualified on account of Company not having any formal internal audit system. The Company has appointed Internal Auditor, M/s R. Soni & Company from the financial year 2009-2010.

**Annexure-04**
**STATEMENT OF CASH FLOW, AS RESTATED**
**(Rs. in Lakh)**

<b>Particulars</b>	<b>31.08.10</b>	<b>31.03.09</b>	<b>31.03.08</b>	<b>31.03.07</b>	<b>31.03.06</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Net profit before tax	453.43	130.74	123.91	5.67	2.22
Adjustment for:					
Add: Depreciation	10.43	4.48	1.19	0.10	0.26
Add: Interest expenses	0.72	1.55	1.36	0.02	0.00
Less: Profit on sale of Assets	-	-	-	0.01	-
Add: Preliminary & issue Expenses w/off	7.01	4.95	1.81	0.45	0.04
(Purchase)/Sale of Shares	34.19	17.73	(49.02)	-	(0.24)
Operating Profit before Working capital changes	505.79	159.45	79.26	6.22	2.28
Adjustments for:					
Decrease (Increase) in Trade & Other Receivables	(556.52)	(87.69)	(22.11)	-	6.60
Decrease (Increase) in other Current Assets	(11.45)	(1.75)	(19.55)	0.08	(0.03)
Decrease (Increase) in Loans and Advances	(37.55)	(102.29)	(508.81)	4.50	(7.96)
Increase (Decrease) in Current Liabilities	256.10	(24.39)	167.37	0.82	0.28
Increase (Decrease) in Provisions	4.10	1.02	0.75	0.25	-
Net Changes in Working Capital	(345.33)	(215.10)	(382.35)	5.65	(1.12)
Cash Generated from Operations	160.46	(55.65)	(303.09)	11.87	1.16
Taxes	66.90	13.58	14.63	1.69	0.19
FBT	-	-	0.26	-	-
Net Cash Flow from Operating Activities (A)	(261.55)	(69.24)	(317.98)	10.18	0.97
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
(Purchase) of fixed assets	(32.70)	(12.14)	(21.62)	(0.05)	(0.36)
Capital Work in Progress	-	-	-	-	-
Sale of fixed assets	-	-	-	2.98	-
Net Cash Flow from Investing Activities (B)	(32.70)	(12.14)	(21.62)	2.93	(0.36)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Issue of share capital	55.00	-	130.00	38.00	-
Share Premium	330.00	-	220.00	57.00	-
Interest paid	(0.72)	(1.55)	(1.36)	(0.02)	0.00
Secured Loans Taken / (Repaid)	(46.32)	68.00	0.64	-	-
Unsecured Loans Taken/ (Repaid)	-	(23.00)	3.00	20.00	(1.65)
Preliminary Expenses Paid	(13.65)	(10.00)	(6.01)	(2.07)	-
Dividend paid	(31.52)	(10.53)	-	-	-
Net Cash Flow from Financing Activities (C)	292.79	22.92	346.27	112.91	(1.65)
Net Increase / (Decrease) in Cash & Cash Equivalents	353.65	(58.46)	6.66	126.03	(1.04)
Cash and cash equivalents at the beginning of the year / Period	75.11	133.57	126.91	0.88	1.92
Cash and cash equivalents at the end of the year/ Period	428.76	75.11	133.57	126.91	0.88
Note: The above Cash Flow Statement has been prepared under "Indirect Method" as set out in the Accounting Standard (AS) – 3 on Cash Flow Statements" issued by the Institute of Chartered of Accountants of India.					

**Annexure- 05****STATEMENT OF RESERVES & SURPLUS, AS RESTATED****(Rs. in Lakhs)**

<b>Particulars</b>	<b>31.08.10</b>	<b>31.03.09</b>	<b>31.03.08</b>	<b>31.03.07</b>	<b>31.03.06</b>
Share Premium	612.00	282.00	282.00	62.00	5.00
Less: Utilized for Bonus Issue	450.00	-	-	-	-
Net Share Premium (A)	162.00	282.00	282.00	62.00	5.00
Profit / (Loss) Brought Forward	200.52	99.22	6.41	2.78	1.06
Add: Profit / (Loss) for the Year	361.39	106.25	94.63	4.08	1.76
Less: Utilized for Bonus Issue	490.00	-	-	-	-
Less: Miscellaneous Expenditure written off	7.01	4.95	1.81	0.45	0.04
Profit / (Loss) Carried Forward (B)	64.90	200.52	99.22	6.41	2.78
Reserves & Surplus (A+B)	226.90	482.52	381.22	68.41	7.78

**Annexure-06**  
**ACCOUNTING RATIOS**

(Rs. in Lakh)

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
Networth (A)	1384.16	651.42	555.17	116.56	19.55
Net Profit before extraordinary items but after Tax (B)	375.37	111.83	103.34	3.63	1.72
Net Profit after extraordinary items and after Tax (C)	375.37	111.83	103.34	3.63	1.72
No. of Shares outstanding at the end [F.V Rs.10] (D)	11,750,000	1,800,000	1,800,000	500,000	120,000
Weighted average number of shares outstanding [F.V Rs.10](E)	11,231,853	1,800,000	1,644,536	147,068	120,000
Earnings per Share before Extraordinary Items (EPS) (B /E) (Rs.)	3.34	6.21	6.28	2.47	1.43
Earnings per Share after Extraordinary Items (EPS) (C / E) (Rs.)	3.34	6.21	6.28	2.47	1.43
Return on Networth before Extraordinary Items(B/A)	27.12%	17.17%	18.61%	3.11%	8.80%
Return on Networth after Extraordinary Items(C/A)	27.12%	17.17%	18.61%	3.11%	8.80%
Net Assets Value per Share (A/D)	11.78	36.19	30.84	23.31	16.29

**Definitions of key ratios:**

**I. Earnings per share (Rs.):**

Net Profit attributable to equity shareholders / weighted average number of equity shares outstanding as at the end of the year / period. Earnings per share are calculated in accordance with Accounting Standard 20 "Earnings per Share" issued by the Institute of Chartered Accountants of India.

**II. Return on Net Worth (%):** Net Profit after tax / Networth as at the end of the year / period.

**III. Net Asset Value (Rs.):**

Net Worth at the end of the year / Number of equity shares outstanding at the end of the year / period.

**IV. Net Profit, as appearing in the statement of restated profits and losses, has been considered for the purpose of computing the above ratios.**

Note: In order to maintain the consistency in the ratios Face value of shares has been considered constant for all the years

**Annexure -07**  
**STATEMENT OF DIVIDEND PAID**

(Rs. in Lakhs)

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
On Equity Share Capital					
Paid up Share Capital	1,175.00	180.00	180.00	50.00	12.00
Less: Calls in Arrears	-	-	-	-	-
Net Share Capital	1,175.00	180.00	180.00	50.00	12.00
Eligible Share Capital for Dividend	180.00	180.00	180.00	50.00	12.00
Face Value (Rs.)	10.00	10.00	10.00	10.00	10.00
Rate of Dividend (%)	10.00*	5.00	5.00	-	-
Amount of Dividend	18.00	9.00	9.00	-	-
Tax on Dividend	2.99	1.53	1.53	-	-

\* Interim Dividend of 10 % was recommended by Board of Directors on 30th June, 2010 on the Paid up Capital of the Company of Rs. 180 Lakh.

**Annexure- 08**  
**STATEMENT OF TAX SHELTERS**

(Rs. in Lakh)

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
Profit before tax as per Restated P/L	453.43	130.74	123.91	5.67	2.22
Corporate Tax Rate	30.90%	30.90%	33.99%	33.66%	33.66%
Tax at Notional Rate	140.11	40.40	42.12	1.91	0.75
Adjustments					
Difference between Tax Depreciation and Book Depreciation	4.54	8.04	5.98	0.01	0.15
Exempted Income	239.25	89.45	0.70	0.03	1.07
Items Chargeable at special rates	1.63	2.29	97.38	0.62	1.80
Other Items	(4.33)	(1.17)	(2.31)	(0.58)	(0.03)
Set off of Business Losses / Unabsorbed Depreciation	-	-	-	1.42	-
Net Adjustments	241.08	98.62	101.75	1.48	2.99
Tax Saving thereon	74.49	30.47	34.59	0.50	1.01
Tax Saving to the the extent of Tax at Notional Rate	74.49	30.47	34.59	0.50	0.75
Tax Payable [A]	65.61	9.93	7.53	1.41	-
Tax Payable on items chargeable at special rates [B]	0.25	0.35	11.01	0.07	0.20
Total Tax Payable [C=A+B]	65.87	10.28	18.54	1.48	0.20
Tax Rebates [D]	-	-	0.22	-	-
Net Tax Payable [E=C-D]	65.87	10.28	18.32	1.48	0.20
Tax Payable under MAT (115JB of Income Tax Act, 1961) [D]	72.31	15.40	14.11	0.66	0.10
Net Tax Payable [Higher of C & D]	72.31	15.40	18.32	1.48	0.20

**Annexure-09****DETAILS OF INVESTMENTS****(Rs. in Lakh)**

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
Investment in Shares					
Quoted	-	34.19	51.92	0.40	0.40
(Market Value)	-	204.03	80.51	0.84	0.66
Unquoted	-	-	-	2.50	2.50
<b>Total</b>	-	34.19	51.92	2.90	2.90

**Annexure-10****DETAILS OF SUNDRY DEBTORS****(Rs. in Lakh)**

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
(A) Less than six months					
Considered good	635.39	109.50	21.87	-	-
Others	-	-	-	-	-
(B) More than six months					
Considered good	30.93	0.30	0.24	-	-
Others	-	-	-	-	-
<b>Total</b>	<b>666.33</b>	<b>109.81</b>	<b>22.11</b>	<b>-</b>	<b>-</b>

**Annexure-11****DETAILS OF DEPOSITS, LOANS AND ADVANCES****(Rs. in Lakh)**

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
Deposit with BSE	113.50	113.50	112.50	-	-
Deposit with NSE	156.00	131.00	129.00	-	-
Security Deposit against Furnitures	0.50	0.50	0.50	-	-
Deposit with CDSL	5.00	5.00	5.00	-	-
Deposit with Financial Technologies	4.92	8.69	13.45	-	-
VSAT Advance	0.89	-	-	-	-
IL & FS Security Deposit	-	4.00	4.00	-	-
Miscellaneous advances paid	-	0.04	0.52	-	-
Leaseline Deposit	0.86	0.60	1.02	-	0.11
Advance Income Tax, TDS, Income Tax	96.41	29.51	16.63	1.87	0.18
TDS receivable on transaction charges	1.07	1.56	0.53	-	-
Commission Receivable	-	-	-	3.16	-
Telephone deposits	0.31	0.31	0.26	0.03	-
Coffee Machine deposit	0.08	0.08	0.08	0.08	-
Advance to staff	0.54	0.25	0.38	0.18	-
Miscellaneous deposits				5.00	3.65
Advance to Annu Agrawal	-	-	-	-	8.17
Bank FDR's	373.42	354.01	250.00	-	1.00
<b>Total</b>	<b>753.50</b>	<b>649.04</b>	<b>533.87</b>	<b>10.30</b>	<b>13.11</b>

**Annexure 12****DETAILS OF OTHER CURRENT ASSETS****(Rs. in Lakh)**

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
Prepaid Expenses	5.79	6.84	8.43	-	-
Accrued Interest on Fixed Deposit	26.96	14.46	11.12	-	0.08
<b>Total</b>	<b>32.75</b>	<b>21.30</b>	<b>19.55</b>	<b>-</b>	<b>0.08</b>

**Annexure-13****DETAILS OF SECURED LOANS****(Rs. in Lakh)**

<b>Particulars</b>	<b>31.08.10</b>	<b>31.03.09</b>	<b>31.03.08</b>	<b>31.03.07</b>	<b>31.03.06</b>
Bank Overdraft					
Union Bank of India (OD)	22.32	68.64	0.64	-	-
Total	22.32	68.64	0.64	-	-

**Annexure-14****DETAILS OF UNSECURED LOANS****(Rs. in Lakh)**

<b>Particulars</b>	<b>31.08.10</b>	<b>31.03.09</b>	<b>31.03.08</b>	<b>31.03.07</b>	<b>31.03.06</b>
Inter Corporate Loans					
From Directors & their Relatives	-	-	-	-	-
From Others	-	-	23.00	20.00	-
(Interest Free, repayable on demand)					
Total	-	-	23.00	20.00	-

**Annexure -15****CAPITALISATION STATEMENT**

<b>Particulars</b>	<b>Pre-issue as at 31.08.2010</b>	<b>Post Issue *</b>
<b>Borrowing</b>		
Short - Term Debt	-	
Long - Term Debt	-	
Total Debt	-	
<b>Shareholders' Funds</b>		
Share Capital		
- Equity	1,175.00	
Less: Calls - in - arrears	-	
- Preference	-	
Reserves & Surplus	226.90	
Less: Miscellaneous Expenditure not written off	17.74	
Total Shareholders Funds	1,384.16	
Long - Term Debt / Shareholders Fund	-	

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



**Annexure-16****DETAILS OF CURRENT LIABILITIES & PROVISIONS****(Rs. in Lakh)**

<b>Particulars</b>	<b>31.08.10</b>	<b>31.03.09</b>	<b>31.03.08</b>	<b>31.03.07</b>	<b>31.03.06</b>
<b>Current Liabilities</b>					
Sundry Creditors	356.69	131.19	146.12	-	-
Sundry deposits received	17.23	4.00	9.11	-	-
Outstanding liability for expenses	18.04	6.98	10.42	1.00	0.06
Advance against expenses	2.14	-	-	-	0.25
Duties & Taxes	6.11	1.94	2.85	0.13	-
Sub Total (A)	400.21	144.11	168.50	1.13	0.31
<b>Provisions</b>					
Provision for Gratuity	6.11	2.02	1.00	0.25	-
Provision for Income Tax	110.37	35.37	20.67	2.35	0.70
Provision for FBT	1.00	1.00	0.22	0.13	-
Proposed Dividend	-	9.00	9.00	-	-
Tax on Dividend	-	1.53	1.53	-	-
Sub Total (B)	117.48	48.91	32.42	2.73	0.70
<b>Total (A+B)</b>	<b>517.69</b>	<b>193.02</b>	<b>200.92</b>	<b>3.86</b>	<b>1.01</b>

**Annexure-17**
**STATEMENT OF RELATED PARTY TRANSACTIONS**
**I. List of Related Parties**

31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
Party Where Control Exists				
Nil	Nil	Nil	Nil	Nil
Other parties where transaction has taken place				
Associates				
Comfort Intech Ltd	Comfort Intech Ltd	Comfort Intech Ltd	Comfort Intech Ltd	-----
-----	Comfort Advertising Pvt. Ltd	Comfort Advertising Pvt. Ltd	-----	-----
Comfort Commotrade Pvt. Ltd	Comfort Commotrade Pvt. Ltd	-----	-----	-----
Luharuka Invt. & Consultants Pvt. Ltd	Luharuka Invt. & Consultants Pvt. Ltd	Luharuka Invt. & Consultants Pvt. Ltd	-----	-----
Luharuka Exports Pvt. Ltd	Luharuka Exports Pvt. Ltd	-----	-----	-----
-----	-----	Ever Comfort Travels (I) Ltd	-----	-----
Comfort Capital Pvt. Ltd	-----	-----	-----	-----
Key Managerial Personnel				
Mr. Anil Agrawal	Mr. Anil Agrawal	Mr. Anil Agrawal	Mr. Anil Agrawal	-----
Ms. Annu Agrawal	Ms. Annu Agrawal	Ms. Annu Agrawal	Ms. Annu Agrawal	Ms. Annu Agrawal
Mr. Amit Khemka	-----	-----	-----	-----
Anil Agrawal (HUF)	Anil Agrawal (HUF)	Anil Agrawal (HUF)	-----	-----
Relatives of Key Managerial Personnel				
Mr. Ankur Agrawal	Mr. Ankur Agrawal	-----	-----	-----
Mr. Narayandas Khemka	-----	-----	-----	-----
Ms. Kantadevi Khemka	-----	-----	-----	-----
Enterprise controlled or managed by key managerial personnel or their relatives				
Nil	Nil	Nil	Nil	Nil

**II. Transactions with Related Parties**
**(Rs. in Lakh)**

Particulars	Relationship	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
Revenue Items						
Debits (A)						
Equity Contribution	KMP	-	-	175.00	-	-
Equity Contribution	Associate	-	-	175.00	-	-
Sale of fixed assets	KMP	-	-	-	7.46	-
Brokerage Income	KMP	1.16	0.45	0.51	-	-
Brokerage Income	Associates	7.11	4.88	2.50	-	-
Brokerage Income	Relative of KMP	0.57	0.03	-	-	-
D.P. Charges Received	KMP	0.25	0.07	-	-	-
D.P. Charges Received	Relative of KMP	0.58	-	-	-	-
D.P. Charges Received	Associate	0.24	0.79	-	-	-
Sale of shares	Associate	-	-	2.50	-	-
Total (A)		9.92	6.23	355.51	7.46	-
Credits (B)						

Particulars	Relationship	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
Rent Paid	KMP	3.40	2.40	2.40	-	-
Rent Paid	Associate	-	2.40	0.20	-	-
Advertisement Expense	Associate	-	-	4.00	-	-
Travelling Expense	Associate	3.29	0.84	0.91	-	-
Reimbursement of expenses	Associate	1.61	0.98	-	-	-
Deposit Paid for furniture rent	Associate	-	-	0.50	-	-
Total (B)		8.29	6.62	8.01	-	-
Non Revenue Items						
Debits (A)						
Advance Given	Associate	-	-	-	100.00	-
Advance Given	KMP	-	-	-	0.10	1.60
Total (A)		-	-	-	100.10	1.60
Credits (B)		-	-	-	-	-
Advance Received Back	Associate				100.00	
Advance Received Back	KMP	-	-	-	15.73	-
Total (B)		-	-	-	115.73	-

#### Annexure-18

#### DETAILS OF CONTINGENT LIABILITIES

(Rs. in Lakh)

Particulars	31.08.10	31.03.09	31.03.08	31.03.07	31.03.06
Bank Guarantee provided to Stock Exchanges & ILFS	493.00	345.00	500.00	-	-
Counter Guarantee provided to Union Bank of India for Bank Guarantee Limited availed by Comfort Commotrade Pvt. Ltd	100.00	50.00	-	-	-
<b>Total</b>	<b>593.00</b>	<b>395.00</b>	<b>500.00</b>	<b>-</b>	<b>-</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated audited financial statements and the reports thereon and annexures thereto, which have been restated in accordance with paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 and with the SEBI (ICDR) Regulations, 2009, and which are all included in this Draft Red Herring Prospectus. The financial statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from U.S. GAAP and other accounting principles and auditing standards in other countries with which prospective investors may be familiar. The degree to which the financial statements included in this Draft Red Herring Prospectus will provide meaningful information is dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations, 2009.

Any reliance on the financial disclosures presented in this Draft Red Herring Prospectus by persons not familiar with these Indian practices, law and rules should be limited. We have not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on the financial data herein. The following discussion is also based on internally prepared statistical information and other sources.

**Our financial year ends on March 31st of each year, so all references to a particular 31st March are to the twelve months period ended March 31st of that year except in case of financial year 2009-10, where it ends on August 31<sup>st</sup> (17 months period).**

### Business Overview

We are a diversified financial services company in India offering a wide range of products & services covering investment banking, equity broking, currency derivatives and depository participants to all kinds of investors, namely, retail, high networth individuals and institutional. We are a professionally managed Company led by Mr. Anil Agrawal and Mrs. Annu Agrawal who have more than 10 years of experience in the financial markets and have steered the growth of our Company. One of our Promoters is a company registered as NBFC and is primarily focused in providing inter corporate loans, personal loans, loans against shares & securities, loans against properties, trade financing, bills discounting, trading in shares & securities and arbitrage business in stock and commodity market.

We are headquartered at Malad, Mumbai and we operate through 9 branches located at Indore, Jaipur, Mumbai, Kolkata, Gujarat and Kashmir and another 6 business associates. In Mumbai, we operate from 4 branches. The locations of our offices are driven by the demand for our financial products. We have membership in the cash and derivative segments of both BSE and NSE, currency derivative segment of BSE, NSE and MCX-SX. Our Company is also registered as a DP with CDSL. We are also a SEBI registered Category I Merchant Banker.

We have started our business of financial services in the year 2007 and within a short span of three years, our operations have grown tremendously. As per the restated financials of our Company, during the financial year 2008 to 2010, our income has been increased from Rs. 203.95 lakh to Rs. 702.35 lakh. Our Company has recently extended the focus on investment banking and advisory services *viz* public issues, rights issues, open offers, corporate advisory services and loan syndication.

To grow further and to provide better services to our client we have started providing an internet trading platform to our clients that allows us to integrate our diverse trading engines into a single platform. This allows customers, dealers and relationship managers to have a unique single window experience across all asset classes and product segments. This internet platform is architecturally scalable to handle a large number of customers concurrently.

Our business, prospects, financial condition and results of operations are affected by a number of factors, including the following which we believe are of particular importance:

***Regulatory developments and authorities***

Our activities are subject to supervision and regulation by multiple statutory and regulatory authorities including SEBI, CDSL and the exchanges. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in India's securities sectors. Changes in government and other regulatory policies affecting the financial services industry could require changes to our systems and business operations and could involve additional costs and management time. Other general changes in economic and regulatory policy may also affect our business, as they affect the businesses, financial health and investment policies of our customers. Some policy changes may be beneficial to our business, while others may have a negative impact.

***Performance of Indian Economy***

As a financial services company with businesses operating in the domestic Indian market, our performance and the growth of our business are significantly dependent on the performance of the Indian economy. India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, adverse conditions affecting food and agriculture, commodity and electricity prices or various other factors. A slowdown in the Indian economy could adversely affect our business, including its ability to implement our strategy. The Indian economy is currently in a state of transition and it is difficult to predict the impact of certain fundamental economic changes upon our business. Conditions outside India, such as slowdowns in the economic growth of other countries or increases in the price of oil, have an impact on the growth of the Indian economy, and Government policy may change in response to such conditions. While recent Governments have been keen on encouraging private participation in the industrial sector, any adverse change in policy could result in a slowdown of the Indian economy. Additionally, these policies will need continued support from stable regulatory regimes that stimulate and encourage the investment of private capital into industrial development. Any downturn in the macroeconomic environment could have an adverse effect on our results of operations and financial condition.

***Conditions in Security Market***

As a financial services company, our businesses are materially affected by conditions in the domestic and global financial markets and economic conditions in India and throughout the world. A significant portion of our revenues are derived from equity broking and investment banking activities. Our revenues, level of operations and, consequently, our profitability are largely dependent on favorable capital market conditions, a conducive regulatory and political environment, investor sentiment, price levels of securities and other factors that affect the volume of stock trading in India and the level of interest in Indian business developments. For example, revenue generated by our broking, investment banking and advisory business is directly related to the volume and value of the transactions in which we are involved. Many factors or events could lead to a downturn in the financial markets including war, acts of terrorism, natural catastrophes and sudden changes in economic and financial policies. These types of events could affect confidence in the financial markets and impair their ability to function effectively.

***Intense Competition***

Our Company faces significant competition from companies seeking to attract clients' financial assets. In particular, we compete with other Indian and foreign brokerage houses, investment banks, and public and private sector commercial banks operating in the markets in which we are present. In recent years, large international banks have also entered these markets.

***Client relationships***

Our merchant/investment banking clients generally retain us on a short-term, engagement-by-engagement basis in connection with specific capital markets or mergers and acquisitions transactions, rather than on a recurring basis under long-term contracts. As these transactions are typically singular in nature and our engagements with these clients may not recur, we must seek out new engagements when our current engagements are successfully completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any subsequent period. If we are unable to generate a substantial number of new engagements and generate fees from the successful completion of transactions, our business and results of operations are likely to be adversely affected. The fees earned by our financial advisory business are typically payable upon the successful completion of a particular transaction or financial advisory assignment. A decline in our financial advisory engagements or the market for advisory services, it would adversely affect our business.

**Significant concentration of business in the western region**

We are headquartered at Malad, Mumbai and we also operate from another 15 branch offices in 9 Indian cities. Out of total 9 branch office, 4 branch offices are located in the western region and a substantial portion of our revenues are generated from operations in western India. As on the date of this Draft Red Herring Prospectus, our operations are mainly focused in the western India. The future growth in business and revenues will be achieved through a pan-India footprint. We intend to set up regional offices in Ahmedabad, Jaipur, Kolkata and Chennai and 80 branch offices in 40 cities on lease basis. Failure to expand our operations either through branches, business associates or otherwise may restrict our growth potential and adversely affect our results of operations.

**Ability to attract, recruit and retain key personnel.**

We are highly dependent on our senior management, our directors and other key personnel. Our future performance will depend upon the continued services of these persons. The loss of any of the members of our senior management, our directors or other key personnel may adversely affect our results of operations and financial condition. Competition in the financial services industry for senior management and qualified employees is intense. Our continued ability to compete effectively in our businesses depends on our ability to attract new employees and to retain and motivate our existing employees. Our inability to hire and retain such employees could adversely affect our business.

**OVERVIEW OF OUR RESULTS OF OPERATIONS**

The table below sets forth various items from our Company's restated financial information for Seventeen months period ended August 31, 2010 and the financial year (Twelve months) ended March 2009, March 2008 and March 2007:

**(Rs. in Lakh)**

Particulars	As on dated August 31 <sup>st</sup>		As on dated March 31					
	2010	% of Total income	2009	% of Total income	2008	% of Total income	2007	% of Total income
<b>Income</b>								
Brokerage & Commission	264.91	37.72	67.45	29.00	74.91	36.73	18.23	125.16
Income from Merchant Banking operations	108.11	15.39	27.85	11.97	-	-	-	-
Income from DP Operations	8.42	1.20	1.38	0.59	0.09	0.05	-	-
Income from trading & investment in Shares and Securities	239.48	34.10	91.93	39.52	114.78	56.28	(3.82)	(26.22)
Dividend Income	1.39	0.20	0.06	0.03	0.17	0.08	0.03	0.17
Interest on Bank Fixed Deposits / Bank Interest	49.80	7.09	29.48	12.68	13.57	6.65	-	-
Other Income	30.24	4.31	14.44	6.21	0.43	0.21	0.13	0.89
<b>Total</b>	<b>702.35</b>	<b>100.00</b>	<b>232.59</b>	<b>100.00</b>	<b>203.95</b>	<b>100.00</b>	<b>14.57</b>	<b>100.00</b>
<b>Expenditure</b>								
Employee's Cost	60.93	8.68	30.25	13.01	20.04	9.83	3.67	25.17
Administration Expenses	169.82	24.18	60.62	26.06	55.62	27.27	4.67	32.06
Preliminary expenditure written off	7.01	1.00	4.95	2.13	1.81	0.89	0.45	3.11
<b>Total</b>	<b>237.76</b>	<b>33.85</b>	<b>95.81</b>	<b>41.20</b>	<b>77.47</b>	<b>37.99</b>	<b>8.79</b>	<b>60.34</b>
<b>Profit before Depreciation, Interest and Tax</b>	<b>464.58</b>	<b>66.15</b>	<b>136.77</b>	<b>58.80</b>	<b>126.47</b>	<b>62.01</b>	<b>5.78</b>	<b>39.66</b>

	As on dated August 31 <sup>st</sup>		As on dated March 31					
Particulars	2010	% of Total income	2009	% of Total income	2008	% of Total income	2007	% of Total income
Depreciation	10.43	1.49	4.48	1.93	1.19	0.59	0.10	0.66
<b>Profit before Interest &amp; Tax</b>	<b>454.15</b>	64.66	<b>132.29</b>	56.88	<b>125.28</b>	61.43	<b>5.68</b>	39.00
Interest & Finance Charges	0.72	0.10	1.55	0.67	1.36	0.67	0.02	0.11
<b>Net Profit before Tax</b>	<b>453.43</b>	64.56	<b>130.74</b>	56.21	<b>123.91</b>	60.76	<b>5.67</b>	38.89
<b>Less: Provision for Tax-Current Tax</b>	75.00	10.68	15.40	6.62	18.32	8.98	1.65	11.30
Deferred Tax	3.06	0.44	2.73	1.18	2.03	1.00	0.26	1.78
Fringe Benefit Tax	-	-	0.78	0.34	0.22	0.11	0.13	0.91
<b>Net Profit After Tax &amp; Before Extraordinary Items</b>	<b>375.37</b>	53.45	<b>111.83</b>	48.08	<b>103.34</b>	50.67	<b>3.63</b>	24.90
<b>Extraordinary Item (Net of Tax)</b>	-	-	-	-	-	-	-	-
<b>Net Profit After Extraordinary Items</b>	<b>375.37</b>	53.45	<b>111.83</b>	48.08	<b>103.34</b>	50.67	<b>3.63</b>	24.90
Proposed Dividend	18.00	2.56	9.00	3.87	9.00	4.41	-	-
Tax on Dividend	2.99	0.43	1.53	0.66	1.53	0.75	-	-
<b>Net Profit</b>	<b>354.38</b>	50.46	<b>101.30</b>	43.55	<b>92.81</b>	45.51	<b>3.63</b>	24.90

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

(Rs. in Lakh)

Particulars	31.08.10	31.03.09	31.03.08
<b>Assets</b>			
Fixed Assets-Gross Block	67.12	34.42	22.28
Less: Depreciation	16.37	5.93	1.45
<b>Net Block</b>	50.75	28.49	20.83
Less: Revaluation Reserve		-	-
Net Block after adjustment for Revaluation Reserve (A)	50.7	28.49	20.83
<b>CAPITAL WIP</b>	-	-	-
<b>Total (A)</b>	50.75	28.49	20.83
<b>Investments (B)</b>	-	34.19	51.92
<b>Current Assets, Loans and Advances</b>			
Receivables	666.33	109.81	22.11
Cash & Bank Balances	428.76	75.11	133.57
Deposits, Loans & Advances	753.50	649.04	533.87
Other Current Assets	32.75	21.30	19.55
<b>Total Current Assets ( C )</b>	1,881.34	855.26	709.11

Particulars	31.08.10	31.03.09	31.03.08
<b>Total Assets (D) = (A) + (B) + ( C )</b>	1,932.09	917.94	781.86
<b>Liabilities &amp; Provisions</b>			
<b>Loan Funds :</b>			
Secured Loans	22.32	68.64	0.64
Unsecured Loans	-	-	23.00
<b>Current Liabilities &amp; Provisions:</b>			
Current Liabilities	400.21	144.11	168.50
Provisions	117.48	48.91	32.42
Deferred Tax Liability	7.91	4.86	2.13
<b>Total Liabilities &amp; Provisions (E)</b>	547.93	266.52	226.69
<b>Net Worth (D) - (E)</b>	1,384.16	651.42	555.17
<b>Represented By:</b>			
Share Capital	1,175.00	180.00	180.00
Reserves & Surplus	226.90	482.52	381.22
Less: Revaluation Reserve	-	-	-
Reserves (Net of Revaluation Reserve)	226.90	482.52	381.22
Less : Misc. expenditure to the extent not written off	17.74	11.10	6.05
<b>Total Net Worth</b>	1,384.16	651.42	555.17

**Financial Operations Overview:** The following description set forth information with respect to key components of our income, expenditure, assets and liabilities, as restated, for Financial Year 2007,2008,2009 and Financial Year ended on August 31, 2010 (17 months).

#### **Income**

Our Income comprises of income from operations and other miscellaneous income. Income from operations is comprised of brokerage and commission, income from depository services,fee from merchant banking operations and income from trading of shares, futures and options. The income from Brokerage and Trading are the major component of our operations which contributed app. 37.7% and 34% respectively in Financial Year 2010. We have started the merchant banking activities from Financial Year 2009.The income from merchant banking activities is app. 16% in FY 2010.

#### **Expenditure**

Major expenses of our company are comprised of operating and administration expenses and employee cost.

#### **Operating and administration expenses**

Our operating and administration expenses, which include commissions and brokerage, stock exchange fees and other expenses for our broking business, and miscellaneous administration expenses to run the business. The operating and administrating expenses for the year Financial Year 2010, was app. 24.18% of total sales constituting a significant portion of our total expenses.

#### **Employee cost:**

Employee cost includes our employees' salaries, bonuses, gratuity and staff welfare costs .The employee cost for the year Financial Year 2010, was appx. 8.68% of total sales and 25.26% of total expenditure constituting a significant portion of our total expenses.

#### **Profit before Depreciation, Interest and Tax**

The operating profit before depreciation, interest and tax ratio of our company was 66.15%, 58.80% and 62.01% for the Financial Year 2010, 2009 and 2008 respectively.



- **Depreciation.** Our total gross block of assets as at August 31, 2010 stood at Rs. 67.12 lakh and we have provided for depreciation of Rs. 16.37 lakh up to August 31, 2010 on these assets.
- **Financial expenses.** Financial expenses include interest paid, financial charges representing commissions paid for bank guarantees, interest on bank overdraft lines and other financial expenses which aggregated to Rs. 0.72 lakhs for the year ended August 31, 2010.

#### **Net Profit after Tax & Before Extraordinary Items**

Net Profit after tax was appx 53.45%, 48.08% and 50.67% of total income for the Financial Year 2010, 2009 and 2008 respectively

#### **Assets:-**

##### • **Fixed assets:**

Our net block of fixed assets (which represents the purchase price of our fixed assets –computers and office equipment, furniture and fixtures, and vehicles) less accumulated depreciation was Rs. 50.75 lakhs as of August 31, 2010. The requirement of the fixed assets is increasing year on year in line with the growth in our business. The nature of the fixed assets is mainly computers, office equipment to support our operations.

##### • **Current assets, loans and advances:-**

Current assets include sundry debtors, cash and bank balances (which include bank balances we are required by exchanges to maintain commensurate with our exposure) and loans and advances representing margin and other deposits with exchanges & other assets. Our current assets, loans and advances amounted to Rs. 1881.34 lakhs as on August 31, 2010.

#### **Liabilities and Shareholder funds**

- **Loan funds:** The loan funds represent the secured & unsecured loans and both long term and short term. Total loan funds were Rs. 22.32 lakh for the year ended August 31, 2010.
- **Current liabilities and provisions:** These represent our current liabilities of Rs. 547.93 Lakh which mainly comprised of Sundry creditors and provisions for tax liabilities.

#### **Comparison of historical results of operations**

**Results for the Financial Year ended 31<sup>st</sup> August 2010 as compared to the results for the year ended 31<sup>st</sup> March 2009 – It is also noted that financial year ended 31<sup>st</sup> August 2010 is for seventeen month instead of twelve months.**

#### **Income from Operations**

The total income of our company increased from 232.59 Lakh in FY 2009 to 702.35 Lakh in FY 2010 representing 201.97% increase in the income. Our income from Brokerage and commission has increased from Rs. 67.45 Lakh in FY 2009 to Rs 264.91 Lakh in FY 2010 representing an increase of 292.77%.The Income from Merchant Banking operations also increased from Rs. 27.85 Lakh in FY 2009 to Rs. 108.11 Lakh in FY 2010 representing an increase of 288.15% The main reason for such increase is attributable to the fact that the financials have been drawn for seventeen months up to 31<sup>st</sup> August, 2010 vis-à-vis in the FY 2009 the period was 12 months only. Further the increase in the income is also a resultant from the growth in the merchant banking activities in the period as this division was started lately in FY 2009. Another main component of our income is Income from trading & investment in Shares and Securities. The income in this segment increased from Rs. 91.93 Lakh in FY 2009 to Rs. 239.48 Lakh in FY 2010 representing an increase of 160.52% for better performances of the stock market in FY 2010Interest income represents miscellaneous interest income and interest income earned from our fixed deposits. This item increased from Rs. 29.48 lakhs for the year ended March 31, 2009 to Rs. 49.80 lakh for the year ended August 31, 2010 representing an increase of 69%, as there was longer reporting period in the latest financials.

### ***Expenditure***

***Employee costs:*** The employee costs increased from Rs. 30.25 lakh for the year ended March 31, 2009 to Rs. 60.93 lakh for the year ended August 31, 2010, representing an increase of 101.45%. The increase in aggregate employee costs was due to an increase in the absolute number of employees as our operations grew.

***Administrative Expenses:*** Administrative expenses increased from Rs. 60.62 lakh for the year ended March 31, 2009, to Rs. 169.82 lakh for the year ended August 31, 2010 representing an increase of 180.15%. Besides a general increase in operating expenses attributable to increase of volume and scale of our operations as evidenced by the growth in total income, this increase can also be specifically attributed, *inter alia*, increase in stock exchange expenses.

***Depreciation:*** Depreciation costs increased from Rs. 4.48 lakh for the year ended March 31, 2009 to Rs. 10.43 lakh for the year ended August 31, 2010, representing an increase of 132.86%. This was due to an increase in our gross block of assets from Rs. 34.42 lakh as at March 31, 2009 to Rs. 67.12 lakhs as at August 31, 2010.

***Financial expenses:*** Financial expenses decreased from Rs. 1.55 lakh for the year ended March 31, 2009 to Rs. 0.72 lakh the year ended August 31, 2010 due to decrease in borrowings.

***Net Profits before tax depreciation and interest:*** Our net profits before tax depreciation and interest for the year ended August 31, 2010 was Rs. 464.58 lakh (66.15% of total income). This compared with Rs. 136.77 lakh (58.80% of total income) for the year ended March 31, 2009, representing a year-on-year increase of 239.67%. The increase in the profit attributes to increase in our operations and increase in the volume of business and our entry in the Merchant banking operations

***Net profit after tax:*** For the year ended August 31, 2010, net profit after tax was Rs. 375.37 (53.45 % of total income), compared to Rs. 111.83 lakh (48.08% of total income) for the year ended March 31, 2009. The total year-on-year increase was 235.67%. The increase in the profit attributes to increase in our operations and increase in the volume of business and our entry in the Merchant banking operations

### **Results for the Financial Year ended 31st March 2009 as compared to the results for the year ended 31st March 2008**

The total income of our company increased from Rs. 203.95 Lakh in FY 2008 to Rs. 232.59 Lakh in FY 2009 representing 14.04% increase in the income. Our income from Brokerage and commission has decreased from Rs. 74.91 Lakh in FY 2008 to Rs 67.45 Lakh in FY 2009 representing decrease of 9.96 %. The Merchant Banking operations started in FY 2009. The income from Merchant Banking activities was Rs. 27.85 Lakh in FY 2009. The another main component of our income is Income from trading & investment in Shares and Securities The Income in this segment decreased from Rs. 114.78 Lakh in FY 2008 to Rs. 91.93 Lakh in FY 2009 representing the decrease of 19.91%. The reason of reduction in the income from Broking and trading income is the downward trend in stock market. The business was also affected in the FY 2008-09.

***Interest income:*** Interest income represents miscellaneous interest income and interest income earned from our fixed deposits with banks. This item increased from Rs. 13.57 lakhs for the year ended March 31, 2008 to Rs. 29.48 lakh for the year ended March 31, 2009 representing an increase of 117.23%,

### ***Expenditure***

***Employee costs:*** The employee costs increased from Rs. 20.04 lakh from FY 2008 to Rs. 30.25 lakh for FY 2009, representing an increase of 50.95%. The increase in aggregate employee costs was due to an increase in the absolute number of employees as our operations grow.

***Administrative Expenses:*** Administrative expenses increased from Rs. 55.62 lakh for the year ended March 31, 2008 to Rs. 60.62 lakh for the year ended March 31, 2009 representing an increase of 8.98%. Besides a general increase in operating expenses attributable to increase of volume and scale of our operations as evidenced by the growth in total income.

**Depreciation:** Depreciation costs increased from Rs. 1.19 lakhs for the year ended March 31, 2008 to Rs. 4.48 lakhs for the year ended March 31, 2009, representing an increase of 276%. This was due to an increase in our gross block of assets from Rs. 22.28 lakhs as at March 31, 2008 to Rs. 34.42 lakhs as at March 31, 2009.

**Financial expenses:** Financial expenses increased from 1.36 lakh for the year ended March 31, 2008 to 1.55 lakh for the year ended March 31, 2009 due to increase in payment of the bank interest resulting from increased operations.

**Net Profits before tax, depreciation & interests:** Our net profits before tax, depreciation and interest for the year ended March 31, 2009 was Rs. 136.77 lakh compared with Rs. 126.47 lakh for the year ended March 31, 2008, representing a year-on-year increase of 8.14%.

**Net profit after tax:** For the year ended March 31, 2009, net profit was Rs. 111.83 lakh, compared to Rs. 103.34 lakh for the year ended March 31, 2008. The total year-on-year increase was 8.22%.

**Results for the Financial Year ended 31st March 2008 as compared to the results for the year ended 31st March 2007**

**Income from operation**

Our total income increased from Rs 14.57 Lakh in FY 2007 to Rs 203.95 Lakh in FY 2008 representing 1300% increase in total income. Our income from broking and commission was Rs. 74.91 lakh for the FY, 2008 compared to income of Rs. 18.23 lakh for the FY 2007, representing an increase of 310.81 %. There was a loss in the income from trading in shares and investment in FY 2007 and the income in this segment increased to Rs. 114.78 lakh in FY 2008. This increase was attributable to good market conditions in FY 2007-08

**Interest income:** Interest income represents miscellaneous interest income and interest income earned from our fixed deposits. This item increased from Rs. Nil for the year ended March 31, 2007 to Rs. 13.57 lakh for the year ended March 31, 2008. The increase in the interest income is due to increase in our fixed deposits with banks which were required to be maintained for various deposits against bank guarantees and margin requirements of the exchanges.

**Expenditure**

**Employee costs:** Our total employee strength increased during the period which led to increased aggregate expenditure on employee costs from Rs. 3.67 lakh for the year ended March 31, 2007 to Rs. 20.04 lakh for the year ended March 31, 2008, representing an increase of 446%. Further the increase in the operations has also contributed to the increase in the employee costs.

**Administrative Expenses:** Administrative expenses increased from Rs. 4.67 lakh for the year ended March 31, 2007 to Rs. 55.62 lakh for the year ended March 31, 2008 representing an increase of 1091%. As we started our operation in January, 2007

**Financial expenses:** Financial expenses increased from Rs. 0.02 Lakh for the year ended March 31, 2007 to Rs. 1.36 lakh for the year ended March 31, 2008 as the company had started operation in the year 2007-08, and to fund its increased working capital requirements the company enjoyed OD facility from bank which resulted in increased financial expenses in the form of interest outgo.

**Net Profits before tax, depreciation & interests:** Our net profits before tax, depreciation and interest for the year ended March 31, 2008 was Rs. 126.47 lakh. This compared with Rs. 5.78 lakh for the year ended March 31, 2007.

**Net profit:** For the year ended March 31, 2008, net profit was Rs. 92.81 lakh, compared to Rs. 3.63 lakh for the year ended March 31, 2007. The increase in Net profit is attributable to increase in brokerage income from our clientele and due to substantial increase in the income from trading in shares and securities attributable to the enhanced performance of the capital market.

**Information required as per Item (2) (IX) (E) (5) of Part A of Schedule VIII to the SEBI Regulations:**

**1. Unusual or infrequent events or transactions**

Except as described in this Draft Red Herring Prospectus, there have been no other events or transactions that, to our knowledge, may be described as “unusual” or “infrequent”.

**2. Significant economic changes**

Our Company’s operations are dependent on the general economic conditions and any changes in economic conditions may have an adverse impact on the entire industry and consequently on our operations..

**3. Known trends or uncertainties**

Except as described in “Risk Factors” and “Management Discussion and Analysis of Financial Condition and Results of Operations” and in the Draft Red Herring Prospectus, our Company believes there are no known trends or uncertainties that are expected to have a material adverse impact on our revenues or income from continuing operations.

**4. The extent to which material increase in net sales or revenues are due to increased sales volume, introduction of new products or services or increased sales prices.**

Our increases in net sales are primarily by the number of active clients and the volume of business done by them

**5. New Products or business segments**

Other than as described in “Our Business” in this Draft Red Herring Prospectus, our Company is not planning to introduce any new products or business segments.

**6. Business segment in which our Company operates**

We are a financial services providing company. There are two major segments of our business i.e Investment banking and Equity Broking. For further details of our business please refer chapter titled “Our Business” on page no. 47 of this Draft Red Herring prospectus

**7. Seasonality of business**

Our business & level of operations are not seasonal in nature. Our business depends upon the market condition.

**8. Dependence on single or few clients**

Our Company’s operations are not dependent on a particular client or group of clients.

**9. Competitive conditions**

Our Company operates in a competitive environment. For further details please refer to “Risk Factors”, “Industry Overview” and “Our Business” on page xi, 39 and 47 respectively of this DRHP.

## SECTION VI: LEGAL AND REGULATORY INFORMATION

### OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company and our Directors, Promoters and Promoter Group companies, and there are no defaults, non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and defaults in creation of full security as per terms of Issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, Promoters or Directors. Unless stated to the contrary, the information provided below is as of the date of this DRHP.

Neither our Company nor its Promoters, members of the Promoter Group, associates or Directors have been declared as willful defaulters by the RBI or any other Governmental authority and, except as disclosed in this section in relation to litigation, there are no violations of securities laws committed by them in the past or presently pending against them.

#### A. OUTSTANDING LITIGATION INVOLVING OUR COMPANY

##### 1. Litigations filed against our Company

There are no litigations filed against our Company.

##### 2. Litigations filed by our Company

There are no litigations filed by our Company.

##### 3. Income Tax Proceedings

There are no pending Income tax proceeding involving our Company.

#### B. OUTSTANDING LITIGATION INVOLVING OUR DIRECTORS AND PROMOTERS

##### 1. Litigations filed against the Promoters/Directors

###### *Litigation involving Civil Laws*

Comfort Intech Limited, Promoter

Empire Industries Ltd. (EL) has filed a suit against the Comfort Intech Limited in the Bombay High Court under the provisions of Order XXXVII Rule 2 of the Code of Civil Procedure 1908 being Sum. Suit No. 1460 of 2010 for recovery of commission amounting to Rs. 27,57,500/- (inclusive of service tax of 10.30%) with further interest thereon at the rate of 10% p. a. from the date of filing of the suit till the date of payment/realization. In the suit EL has claimed that they had introduced a buyer to the Comfort Intech Limited for sale of Knuckle Joint Press machine as per agreement dated 25-03-2009 and as per the agreement EL is entitled to a commission of Rs. 27,57,500/-. Comfort Intech Limited has been served with a summons on 26<sup>th</sup> day of June 2010 and as per the requirements of summary suit proceedings the company has caused a vakalatnama of its Advocate to be filed in the Bombay High Court on 1<sup>st</sup> day of July 2010 i. e. within ten days of service of the summons. The case will come up for hearing in normal course.

##### 2. Litigations filed by the Directors/Promoters

###### *Litigation involving Criminal Law*

Comfort Intech Limited (CIL), Promoter

(i) The CIL has filed a case against M/s. MTZ Poly Films Ltd. and its Directors & officers under section 138 of the Negotiable Instruments Act 1881 in the Court of the Metropolitan Magistrate 43<sup>rd</sup> Court at Borivali, Mumbai for dishonour of cheques of aggregate value of Rs. 62,00,000/- (Rupees Sixty Two Lakh only) issued towards repayment of loan and Bill discounting facility availed by

M/s. MTZ Poly Films Ltd. from CIL. The Court issued summons to M/s. MTZ Poly Films Ltd. and its Directors and officers, however M/s. MTZ Poly Films Ltd. has filed a Revision Application against the order of issue of summons being Revision Application No. 110 of 2009 dated 2<sup>nd</sup> December 2009 for stay of the proceedings before the Magistrate on the ground that CIL has served the notice beyond the period of limitation. The Revision Application is pending and will come up for hearing in due course.

(ii) CIL has filed a case against M/s. Alpurpose Textile Industries Pvt. Ltd. and its Directors viz. Mr. Om Prakash Jalan and Mrs. Shakuntala Devi Jalan under section 138 of the Negotiable Instruments Act 1881 in the Court of the Metropolitan Magistrate 43<sup>rd</sup> Court at Borivali, Mumbai for dishonour of cheques of aggregate value of Rs. 35,96,000/- (Rupees Thirty Five Lakh Ninety Six thousand only) issued towards repayment of loan by CIL.

### ***Litigation involving Civil Laws***

The Company has filed a Summary Suit against Alpurpose Textiles Industries Ltd and its Directors in the Bombay High Court being Summary Suit No 2783 of 2010. The Company has filed the above matter for recovery of a sum of Rs. 33,00,000 with interest which was lent and advanced by the Company to M/s. Alpurpose Textile Industries Pvt. Ltd wherein its Directors viz. Mr. Om Prakash Jalan and Mrs. Shakuntala Devi Jalan had stood as guarantor. By a deed of mortgage dated 10th July, 2008, the said Mrs. Shakuntala Devi Jalan has mortgaged a flat owned by her situated at Sunder Nagar, Malad as and by way of security and also issued 6 post dated cheques favouring the Company for due repayment of the aforesaid loan of Rs. 33 Lakh. The Company has filed the said suit for recovery of the principal sum of Rs. 33,00,000 alongwith a further sum of Rs. 16,55,584 towards interest @ 24% p.a. as on September 28, 2010 and further interest @ 18% from the date of the suit till payment and/or realisation thereof. The Company has already initiated criminal proceedings under section 138 of the Negotiable Instruments Act, 1881 pursuant to dishonour of all 6 post dated cheques as already stated hereinabove.

### **3. Income Tax Proceedings**

Mrs. Annu A. Agrawal, Promoter Director  
Assistant Commissioner of Income Tax (Central) Circle 7, Mumbai (ACIT) has issued an order under section 143(3) read with section 153A of the Income Tax Act 1961 dated 10th December 2008 against Mrs. Annu A. Agrawal (assessee) one of the Promoter Director of the Company. The said order has made certain addition in the returned income of assessment year 2006-2007 as more particularly set out hereafter:-

The expenditure incurred in the purchase of artificial jewellery for the aggregate value of Rs. 3,73,731/- is unexplained expenditure within the meaning of section 69 C of the Income Tax Act 1961.

The expenditure for aggregate amount of Rs. 3,01,276/- is incurred by the assessee for payment of salary as an unexplained expenditure within the meaning of section 69 C of the Income Tax Act 1961

The assessee had given an unexplained loan of an aggregate amount of Rs. 17,21,592/- which is treated as unexplained investment within the meaning of section 69 C of the Income Tax Act 1961

Under the said order ACIT has raised the demand of Rs. 10,95,065. Further ACIT has issued notice of demand for penalty proceedings u/s 271(1)(C) of the Income Tax Act 1961

Mrs. Annu A. Agrawal has filed an Appeal against the order of ACIT before the Commissioner of Income Tax (Appeals) – V, Mumbai on the ground that ACIT has erred in passing the order under section 143(3) read with section 153A of the Income Tax Act 1961 and in issuing notice for initiation of penalty proceedings under section 27(1)(C) of the Income Tax Act 1961 The Commissioner of Income Tax (Appeals) – V, Mumbai has rejected the grounds of Appeal and dismissed the Appeal filed by Mrs. Annu A. Agrawal

Mrs. Annu A. Agrawal has filed a further Appeal against the said order passed by the Commissioner of Income Tax (Appeals) – V, Mumbai before the Income Tax Appellate Tribunal

Mumbai on 13th January 2010 on the grounds of the Appeal. Mrs. Annu A. Agrawal has deposited the entire sum under the demand notice of Rs. 10,95,065. The matter is pending before the Appellate Tribunal.

**C. OUTSTANDING LITIGATION INVOLVING OUR PROMOTER GROUP COMPANIES**

**1. Litigations filed against our Promoter Group companies**

There are no litigations filed against our any promoter group entities.

**2. Litigations filed by our Promoter Group companies**

There are no litigations filed by our any promoter group entities.

**3. Income Tax Proceedings**

There are no pending Income tax proceeding involving our any promoter group companies.

**D. LETTERS RECEIVED FROM THE STOCK EXCHANGES**

Our Company has received letters from various regulatory authorities for violation of certain provisions of regulations pertaining to broking activities, the details of which are as under:-

1. Our Company has received letter from BSE dated August 21, 2009 by referring the Exchange Notices dated May 16, 2007, which inter-alia stated that the permission for conducting pro-account trading at multiple location is not availed and that in case it is already availed then the same shall be submitted to the Exchange within four days from the date of this letter. We are not doing pro-account trading in the multiple locations. We are conducting pro-account trading only at a default location i.e. A 301, Hetal Arch, Opposite Natraj Market, S.V. Road, Malad West, Mumbai 400 064.
2. The status report of NSE dated January 7, 2009, mention the violation of Regulation 4.6.2.1(b) of the NSE Regulations in the F & O segment. The aforementioned regulation restricts the Member Companies from indulging various types of market manipulation as stated In the said regulation. Our Company had received a letter from NSE dated December 19, 2008, inter-alia stating details of certain synchronised trades and advised to explain in writing the reasons for not initiating a disciplinary action against the company. Thereafter, the Company replied on December 23, 2008. Our Company received another letter from NSE dated January 2, 2009, based on the reply sent by our Company dated December 23, 2008 which inter-alia stated that matter will be placed before the relevant disciplinary committee and the decision will be intimated in due course. Thereafter, our Company has not received any communication from the Exchange in this regard.
3. The registration with SEBI to act as self clearing member in derivative segment of NSE is conditional and liable to be cancelled in case the outcome of the pending enquiry/proceeding against the Company/ directors so warrants. Our Company has written a letter dated November 22, 2010, to SEBI seeking clarification on the matter as cited in their said letter issued to us granting certificate of registration. However, our Company has not received any further communication from SEBI in this regard.
4. Our Company has received a letter dated 18.08.2009 from MCX-SX based on the our internal audit report submitted to exchange on 26.06.2009 which inter-alia stated that on certain areas no comments were given w.r.t. following provisions:
  - a. procedure of procurement of client
  - b. mechanism for storage of CRF
  - c. Acquaintance procedure for new clients
  - d. Review of client database
  - e. Procedure for setting limits at client/terminal
  - f. Periodic reconciliation of books of accounts
  - g. Verification of books of accounts such as Register of Securities/ Bank Statements/ Demat accounts/ Client ledgers/ OD/ loan account details
  - h. Due diligence for password security for Trading Terminals

We have replied on the above matter on September 4, 2009 supported by Certificate from the auditor. The internal auditor appointed then for conducting the internal audit of the Company as per the regulations of MCX-SX, has clarified that the disclosures required by the Exchange were already incorporated in the report submitted. Thereafter, our Company has not received any communication from the Exchange in this regard.

**E. ADVERSE FINDINGS IN RESPECT OF OUR COMPANY AS REGARDS COMPLIANCE WITH THE SECURITIES LAWS.**

Our Company is a member of BSE, NSE and MCX-SX for carrying out the broking business and is also a participant of CDSL for carrying out depositories business. As a member of the above regulatory authorities, our Company is governed by various rules, regulations and byelaws of these exchanges and is subject to inspections and various audits undertaken from time to time.

**1. BOMBAY STOCK EXCHANGE LIMITED**

**(a) System Audit Reports**

Adverse Comments	Replied by / action taken by our company
<b>Upto June 30, 2010</b>	
The Company does not have any documentation on Business Continuity/ Disaster Recovery /Incident Reponse	Replied to the Exchange & No further communication received
The Company does not have existing BCP/ DRP plan	Implemented the same
The Company does not have any risk assessment procedure available	
The Company has not tested the any BCP/ DRP plan if available.	
The Company does not have any incident response procedure available	
The Company audit trails of all the entries-exit at location.	
The Company does not use any authentication measures in its system such as smart cards, biometric authentication, etc.	In process of Implementation
<b>July 01, 2008 to June 30, 2009</b>	
The Company does not maintain any separate back-up system. The original data is stored on the system hard disk and separate hard disk. The Company has inadequate procedure for system failure recovery.	Implemented the same
<b>July 1, 2007 to June 30, 2008</b>	
The Company does not maintain any separate back-up system. The original data is stored on the system hard disk and separate hard disk. The Company has not maintained hard copy of the books and accounts, documents and registers as per the Manual of BSE.	Implemented the same

**(b) Internal Audit Report**

Adverse Comments	Replied by / action taken by our company
<b>October 1, 2009 to March 31, 2010</b>	
The proper proof of identity, PAN and proof of address not taken in KYC form.	The photocopies of the documents taken are not readable. Our Company will ensure to take readable copies in future.
Proper monitoring Mechanism is not in place to review long outstanding debit balances in clients Account and recovery of the same.	All our outstanding debts are recoverable within reasonable time except two for which the management has been following up.
The terminals at Mira Road Branch are not operated by approved persons/approved users with valid BCSM Certification.	We have changed the user and new user is holding valid BCSM Certification.
Complete statement of accounts for funds and securities are not issued on a quarterly basis to clients along with error reporting clause. Proof of sending the same in not maintained	Our company has sent the complete statement of accounts for funds and securities along with error reporting clause. However, the POD of the delivery is misplaced and hence we were unable to produce the same before the system auditor so appointed.
<b>April 01, 2009 to September 30, 2009</b>	
Proper monitoring Mechanism is not in place to review long outstanding debit balances in clients Account and	All our outstanding debts are recoverable within reasonable time except two for which the management



Adverse Comments	Replied by / action taken by our company
recovery of the same.	has been following up.
The terminals at Mira Road Branch are not operated by approved persons/approved users with valid BCSM Certification.	We have changed the user and new user is holding valid BCSM Certification.
The details of clients including their financial details are not reviewed and updated periodically.	Our Company is in the process of updating the client details.
<b>April 01, 2009 to September 30, 2009</b>	
The date of verification, name and signature of the official who has done in-person verification, the Company's stamp not incorporated in client registration form	Our Company has accordingly rectified the client registration forms and will ensure to incorporate the same in future.
The proof of delivery/dispatch of contract notes which are executed after the trades and sent within 24 hours are not maintained properly.	Some of the PODs were misplaced and hence our company was unable to produce the same before the so appointed auditor.

**(c) Inspection Report**

Adverse Comments	Replied by / action taken by our company
<b>August 31, 2009 to July 30, 2010</b>	
Order log has not been maintained.	In this connection our company informed that hard disk in which we were maintaining the order book folder was corrupt and the entire folder was deleted. But know we are taking additional precaution so that same will not happen in future.
Trading Terminals has been operated by users without BCSM.	There were some terminals operated without BCSM Certified User. But know we have rectified the same.
The Company has not educated or created awareness among its clients regarding PMLA requirements	Till date we educating our branch incharges, remissers and sub-brokers by organising their meet and in turn they are educating the end clients. After pointing out by your inspection team we have started educating the end client also about the objective of PAML.
HDFC & State Bank of Bikaner client accounts are not designated as "client account"	We are writing to banks for designating them as Client Account. Copy of letter was enclosed at the time of reply.
The Company does not have a system for generation of alerts for suspicious transactions and processing the same. The Company manually checks the transactions report.	We manually check the transactions report.
<b>July 31, 2008 to June 30, 2009</b>	
Certain discrepancies were found with respect to CRF and BCF	Discrepancy was a not a major one, BSE has not raised any objection on their observation letter dated 10 <sup>th</sup> February, 2010.
The Company has taken approval from clients to send ECNs in KYC however, not implementing as of now and is sending contract notes physically.	It is not a mandatory requirement to send contract note through ECN. It is optional on the part of the Company.

**2. NATIONAL STOCK EXCHANGE OF INDIA LIMITED**

**(a) System Audit Reports**

Adverse Comments	Replied by / action taken by our company
<b>July 01, 2009 June 30, 2010</b>	
The Company has not maintained an audit trail for proper security	In Process of Implementation
The Company does not have documented business continuity of Disaster recovery or incidence response process commensurate with the organization size and risk to ensure a high degree of availability of the installed CTCL system	
The Company does not have any documented incident response procedure	
The Company does not have existing BCP/ DRP plan	
The Company does not have any documented risk assessment procedure	
The Company audit trails of all the entries-exit at location.	
The Company does not use any authentication measures in its system such as smart cards, biometric authentication, etc.	
The Company does not have any documentation on Business Continuity/ Disaster	

Adverse Comments	Replied by / action taken by our company
Recovery /Incident Response	Implemented
The Company does not maintain any separate back up for proper product integrity	
The Company has not tested the any BCP/ DRP plan if available.	The plan is not available for testing.
<b>July 7, 2008 to June 30, 2009</b>	
The Company has not maintained an audit trail for proper security	In Process of Implementation
The Company does not maintain any separate back up for proper product integrity	In Process of Implementation
The Company does not have documented business continuity of Disaster recovery or incidence response process commensurate with the organization size and risk to ensure a high degree of availability of the installed CTCL system	In Process of Implementation
The Company has availed an insurance cover for omissions/errors in CTCL system of only Rs. 5 lakh which is inadequate	The mandatory insurance coverage requirement is as per the exchange policy.
<b>July 7, 2007 to June 30, 2008</b>	
The existing features and system parameters implemented in the CTCL system are not in place	Implemented the same.
Input, processing and output controls in respect of CTCL operations are inadequate	
The application security does not commensurate to the size and nature of application	
Event logging and system monitoring is not observed	
User Management norms not defined and observed	
Working processes are not in adherence with the policies and procedures defined	
Change Management and version controls are not documented and practiced	
Working processes are not in adherence with the policies and procedures defined	
Documentation for system processes is not maintained.	
The Network system of the Company not managed adequately in relation to the size and nature of operations and the necessary controls are not present.	Replied to the exchange and thereafter no further communication received
Password policy/ standards are not defined or observed	
An adequate back-up system and procedures for backup as prescribed is not present.	
There exist no business continuity procedure and disaster recovery plan	
The security features such as access controls, network, firewalls and virus protection not present and/or updated regularly.	

**(b) Internal Audit Report**

Adverse Comments	Replied by / Action taken by our company
The Company does not maintain proper proof of identity PAN and proof with KYC form	The photocopies of the documents taken are not readable. Our Company will ensure to take readable copies in future
It has been observed that in some instance cheques were issued to clients which were not registered with NSE	We have not used the clients account for the purpose otherwise then specified one. Inadvertently cheques were issued to the clients who are registered in BSE.
<b>April 1, 09 to September 30, 09</b>	
Proper monitoring Mechanism is not in place to review long outstanding debit balances in clients Account and recovery of the same.	All our outstanding debts are recoverable within reasonable time except two for which the management has been following up.
The proof of delivery/dispatch of contract notes which are executed after the trades and sent within 24 hours are not maintained properly.	Some of the PODs were misplaced and hence our company was unable to produce the same before the so appointed auditor.
The Company is yet to comply against the qualifications/violations observed in the last inspection report of SEBI/Internal auditor	Our Company is taking the necessary action in this regard.
<b>October 1, 2008 to March 31, 2009</b>	
The proof of delivery/dispatch of contract notes which are executed after the trades and sent within 24 hours are not maintained properly.	Some of the PODs were misplaced and hence our company was unable to produce the same before the so appointed auditor.

(c) **Inspection Report**

<b>Adverse Comments - June 30, 2009 to July 31 ,2010</b>	<b>Replied by / Action taken by our company</b>
Authorization letter signed by the client contains contradictory clause pertaining to pledging.(violation of Regulation No. 4.3.1 of F& O Segment of the Exchange)	Replied to the exchange and thereafter no further communication received
Client Bank account was used for purposes other than specified. (violation of Regulation No. 6.1.6(c) of Part A of Capital Market Regulations of the Exchange)	
Dealing Office details were not printed on contract notes (violation of Regulation No. 3.5.1 of Part A of Capital Market Regulations of the Exchange.)	
Trading Member has not identified client identification procedures at various stages(Not in accordance with Exchange Circular)	
Trading Member has not identified clients of special category( CSC) (Not in accordance with Exchange Circular)	

3. **MULTI COMMODITY EXCHANGE-SX**

(a) **System Audit Reports**

<b>Adverse Comments</b>	<b>Replied by / Action taken by our company</b>
<b>April 1, 2009 to March 31, 2010</b>	
Event logging and system monitoring is not observed	Implemented the same
User Management norms not defined and observed	
Working processes are not in adherence with the policies and procedures defined	
The Network system of the Company not managed adequately in relation to the size and nature of operations and the necessary controls are not present.	
An adequate back-up system and procedures for backup as prescribed is not present.	
Documentation for system processes is not maintained.	In the process of implementation
There exist no business continuity procedure and disaster recovery plan and known to all employees.	

(b) **Internal Audit Report**

<b>Adverse Comments</b>	<b>Replied by / Action taken by our company</b>
<b>October 1, 2009 to March 31, 2010</b>	
Complete statement of accounts for funds and securities are not issued on a quarterly basis to clients along with error reporting clause. Proof of sending the same in not maintained.	Our company has sent the complete statement of accounts for funds and securities along with error reporting clause. However, the POD of the delivery is misplaced and hence we were unable to produce the same before the system auditor so appointed.
<b>October 1, 2009 to March 31, 2010</b>	
The Company is yet to submit system audit report to the exchange within prescribed period.	Our Company has replied to the exchange on the same. Thereafter, we have not received any further communication in this regard

**CENTRAL DEPOSITORY AND SECURITIES LIMITED**

(a) **Internal Audit Report**

Adverse Comments -	Replied / action taken by our company
October 1, 2009 to March 31, 2010	
The client agreement executed is not in order in all respects.	Replied to the CDSL and thereafter no further communication received
The Company has not obtained proper nomination forms from the beneficial owners and the information from the nomination form is not fed in the CDAS in the manner as prescribed in DP operating instructions.	
The demat requests received from BO were not sent to the respective listed Company/RTA within seven days from the date of receipt of demat requests.	
The Company has not executed power of attorney and appropriately entered in CDAS as prescribed.	
The Company has not informed in the report number of staff trained at CDSL and holding BCCD certificate.	
April 1, 2009 to September 30, 2009	

<b>Adverse Comments -</b>	<b>Replied / action taken by our company</b>
The Accounts for minor is not opened with joint holders by the Company	Replied to CDSL & thereafter, no further communication received
The Company does not levy charges to BOs on account opening, accounts closure, etc	
As per the regulations issued by CDSL at least one person conducting internal and/or concurrent audit should be BCCD certified or should have participated in training programme conducted by CDSL. The Company has not observed and complied the same in its department.	
The Company is required to confirm the procedure adopted for opening a BO account of an illiterate/disabled/blind person.	
The Company does not a designated email – id for investor grievance which is required to be displayed on its website as the circular no. MRD/DOP/DeP/SE/cir-22/06 dated December 18, 2006 issued by SEBI.	We have designated email <a href="mailto:grievances@comfortsecurities.co.in">grievances@comfortsecurities.co.in</a> the same is displayed on the website.
<b>October 1, 2008 to March 31, 2009</b>	
The Company has not collected necessary documents/information as the prescribed under CDSL regulations from different types of clients.	Replied to CDSL & thereafter, no further communication received
<b>April 1, 2008 to September 30, 2008</b>	
The client agreements are not signed by client and the Company.	Replied to CDSL & thereafter, no further communication received
There is no system in place to analyse the reasons for demat rejections, demat delays and taking corrective measures.	
The statements of transaction are not sent at intervals prescribed by CDSL by the Company to all BOs including BOs of all its branches.	
The Company's tariff structure does not commensurate with SEBI and/or CDSL instructions.	
The Company has not uploaded the tariff details and subsequent modification (if any) on CDSL website.	
Concurrent audit reports are not submitted by the concurrent auditor to the Company on a monthly basis	
The major negative observations in the concurrent checklist issued by CDSL are not informed as and when noticed.	
The Company did not disclose the number of staff trained at CDSL and holding BCCD certificate separately.	

**(b) Inspection report**

Adverse Comments	Replied / action taken by our company
May 1, 2009 to January 31, 2010	
The Company has not maintained a KYC documents w.r.t.HUF like PAN card of Karta.	Replied to CDSL & thereafter, no further communication received
The Company has not correctly entered in CDAS the details of statement cycle and status of its clients.	
The Company has not carried out the modification of signature of its client in accordance with the DP operating instructions of CDSL.	
The Company has not opened minor account as per DP operating instructions by CDSL	
The DIS booklets are issued by the Company on the basis of letter but proof of identity is not obtained.	
The nomination register is not in format prescribed under DP operating instructions by CDSL	
January 10, 2008 to April 30, 2009	
The Company is advised to obtain the confirmation letters from BO having received the same DIS booklets and confirm the compliance.	We have obtained the confirmation letter from BO that he had received the same DIS booklets
The covering letter of internal audit & concurrent audit report dated 12-05-2008 submitted by the Company is rejected on 12-05-2008 as it is not in accordance with the prescribed communiqué of CDSL	We have resubmitted report to CDSL.
Account are not opened after obtaining proof of identity and address as prescribed by	Replied to CDSL &

Adverse Comments	Replied / action taken by our company
<p>SEBI and CDSL</p> <p>Proof of identity is not obtained from all holders of a non-body corporate and the same are not verified against original</p> <p>In case the correspondence address is different from the permanent address, the prescribed procedure is not followed.</p> <p>Agreement executed with client is not in order in all respects as per CDSL rules and regulations</p> <p>Bank account details with proper proof has not been obtained and entered in CDAS</p> <p>If any instruction slip booklet is not issued on the basis of requisition slip, the procedure prescribed is not followed.</p> <p>DIS does not contain information on “consideration” and “Reason/Purpose” in cases of transfers from one BO account to another not related to market trades.</p> <p>Transaction statements are not sent for the quarter in which the request for account has been received from BO</p> <p>Proof of dispatch of statement of accounts not sent after processing of account closure request is preserved.</p> <p>Power of Attorney documents are not duly executed and the same have not been appropriately entered into CDAS</p> <p>Concurrent audit reports are not submitted to the DP on monthly basis by 10<sup>th</sup> of next month by concurrent auditor</p> <p>The prescribed register regarding alerts is not maintained properly and actions taken are not recorded.</p> <p>Suspicious transactions register for alerts sent by CDSL is not maintained properly</p> <p>The discrepancies and / or non-compliances observed during earlier inspection 2007-08/internal audit – September 2007 and March 2008 are not rectified and /or complied with.</p> <p>The Company is advised:</p> <ol style="list-style-type: none"> <li>1. to inward/affix received stamp to ascertain that the DRF reject letter along with Certificates are returned to concerned BO within 7 days</li> <li>2. that the BOID in the requisition slip of existing stocks of DIS has to be pre-printed or pre-stamped and not hand written before issuing the same;</li> <li>3. to adhere to the operating instructions of CDSL</li> <li>4. to rectify the sub status from individual to HUF and confirm</li> <li>5. to incorporate the details in unpledged request form as prescribed.</li> </ol>	<p>thereafter, no further communication received</p>

**(F) PAST PENALTIES IMPOSED ON OUR COMPANY**

**I.** In the past, we have been penalised by BSE, NSE and MCX-SX for certain non-compliances with regulatory rules, regulations and bye-laws the details of which are as under:-

Sr. No	Particulars	FY 2008	FY 2009	FY 2010	Total
<b>1</b>	<b>BSE</b>				
	Client Code Modification	-	-	2500.00	
	Non Submission of UCC	-	-	13475.00	
	CTCL / IML Mismatch	1800.00	-	2900.00	
	Non / Short Reporting of Margin	-	-	-	
	Unconfirm 6A7A	-	50.00	-	
	Non-submission of client funding	-	-	2400.00	
	<b>Total (A)</b>	<b>1800.00</b>	<b>50.00</b>	<b>21275.00</b>	<b>23125.00</b>
<b>2</b>	<b>NSE</b>				
	Non Submission of UCC	3900.00	700.00	2500.00	
	CTCL / IML Mismatch	3700.00	200.00	1200.00	
	Non / Short Reporting of Margin	40076.59	53346.00	1114.00	
	Non-submission of client funding	-	-	1000.00	
	<b>Total (B)</b>	<b>47676.59</b>	<b>54246.00</b>	<b>5814.00</b>	<b>107736.59</b>
<b>3</b>	<b>MCX-SX</b>				
	Non / Short Reporting of Margin	-	-	1500.00	
	<b>Total (C)</b>	<b>0</b>	<b>0</b>	<b>1500.00</b>	<b>1500.00</b>
<b>4.</b>	<b>Payout delay from Pool A/c</b>	8002.02	70.97	1290.27	
<b>5.</b>	<b>Delay in Stamp Duty Payment</b>	2043.00	-	-	
	<b>TOTAL</b>	<b>59521.61</b>	<b>54366.97</b>	<b>29879.27</b>	<b>143767.85</b>

Type of Penalty	Description
Client Code Modification	The stock exchange provides a window in case of punching error while placing order. When the number of order modification exceeds certain percentage then Exchange levies charges called "Client Modification Charges".
Non Submission of UCI	Brokers are required to submit the Unique Client Code details to stock exchange before placing an order into the system. When details are not submitted the stock exchange levies certain charges called "Non Submission Charges".
CTCL / IML Mismatch	Brokers are required to submit the details of their terminal before activating the same and in the event of failure to do so the stock exchange levies charges called "CTCL/IML Mismatch".
Non / Short Reporting of Margin	In the F&O and Currency Derivative Segment brokers are required to collect and submit the details of margin collected from clients to the stock exchange daily. In the event of failure to do so the stock exchange levies charges called "Non or Short reporting of Margin".
Non Submission of Client Funding	Brokers are required to submit on monthly basis within 7 days of next month the details of amount of money funded to clients to meet their settlement obligation. In the event of failure to do so the stock exchange levies charges called "Non Submission Exchange charges".
Unconfirm 6A7A	In case of Institutional trading, brokers are required to enter the Custodian Code at the time of punching the order and confirm the

Type of Penalty	Description
	same in the evening. In the event of punching incorrect Custodian Code the stock exchange levies penalty called “Unconfirm 6A7A”.
Payment delay from Pool A/c	Brokers are required to clear Pool Account within 24 hours of payment of securities. In the event of failure to do so the stock exchange levies penalty for the delayed period called “Payment delay from Pool A/c”
Delay in Stamp Duty Payment	Brokers are required to execute the client registration agreements and related documents including contract notes on stamp paper. In case of failure to execute the documents on stamp paper or to pay the stamp duty on time, the concerned authority levies penalty for the delayed period called “Delay in Stamp Duty Payment”

**II. Our Company has obtained a certificate under the Company Law settlement Scheme, 2010 from ROC for grant of immunity from prosecution of one belated document viz Form 32 the details of which are as under :-**

SRN No.	Form No	Date of Filing	Date of event	(in Rs.)			
				Statutory filing Fee (in Rs)	Actual filing fee	Additional fee charged under CLSS,2010	Total fees paid
A89139232	32	15/07/2010	13/09/2008	500	4000	1000	1500

#### **F. MATERIAL DEVELOPMENTS SINCE THE LAST BALANCE SHEET DATE**

There have been no significant developments since the date of the last audited balance sheet i.e. August 31, 2010 till date of filing this Draft Red Herring Prospectus which could materially or adversely affect our operations, profitability, value of assets or our ability to pay our liabilities within the next twelve months. There is no subsequent development after the date of the Auditors Report which will have a material impact on the reserves, profits, earnings per share and book value of the Equity Shares of our Company.

## GOVERNMENT APPROVALS

In view of the approvals listed below, our Company can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this DRHP. For further details in connection with the regulatory and legal framework within which we operate, see the chapter titled “Regulations and Policies in India” on page no. 55 of this DRHP.

### APPROVAL RELATED TO ISSUE

1. In- principle approval from the BSE and NSE dated [●] and [●]
2. The Board of Directors has, pursuant to a resolution dated November 16, 2010, authorized the Issue.
3. The shareholders of our Company have, pursuant to a resolution dated December 8, 2010, under section 81(1A) of the Companies Act, authorized the Issue.

### APPROVALS RELATED TO PROPOSED CHANGE IN SHAREHOLDING PATTERN

S.N	Approvals Granted	Authority	Date of application	Date Granted
1	Change in shareholding pattern of our company pursuant to the Issue	BSE	December 14, 2010	[●]
2	Change in shareholding pattern of our company pursuant to the Issue	NSE	December 14, 2010	[●]
3	Change in shareholding pattern of our company pursuant to the Issue	MCX	December 14, 2010	[●]

### BUSINESS APPROVALS

S.N	Approval Granted	Authority	Reference/ Registration No.	Date Granted	Validity
1	Registration of Certificate of establishment	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	760004954/Commercial II Ward PN	April 17, 2007	December 31, 2012
2	Certificate of Registration as a Stock Broker (member of the BSE) in cash segment	SEBI	INB11285534	June 28, 2007	-
3	Certificate of registration as Stock Broker in cash segment in NSE	SEBI	INB231285538	September 7, 2007	-
4	Certificate of registration as Trading Member in derivative segment (F&O) in NSE	SEBI	INF231285538	September 7, 2007	-
5	Registration as trading member of the derivatives segment of the BSE**	SEBI	INF011285534	December 12, 2007	-
6	Certificate of Registration as Participant in CDSL	SEBI	IN-DP-CDSL-438-2008	January 7, 2008	January 6, 2013



S.N	Approval Granted	Authority	Reference/ Registration No.	Date Granted	Validity
7	Certificate of Registration as a Merchant Banker in Category - I	SEBI	INM000011328	May 12, 2008	May 11, 2011*
8	Certificate of registration as Trading Member in Currency Derivative segment in NSE	SEBI	INE231285538	December 11, 2008	-
9	Certificate of registration as Self Clearing Member in derivative segment (F&O) in NSE	SEBI	INF231285538	May 04, 2009	-
10	Permission of internet based trading services	NSE	Cash Segment: 25318  F&O Segment: 16813	-	-
11	Permission for provision of internet based trading services	BSE	MS&D/MM/A B/2010	May 25, 2010	-
12	Permission for provision of internet based trading services	MCX	MCX-SX/MO- CTCL/2010/01 77	March 31, 2010	-
13	Certificate of registration as Trading Member in Currency Derivative segment in BSE	SEBI	INE011285534	September 18, 2008	Deactivated (voluntarily)
14	Certificate of registration as Trading Member in Currency Derivative segment in MCX	SEBI	INE261285538	September 29, 2008	-

#### TAX RELATED APPROVALS

S. No	Approval Granted	Authority	Registration No/ Ref No.
1	Permanent Account Number	Income Tax Department	AABCC9625R
2	Tax deducted Account Number	Income Tax Department	MUMC15192C
3	Service Tax Registration Number	Central Excise Service Tax Cell, Mumbai	AABCC9625RST002
4	Professional Tax Registration Number	Profession Tax Officer Mumbai, Maharashtra	27095209041P

#### CORPORATE APPROVALS

S.No	Approval Granted	Authority	Registration No/ Ref No.	Date of Registration
1	Certificate of Incorporation as "Comfort Securities Private Limited"	ROC, Maharashtra, Mumbai	U 67120 MH 2002 PTC 136562	July 19, 2002
2	Fresh Certificate of Incorporation consequent to the change in status of our Company to a public limited company	ROC, Maharashtra, Mumbai	NA	November 15, 2010

#### **INTELLECTUAL PROPERTY RELATED APPROVAL**

The trademark which we are using for our business has been registered in the name of Comfort Intech Limited under the Trademarks Act 1999 *vide* registration no.1559010. Comfort Intech Limited is one of the promoters of our Company. We have entered into agreement dated October 4, 2010, to use the trademark for a period of five years at a consideration of Rs. 4500 p.a.

#### **EMPLOYEES PROVIDENT FUND AND MISCELLANEOUS PROVISIONS ACT, 1952.**

Our Company has more than 20 employees which require our Company to be registered under The Employees Provident Fund and Miscellaneous Provisions Act. We are yet to register with the authorities.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### AUTHORITY FOR THE ISSUE

The Issue has been authorized by the resolution of our Board at their meeting held on November 16, 2010. The shareholders have authorized the Issue by a special resolution passed pursuant to Section 81(1A) of the Companies Act at the EGM of our Company held on December 8, 2010. The Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd have given in-principle approval for the Issue on [●] and [●] respectively. The BSE is the Designated Stock Exchange.

### PROHIBITION BY SEBI, RBI OR GOVERNMENTAL AUTHORITIES

Our Company, Directors, Promoter, Promoter Group and Group Entities have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

The companies, with which our Promoter, Directors or persons in control of our Company are associated as promoter, directors or persons in control have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Our Directors are associated with the securities market as mentioned below:

Name of Director	Company in which directorship held	Any action initiated by SEBI
Shiv Ratan Agarwal	Premiere Shares Limited	Inquiries of irregularities at the time of inspection of books of accounts. Penalty paid is Rs. 30 Lakh by the Company.

However, there is a pending enquiry in respect of our Company/director on account of which our registration as self clearing member of NSE and as merchant bankers is conditional. For further details please refer chapter titled “Outstanding Litigations and Material Developments” on page no. 118 of this DRHP.

### PROHIBITION BY RBI

Our Company, Directors, Promoters, the relatives (as defined under the Companies Act) of our Promoters, the Promoter Group, Group Entities and companies in which our Directors, Promoters are associated as directors or promoter have not been declared as wilful defaulters by RBI or any other governmental authorities.

### ELIGIBILITY FOR THIS ISSUE

Our Company is eligible for the Issue in accordance with Regulation 26(1) of the SEBI (ICDR) Regulations, 2009 as explained under, with the eligibility criteria calculated in accordance with financial statements under Indian GAAP:

“26.(1) An unlisted company may make an initial public offering (IPO) of equity shares only if it meets all the following conditions:

(a) The 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:

Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

(b) The company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years; Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of section 205 of Companies Act, 1956;

(c) The company has a net worth of at least ` 1 crore in each of the preceding 3 full years (of 12 months each);

(d) In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity indicated by the new name; and The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-Issue network as per the audited balance sheet of the last financial year.)”

(e) The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-Issue network as per the audited balance sheet of the last financial year.)”

In terms of the certificate issued by M/s. Ramanand & Associates, Chartered Accountants, dated December 13, 2010, our Company satisfies the aforementioned eligibility criteria as follows. Our Company's net tangible assets, monetary assets, net profit and net worth derived from our Audit Report for the last five financial years are set forth below:-

(Rs. In Lakhs)

	August 31 March 2010	March 31, 2009	March 31, 2008	March 31, 2007	31 March 2006
Distributable Profits	375.37	111.83	103.34	3.63	1.72
Net Worth	1384.16	651.42	555.17	116.56	19.55
Net Tangible Assets (3)	1932.09	917.94	781.86	140.51	20.39
Monetary Assets (4)	428.76	75.11	133.57	126.91	0.88
Monetary Assets as % of Net tangible Asset	22.19%	8.18%	17.08%	90.32%	4.32%

*The Company has changed its constitution from “Private Limited” to “Limited” vide certificate issued by ROC, Mumbai dated November 15, 2010 which has not been considered as name change.*

**Notes:**

(1) Distributable profits of the Company as per Section 205 of the Companies Act have been calculated from Restated Financial Statements.

(2) Net worth includes Equity Share Capital and Reserves, (Net of Miscellaneous Expenditure not written off, if any).

(3) Net tangible assets are defined as sum of Fixed Assets (including capital work in progress and excluding revaluation reserve), trade investments, current assets (excluding deferred tax assets) less current liabilities & Provisions (excluding deferred tax liabilities).

(4) Monetary assets include Cash in hand and Bank Balances.

*The Company satisfies all the eligibility criteria, laid down in regulation 26(1) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. However, the Company is doing a “voluntary book-building issue” wherein the Company proposes to allot up to 50% of the Issue to QIBs and under-subscription, if any, in the QIB portion will be added back to the Issue to public.*

*Comfort Securities Limited undertakes that the number of allottees in the Issue shall be at least 1,000. Otherwise, the entire application money shall be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.*

## **COMPLIANCE WITH PART A OF SCHEDULE VIII OF THE SEBI (ICDR) REGULATIONS**

Our Company is in compliance with the provisions specified in Part A of Schedule VIII of the SEBI (ICDR) Regulations, 2009.

### **DISCLAIMER CLAUSE OF SEBI**

AS REQUIRED, A COPY OF THE DRHP HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED 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 DRHP. THE BOOK RUNNING LEAD MANAGER, DALMIA SECURITIES PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRHP ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THE REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BRLM HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JANUARY 5, 2011 WHICH READS AS FOLLOWS:

“WE, THE BOOK RUNNING LEAD MANAGERS TO THE ABOVE MENTIONED FORTHCOMING ISSUE, STATE AND CONFIRM AS FOLLOWS:

- (1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATIONS LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, *ETC* AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;
- (2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:
  - (a) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - (b) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; 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 AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

- (3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
- (4) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.
- (5) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAVE BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.
- (6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.
- (7) (A) WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. (B) WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. NOT APPLICABLE.
- (8) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECTS CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
- (9) WE CONFIRM THAT NECESSARY ARRANGEMENTS SHALL BE MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT TO BE ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
- (10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE

**SHARES IN DEMAT OR PHYSICAL MODE. NOT APPLICABLE AS THE ISSUE SIZE IS MORE THAN RS. 1,000 LACS, THE ALLOTMENT OF THE EQUITY SHARES IS TO BE MADE COMPULSORILY IN DEMATERIALIZED FORM ONLY, PURSUANT TO SECTION 68(B) OF THE COMPANIES ACT, 1956.**

- (11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
- (12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
  - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND
  - (B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
- (13) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
- (14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE ,ETC.
- (15) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

The filing of the DRHP does not, however, absolve our Company from any liabilities under Section 63 or 68 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up, at any point of time, with the Book Running Lead Manager any irregularities or lapses in the DRHP. All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Mumbai, in terms of Section 56, Section 60 and Section 60B of the Companies Act.

#### **DISCLAIMER STATEMENT FROM OUR COMPANY AND THE BOOK RUNNING LEAD MANAGER**

Our Company, the Directors and the Book Running Lead Manager accepts no responsibility for statements made otherwise than in this DRHP or in the advertisement or any other material issued by or at the instance of our Company and that anyone placing reliance on any other source of information, including our Company's website [www.comfortsecurities.co.in](http://www.comfortsecurities.co.in) or the website of our Promoter, any Group Entity, any member of the Comfort Group or any other affiliate of our Company would be doing so at his or her own risk.

## CAUTION

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLM and our Company dated December 31, 2010 and the Underwriting Agreement to be entered into between the Underwriters and our Company dated [●].

All information shall be made available by our Company and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Neither our Company, its Directors and officers nor any member of the Syndicate are liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise. Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to our Company, 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 and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares.

Our Company and 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 our Company.

The BRLM and their respective associates and affiliates may engage in transactions with, and perform services for, our Company, affiliates or associates or third parties in the ordinary course of business and have engaged, or may in future engage, in merchant banking transactions with our Company, affiliates or associates or third parties, for which they have received, and may in future receive, compensation.

## DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is 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 equity shares, Indian Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks and regional rural banks, co-operative banks (subject to RBI permission), trusts (registered under Societies Registration Act, 1860, or any other trust law and are authorized under their constitution to hold and invest in equity shares) and to Eligible NRIs and FIIs as defined under the Indian Laws and other eligible foreign investors (i.e., FVCIs, multilateral and bilateral development financial institutions).

The DRHP does not, however, constitute an offer to sell or an invitation to subscribe to equity shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession the DRHP comes is required to inform himself or herself about and to observe any such restrictions.

Any disputes arising out of this Issue will be subject to the jurisdiction of courts in Mumbai, India only. No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the DRHP has been submitted to the SEBI for its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and the DRHP may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the DRHP nor any sale hereunder shall, under any circumstances create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act). Accordingly, the Equity Shares will be offered and sold only outside the United States in compliance with Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.**



## **DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED (BSE)**

As required, a copy of the DRHP shall be submitted to the BSE. The Disclaimer Clause as intimated by BSE to us, post scrutiny of the DRHP, shall be included in the Red Herring Prospectus before filing a copy of the Red Herring Prospectus with the ROC.

## **DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE)**

As required, a copy of the DRHP shall be submitted to the NSE. The Disclaimer Clause as intimated by NSE to us, post scrutiny of the DRHP, shall be included in the Red Herring Prospectus before filing a copy of the Red Herring Prospectus with the ROC.

## **FILING**

A copy of the DRHP has been filed with SEBI at Corporation Finance Department, Plot No. C4-A, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400 051.

A copy of the Red Herring Prospectus, along with documents to be filed under Section 60 of the Act, would be delivered for registration to the Registrar of Companies and a copy of the Prospectus to be filed under section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, 100, Everest, Marine Drive, Mumbai 400 002, Maharashtra, India.

## **LISTING**

The Equity Shares issued through the Red Herring Prospectus are proposed to be listed on the BSE and NSE. Initial listing applications have been made to the BSE and NSE to list the Equity Shares and for an official quotation of the Equity Shares of our Company. The BSE shall be the Designated Stock Exchange.

In case the permission for listing of the Equity Shares is not granted by the BSE and/or NSE, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it or within 70 days from the Bid/ Issue Closing Date, whichever is earlier, then our Company and every Director of our Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest, at 15% per annum on the application monies as prescribed under Section 73 of the Companies Act.

Our Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the BSE and NSE mentioned above are taken within 12 Working Days of finalization of Basis of Allotment for the Issue.

## **CONSENTS**

The written consents of the Promoters, the Directors, our Company Secretary and Compliance Officer, the Auditor, the legal advisors, the Book Running Lead Managers, to our Company to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with RoC and have agreed that such consents have not been withdrawn up to the time of delivery of the Prospectus for registration, is as required under Section 60 and 60B of the Companies Act.

We further confirm that the written consents of the Bankers to the Issue, Syndicate members and Underwriters, to act in their respective capacities, will obtained and filed along with a copy of the Red Herring Prospectus with RoC and have agreed that such consents have not been withdrawn up to the time of delivery of the Prospectus for registration, is as required under Section 60 and 60B of the Companies Act.

M/s. Ramanand & Associate, the statutory auditors of our Company, has given their written consent to the inclusion of their report in the form and context in which it appears in this DRHP and such consent and report have not been withdrawn up to the time of filing of the DRHP with SEBI. Our Statutory Auditors have given their written consent to the statement of tax benefits accruing to our Company and its members in the form and context in which it appears in this DRHP and report have not been withdrawn up to the time of filing of the DRHP with SEBI.

[●], the IPO Grading Agency engaged by us for the purpose of IPO Grading have given their consent as experts, pursuant to their letter dated [●] for the inclusion of their report in the form and content in which it will appear in the Red Herring Prospectus.

#### **EXPERT OPINION**

Except the report of [●] in respect of the IPO grading of this Issue annexed herewith, our Company has not obtained any expert opinions.

#### **EXPENSES OF THE ISSUE**

The total expenses of the Issue are estimated to be approximately Rs. [●] Lakhs. The expenses of the Issue payable by our Company includes, among others, brokerage, fees payable to the Book Running Lead Manager to the Issue and Registrar to the Issue, legal fees, stamp duty, printing and distribution expenses and listing fees and other miscellaneous expenses estimated as follows:

	<b>Amounts* (Rs. in Lakh)</b>	<b>As percentage of total expenses</b>	<b>As a percentage of Issue size</b>
Lead management fees	[●]	[●]	[●]
Registrar to the Issue	[●]	[●]	[●]
Advisors	[●]	[●]	[●]
Bankers to the Issue	[●]	[●]	[●]
Underwriting commission, brokerage and selling commission	[●]	[●]	[●]
Others:	[●]	[●]	[●]
Printing and stationery	[●]	[●]	[●]
Listing fees	[●]	[●]	[●]
- Advertising and marketing expenses	[●]	[●]	[●]

*\*Would be incorporated post finalization of Issue Price*

#### **FEES PAYABLE TO THE BRLM AND THE SYNDICATE MEMBERS**

The total fees, brokerage and selling commissions payable to the BRLM and members of the Syndicate (including underwriting commission and selling commission) will be as per their respective engagement letters issued by our Company, copies of which are available for inspection at our Registered Office.

#### **FEES PAYABLE TO THE REGISTRAR TO THE ISSUE**

The total fees payable to the Registrar to the Issue for processing of application, data entry, printing of Confirmation of Allocation notes "CAN" and refund orders, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed between our Company and the Registrar to the Issue, a copy of which is available for inspection at our Registered Office.

The Registrar to the Issue will also be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to make refunds to unsuccessful applicants.

#### **PREVIOUS PUBLIC OR RIGHTS ISSUES**

Our Company has not made any public or rights issue since its inception.

#### **PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH**

Please refer to the Section titled “Capital Structure” and “History and Certain Corporate Information” on page nos. 15 and 59 respective of the DRHP for details of shares issued otherwise than for cash.

#### **UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION ON PREVIOUS ISSUES**

Since this is the initial public offer of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

#### **PROMISES V. PERFORMANCE**

Our Company has not made any public or rights issue since its inception.

#### **OUTSTANDING DEBENTURES OR BOND ISSUES**

As on the date of filing the DRHP, our Company does not have any outstanding debentures or has made any bond issue.

#### **OUTSTANDING PREFERENCE SHARES**

As on the date of filing this DRHP, our Company does not have any outstanding preference shares.

#### **PARTICULARS IN REGARD TO OUR COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1) (B) OF THE COMPANIES ACT WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS**

There are no listed companies under the same management within the meaning of Section 370(1)(b) of the Companies Act that made any capital issue during the last three years, except as stated below:-

##### ***Listed Group Companies***

##### **Comfort Intech Limited – Rights Issue [2010]**

1	Name of our Company	Comfort Intech Limited
2	Year of issue.	2010-2011
3	Type of issue (public/ rights/ composite).	Rights
4	Amount of issue.	Rs. 6398.76 Lakh
5	Closing Date	June 13, 2010
6	Date of Allotment	July 23, 2010
7	Date of Refunds	July 24, 2010
8	Date of Listing on the recognized stock exchange	July 28, 2010
9	Date of completion of the project, where object of the issue was financing the project.	Not Applicable
10	Date of completion of delivery of share certificates	Not applicable
11	Rate of dividend paid.	5% in FY 2010

##### **Promise v. Performance**

##### **Objects of the above mentioned rights issue**

(Rs. in Lakh)

Activity	Already Deployed	FY 2010	FY 2011	FY 2012	Total
Capital for financing activity viz Margin Funding, Loan against Shares and Securities	Nil	50.00	2500.00	450.00	3000.00
Capital for financing activity viz Loan	Nil	Nil	700.00	300.00	1000.00

Activity	Already Deployed	FY 2010	FY 2011	FY 2012	Total
against Immovable Properties					
Capital for financing activity viz Corporate Loan, Bill discounting and working capital loan	Nil	Nil	700.00	300.00	1000.00
Arbitrage Activity	Nil	100.00	500.00	200.00	800.00
Finance Brand development expenses	Nil	Nil	100.00	60.00	160.00
Acquisition of Shares of Comfort Securities Pvt. Ltd.	Nil	Nil	330.00	Nil	330.00
Issue Expenses	17.18	91.58	Nil	Nil	108.76
<b>Total</b>	<b>17.18</b>	<b>241.58</b>	<b>4830.00</b>	<b>1310.00</b>	<b>6398.76</b>

*The first financial year after the rights issue would end on March 31, 2011. It would be possible to ascertain performance vis-a vis the objects of the issue only thereafter.*

#### **PARTLY PAID-UP SHARES**

There are no partly paid-up equity shares of our Company.

#### **OPTION TO SUBSCRIBE**

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

#### **STOCK MARKET DATA**

This being the first public Issue of the equity shares of our Company, the equity shares of our Company is not listed on any stock exchange and hence no stock market data is available.

#### **MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCE**

The MOU between the Registrar to the Issue and our Company entered on December 10, 2010, provides for retention of records with the Registrar to this Issue for a period of at least three years from the last date of dispatch of the letters of allotment, demat credit and making refunds as per the modes disclosed to enable the investors to approach the Registrar to this Issue for redressal of their grievances. All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, DP ID and the name of the Depository Participant and the bank branch or collection centre where the application was submitted. All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application and the Designated Branch of the SCSB where the ASBA BCAF was submitted by the ASBA Bidders. We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be ten business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible. Our Company has also constituted an Investors' Grievance Committee to review and redress the shareholders and investor grievances such as transfer of Equity Shares, non-recovery of balance payments, declared dividends, approve subdivision, consolidation, transfer and issue of duplicate shares. Our Company has appointed Mayuri Thakkar, as the Compliance Officer and she may be contacted at A-301, Hetal Arch, Opposite Natraj Market, S V Road, Malad (West), Mumbai - 400064, Tel: +91-22-2844 9765 Fax: +91-22-2889 2527, Email: [grievance@comfortsecurities.co.in](mailto:grievance@comfortsecurities.co.in) for redressal of any complaints.

#### **DISCLOSURE FOR MECHANISM OF INVESTOR GRIEVANCE**

Comfort Intech Limited has adequate arrangements for redressal of Investor complaints as well as a well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for CIL is being handled by our registrar and share transfer agent, Bigshare Services

Private Limited. Letters are filed category wise after being attended to. The redressal norm for response time for all correspondence including shareholders complaints is 15 days.

#### **CHANGES IN THE AUDITORS DURING LAST THREE YEARS AND REASONS THEREOF**

Exceptas stated below there has been no change in the auditors of our Company for the last three years.

Financial year	Particular of Changes	Reason
2010-11	M/s Ramanand & Associate has been appointed in the place M/s PKC & Associate	PKC and Associates wished to resign due to their pre-occupation.

#### **CAPITALISATION OF RESERVES OR PROFITS DURING THE LAST FIVE YEARS**

Except as disclosed in the Section titled “Capital Structure” and “Financial Statements”, there has been no capitalization of reserves or profits during the last five years.

#### **REVALUATION OF ASSETS DURING THE LAST FIVE YEARS**

There has been no revaluation of assets since incorporation.

## **SECTION VII: TERMS AND PROCEDURE OF THE ISSUE**

### **TERMS OF THE ISSUE**

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the Equity Listing Agreement, the terms of the Red Herring Prospectus and Prospectus, Bid cum Application Form, including the ASBA BCAF, the Revision Form, ASBA Revision Form, the 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 Exchange, RBI, RoC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

### **AUTHORITY FOR THE ISSUE**

The Board of Directors have, pursuant to a resolution passed at its meeting held on November 16, 2010 authorised the Issue, subject to the approval of the shareholders of our Company under Section 81 (1A) of the Companies Act.

The Issue of Equity Shares has been authorized by a special resolution passed pursuant to Section 81(1A) of the Companies Act, 1956 at the EGM of the shareholders held on December 8, 2010.

### **RANKING OF EQUITY SHARES**

The Equity Shares being offered shall be subject to the provisions of the Companies Act, Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares of our Company including in respect of the rights to receive dividends. The Allotees of the Equity Shares in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. For further details, please see the Section titled “Main Provisions of the Articles of Association” on page no. 184 of this DRHP.

### **MODE OF PAYMENT OF DIVIDEND**

We shall pay dividends to our shareholders as per the provisions of the Companies Act, the Listing Agreement and our Memorandum and Articles of Association.

### **FACE VALUE AND ISSUE PRICE**

The Equity Shares with a face value of Rs.10 each are being offered in terms of the DRHP at a price of Rs. [●] per Equity Share. The Anchor Investor Issue Price is Rs. [●] per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws. The Issue Price is [●] times the face value at lower end of the price band and [●] times of the face value at the higher end of the price band.

### **Compliance with SEBI (ICDR) Regulations, 2009**

We shall comply with all applicable disclosures and accounting norms as specified by SEBI from time to time

### **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 any surplus on liquidation subject to any statutory and preferential claims being satisfied;
- Right of free transferability, subject to applicable foreign exchange regulations and other applicable laws and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Equity Listing Agreement and our Memorandum and Articles of Association.

For a detailed description of the main provisions of the Articles of Association relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled “Main Provisions of the Articles of Association” on page no.184 of this DRHP.

## **MARKET LOT AND TRADING LOT**

In accordance with the terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of [●] Equity Share subject to a minimum Allotment of [●] Equity Shares. For details of allocation and Allotment, please refer to the section titled “Issue Procedure” on page no. 149 of this DRHP.

## **JOINT HOLDERS**

Where two or more persons are registered as the holders of any Equity Shares, they will be deemed to hold the same as joint- tenants with the benefits of survivorship.

## **NOMINATION FACILITY TO THE INVESTOR**

In the nature of the rights specified in Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall 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 the 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 Corporate Office of the Issuer or at the Registrar and Transfer Agents. In the nature of the rights stated in Section 109B of the Companies Act, any person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors, may at any time, give a notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors 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.

**Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Issuer. Nominations registered with the respective depository participant of the applicant would prevail. If the investors**

**require a change in their nomination, they are requested to inform their respective Depository Participant.**

#### **BIDDING PERIOD**

Bidders may submit their Bids only during the Bidding Period. The Bid Opening Date is [●] and the bid closing date is [●], provided that the Anchor Investors may submit their Bid only on the Anchor Investor Bidding Date.

#### **MINIMUM SUBSCRIPTION**

If our Company does not receive 90% of the Issue through the Red Herring Prospectus on the date of closure of the Issue, or if the subscription level falls below ninety per cent after the closure of Issue on account of cheques having being returned unpaid or withdrawal of applications, the Issuer shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Issuer becomes liable to pay the amount, the Issuer shall pay interest as per section 73 of the Companies Act, 1956.

Further, in accordance with Clause 26(4) of the SEBI (ICDR) Regulations, the Company shall ensure that the number of prospective allottees to whom the Equity Shares will be allotted will be not less than 1,000.

#### **JURISDICTION**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts / authorities in Mumbai, Maharashtra, India. The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

#### **ARRANGEMENT FOR DISPOSAL OF ODD LOTS**

The Equity Shares will be traded in dematerialized form only and therefore the marketable lot is one (1) Equity Share. Hence, there is no possibility of any odd lots.

#### **RESTRICTION ON TRANSFER OF EQUITY SHARES**

Except for lock-in as detailed in Section titled “Capital Structure” on page no. 15 of this DRHP, and except as provided in the Articles of Association, there are no restrictions on transfers of Equity Shares. Anchor Investors, if any shall be locked in for a period of 1 month from the date of its Allotment. There are no restrictions on transfers of debentures except as provided in the Articles of Association. There are no restrictions on transmission of Equity Shares and on their consolidation/ splitting except as provided in the Articles of Association. Please see Section titled “Main Provisions of the Articles of Association” on page no. 184 of this DRHP.

#### **OPTION TO RECEIVE EQUITY SHARES IN DEMATERIALISED FORM**

Investors should note that Allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of Allotment of the Equity Shares in this Issue in physical form. The Equity Shares on Allotment will be traded in dematerialised segment of the Stock Exchange



## ISSUE STRUCTURE

Public Issue of 95,00,000 Equity Shares of face value of Rs. 10 each for cash at a price of Rs. [●] per Equity Share (including share premium of Rs. [●] per Equity Share) aggregating to Rs. [●] lakhs (hereinafter referred to as the “**Issue**”). The Issue will constitute 44.71% of the total post issue paid-up equity capital of our Company. The Issue is being made through the 100% Book Building Process:

Particulars	Qualified Institutional Bidders*	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares**	Not more than 47,50,000 Equity Shares or the Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	Not less than 14,25,000 Equity Shares shall be available for allocation or the Issue less allocation for QIB Bidders and Retail Individual Bidders	Not less than 33,25,000 Equity Shares or the Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of the Issue Size available for allocation	Not more than 50% [of which 5% (excluding Anchor Investor Portion) shall be reserved for Mutual Funds] of the Issue or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	Not less than 15% of the Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of the Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of allocation, if respective category is oversubscribed	Proportionate (except for Anchor Investors) as follows: (a) 2,37,500 Equity Shares, constituting 5% of the QIB portion, shall be available for allocation on a proportionate basis to Mutual Funds;  (b) 45,12,500 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 2,00,000	Such number of Equity Shares that the Bid Amount exceeds Rs. 2,00,000	[●] Equity Shares
Maximum Bid	Not exceeding the size of the Issue subject to subject to applicable limits	Not exceeding the size of the Issue subject to applicable limits	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 200,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares.	[●] Equity Shares and in multiples of [●] Equity Shares.	[●] Equity Shares and in multiples of [●] Equity Shares.
Allotment Lot	[●] [Equity Shares and in multiples of 1 Equity Share thereafter.	[●] Equity Shares and in multiples of 1 Equity Share thereafter	[●] Equity Shares and in multiples of 1 Equity Share thereafter.

Particulars	Qualified Institutional Bidders*	Non-Institutional Bidders	Retail Individual Bidders
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply ***	Public financial institutions as defined in Section 4A of the Companies Act, FIIs and Sub-Accounts (other than Sub- Accounts which are foreign corporates or foreign individuals), VCFs, FVCIs, Mutual Funds, multilateral and bilateral financial institutions, scheduled commercial banks, state industrial development Corporations, insurance companies registered with the IRDA, provident funds and pension funds with a minimum corpus of Rs. 250 million, the NIF and insurance funds set up and managed by army, navy or air force of the Union of India, eligible for bidding in this Issue., insurance funds set up and managed by the Department of Posts, India.	Resident Indian individuals, HUF (in the name of Karta), NRIs applying for an amount more than Rs. 2 lakh, companies, corporate bodies, scientific institutions, societies, trusts and eligible/permitted Sub-Accounts which are foreign corporates or foreign individuals.	Individuals (including NRIs and HUFs in the name of karta)
Terms of Payment	Bid Amount shall be payable at the time of submission of Bid cum Application Form. In case of ASBA Bidders, the relevant SCSB shall be authorised to block in the Bank Account the Bid Amount mentioned in the ASBA Form.	Bid Amount shall be payable at the time of submission of Bid cum Application Form. In case of ASBA Bidders, the relevant SCSB shall be authorised to block in the Bank Account the Bid Amount mentioned in the ASBA Form.	Bid Amount shall be payable at the time of submission of Bid cum Application Form. In case of ASBA Bidders, the relevant SCSB shall be authorised to block in the Bank Account the Bid Amount mentioned in the ASBA Form
Margin Amount	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding

*\*This Issue is being made through a 100% Book Building Process wherein up to 50% of the Issue shall be allocated on a proportionate basis to QIBs. Subject to valid Bids being received at or above the Issue Price, Our Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. For further details, see section titled "Issue Procedure" on page 149 of this DRHP. In the event of under-subscription or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. 5% of the Net QIB Portion (excluding Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs, subject to valid Bids being received from them at or above the Issue Price. However, if the aggregate demand from domestic Mutual Funds is less than 2,37,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIBs in proportion to their Bids.*

*\*\*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.*

*Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in QIBs, Non- Institutional and Retail Individual categories would be allowed to be met with spill-over inter-se from any other categories, at the sole discretion of our Company, BRLM and subject to applicable provisions of SEBI Regulations.*

*\*\*\* 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 in the same sequence in which they appear in the Bid Cum Application Form.*

*The number of prospective Allottees of Equity Shares in this Issue shall not be less than 1,000.*

## **Withdrawal of the Issue**

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Allotment, without assigning any reason thereof. In such an event our Company shall issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also inform the same to Stock Exchange on which the Equity Shares are proposed to be listed. In the event that our Company decides not to proceed with the Issue after Bid/ Issue Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, the Company shall file a fresh DRHP with SEBI.

<b>Bidding Period/Issue Period</b>	
BID/ISSUE OPENS ON	[●]*
BID/ISSUE CLOSES ON	[●]**

\*Our Company may consider participation by Anchor Investors in terms of the SEBI (ICDR) Regulations, 2009. The Anchor Investor Bid/Issue Period shall be one day prior to the Bid/ Issue Opening Date.

\*\*Our Company may consider closing the Bidding by QIB Bidders 1(One) Working Day prior to the Bid/Issue Closing Date subject to the Bid/Issue period being for a minimum of 3 Working Days.

Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form or, in case of Bids submitted through ASBA, the Designated Branches of the SCSBs except that on the Bid/Issue Closing Date; Bids (excluding the ASBA Bidders) shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders where the Bid Amount is in excess of Rs. 2,00,000 and (ii) 5.00 p.m. in case of Bids by Retail Individual Investors which may be extended to such time as may be permitted by BSE and NSE. Due to limitation of the time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m (Indian Standard Time) on the Bid/Issue Closing Date.

Bidders are requested to note that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last date. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids not uploaded in the book would be rejected. If such Bids are not uploaded, the Issuer, BRLM, Members of the Syndicate and the SCSBs will not be responsible. Bids will be accepted only on Business Days. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE. On the Bid/Issue Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders and Eligible Employees after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms and ASBA BCAF as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

In case of revision in the Price Band, the Bidding Period shall be extended for three additional Working Days after such revision, subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band, and the revised Bidding Period, if applicable, shall be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the change on the websites of the BRLM and the terminals of the other members of the Syndicate.

## **ISSUE PROCEDURE**

This Section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all Bidders (other than ASBA Bidders) are required to make payment of the full Bid Amount with the Bid cum Application Form. In case of ASBA Bidders, an amount equivalent to the full Bid Amount will be blocked by the SCSB. It may be noted that pursuant to the SEBI Circular (no. CIR/CFD/DIL/2/2010) dated 06 April 2010 SEBI has decided to extend the ASBA facility to QIBs in all public issues opening on or after 1st May 2010.

### **Book Building Process**

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation to Qualified Institutional Buyers on a proportionate basis out of which (excluding Anchor Investor Portion), 5% shall be available for allocation on a proportionate basis to Mutual Funds only. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. 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. Further, not less than 15% of the Issue would be available for allocation to Non-Institutional Bidders and not less than 35% of the Issue would be available for allocation to Retail Individual Bidders on a proportionate basis, subject to valid Bids being received from them at or above the Issue Price. Allocation to Anchor Investors shall be on a discretionary basis and not on a proportionate basis.

All Bidders other than ASBA Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids to the SCSBs. Bids by QIBs will only have to be submitted only through the BRLM or its affiliates. Investors should note that the Equity Shares will be allotted to all successful Bidders only in dematerialized form. The QIBs who bid through the ASBA process shall submit their Bids to the designated branch of the SCSBs and should intimate the BRLM

The Bid cum Application Forms which do not have the details of the Bidders' depository account shall be treated as incomplete and rejected. Bidders will not have the option of being allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Further, pursuant to the notification (no. LAD-NRO/GN/2010-11/03/1104) dated 13 April 2010, SEBI has provided that Anchor Investors shall pay, on application, the same margin amount, as is payable by other Bidders, and the balance, if any, within two days of the Bid/Issue Closing Date.

### **Bid cum Application Form**

Bidders shall only use the Bid cum Application Form bearing the stamp of a Syndicate Member for making a Bid in terms of the 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 CAN and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completion and submission of the Bid cum Application Form to a Syndicate Member, the Bidder is deemed to have authorized us 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 the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

Note: Please provide your bank account details in the space provided in the application form and applications that do not contain such details shall be rejected.

The prescribed colour of the Bid cum Application Form for the various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	[●]
Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis <i>ASBA Bidders</i>	[●]
Resident ASBA Bidders	[●]
Non-resident ASBA Bidders	[●]
Anchor Investors*	[●]

\* Bid cum Application forms for Anchor Investors shall be made available at the offices of the BRLM.

#### Who can Bid?

1. Indian nationals resident in India above the age of 18 years, in single or joint names (not more than three); Indian nationals resident in India who are majors can also apply in the names of minors as natural/legal guardians in joint names (not more than three)
2. 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;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity Shares;
4. Mutual Funds registered with SEBI;
5. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI regulations, as applicable);
6. Multilateral and bilateral development financial institution;
7. Venture capital funds registered with SEBI;
8. Foreign venture capital investors registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
9. FIIs and sub-accounts registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
10. Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category;
11. State Industrial Development Corporations;
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with a minimum corpus of Rs. 2,500 lakhs and who are authorized under their constitution to invest in Equity Shares;
14. Pension funds a with minimum corpus of Rs. 2,500 lakhs and who are authorized under their constitution to invest in Equity Shares;
15. National Investment Fund National Investment Fund set up by Government of India and insurance funds set up and managed by army, navy or air force of the Union of India;

16. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their respective constitutions to hold and invest in Equity Shares;
17. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable local laws;
18. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares;
19. Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
20. Insurance funds set up and managed by army, navy or air force of the Union of India; and
21. insurance funds set up and managed by the Department of Posts, India.
22. Any other persons eligible to invest under all applicable laws, rules, regulations and guidelines in force for the time being, in India.

**As per the existing regulations, OCBs are not eligible to participate in this Issue.**

**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.**

#### **Participation by associates of BRLM and Syndicate Member**

The BRLM and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. Associates and affiliates of the BRLM and the Syndicate Member may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion as may be applicable to such Bidder, where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or their clients. The BRLM and any persons related to the BRLM, the Promoter and the Promoter Group cannot apply in the Issue under the Anchor Investor Portion.

#### **Bids under the Anchor Investor Portion**

Our Company may, in consultation with the BRLM, consider participation by Anchor Investors in the Issue for up to 14,25,000 Equity Shares in accordance with the applicable SEBI (ICDR) Regulations, 2009. The QIB Portion shall be reduced in proportion to the allocation under the Anchor Investor portion. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. The key terms for participation in the Anchor Investor Portion are as follows:

- A.** Anchor Investors shall be QIBs;  
Anchor Investors Bid cum Application Forms will be made available for the Anchor Investor Portion at our Registered Office and with the BRLM.
- B.** A Bid by an Anchor Investor must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1000 Lakhs and in multiples of [●] Equity Shares thereafter. Anchor Investors cannot submit a Bid for more than 30% of the QIB Portion ( "Anchor Investor Portion"). In case of Mutual Funds Bidding under the Anchor Investor Portion, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of Rs. 1000 lakhs.
- C.** One-third of the Anchor Investor Portion (i.e. 4,75,000 Equity Shares) shall be reserved for allocation to domestic Mutual Funds.
- D.** Our Company shall, in consultation with the BRLM, finalize allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of allocations in the Anchor Investors' Portion shall be 2.

The minimum number of allottees in the Anchor Investor Portion shall not be less than:

- (a) two, where the allocation under Anchor Investor Portion is up to Rs. 25,000 lakhs; and
  - (b) five, where the allocation under Anchor Investor Portion is more than Rs. 25,000 lakhs.
- E. Anchor Investors shall be allowed to Bid under the Anchor Investor Portion only on the Anchor Investor Bidding Date (i.e. one day prior to the Bid Opening Date).
- F. Our Company shall, in consultation with the Book Running Lead Manager, finalise allocation to the Anchor Investors on a discretionary basis, subject to compliance with requirements regarding minimum number of allottees under the Anchor Investor Portion.
- G. Refund on account of rejection of Bids, if any, shall be made on the Anchor Investor Bidding Date.
- H. The number of Equity Shares allocated to successful Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the Book Running Lead Manager on or before the Bid Opening Date.
- I. Anchor Investors shall pay on application the Anchor Investor Margin Amount which shall be the same as payable by other categories of investors. at the time of submission of their Bid. Any difference between the amount payable by the Anchor Investor for Equity Shares allocated and the Anchor Investor Margin Amount, shall be payable by the Anchor Investor within two days of the Bid Closing Date. In case the Issue Price is greater than the Anchor Investor Price, any additional amount being the difference between the Issue Price and Anchor Investor Price shall be payable by the Anchor Investors. In the event the Issue Price is lower than the Anchor Investor Price, the allotment to Anchor Investors shall be at Anchor Investor Price.
- J. The Equity Shares allotted in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment.
- K. Neither the Book Running Lead Manager, nor any person related to the Book Running Lead Manager, our Promoters, members of our Promoter Group or Promoter Group companies, shall participate in the Anchor Investor Portion. The parameters for selection of Anchor Investor shall be clearly identified by the merchant banker and shall be available as part of records of the merchant banker for inspection by the Board.
- L. Bids made by QIBs under both the Anchor Investor Portion and the Net QIB Portion shall not be considered as multiple Bids.
- M. The Anchor Investor Margin Amount cannot be utilised towards meeting the Margin Amount requirement towards a Bid in the Net QIB Portion.
- N. The instruments for payment into the Escrow Account should be drawn in favour of:
  - (a) In case of Resident Anchor Investors: “Escrow Account – [●] Public Issue – Anchor Investor – R”
  - (b) In case of Non-Resident Anchor Investor: “Escrow Account – [●] Public Issue – Anchor Investor – NR”

Additional details, if any, regarding participation in the Issue under the Anchor Investor Portion shall be disclosed in the advertisement for the Price Band published by our Company, in consultation with the Book Running Lead Manager in one English language national newspaper and one Hindi language national newspaper each with wide circulation and one Marathi language newspaper at least two Working Days prior to the Bid Opening Date.

#### **Bids by Mutual Funds**

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds: An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 2,37,500 Equity Shares, allocation shall be made to

Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors. Bids by asset management companies or custodians of mutual funds shall clearly indicate the name of the concerned scheme for which the application is being made.

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

### **Bids by Eligible NRIs**

Bid cum Application forms have been made available for Eligible NRIs at the Registered Office of the Company, with the Syndicate members and the Registrar to the Issue.

Eligible NRIs may please note that only such applications as are accompanied by payment in free foreign exchange or by debit to their Non Resident External Account (NRE Account) / Foreign Currency Non Resident Account (FCNR Account) shall be considered for Allotment under the Eligible NRI category on repatriable basis. The NRIs who intend to make payment through Non Resident Ordinary Account (NRO Account), that is, on non repatriation basis accounts shall use the Bid cum Application Form meant for resident Indians and shall not use the forms meant for Eligible NRIs.

### **Bids by FIIs**

*As per the current regulations, the following restrictions are applicable for investments by FIIs:*

The issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company or 5% of our 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 total paid-up capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date no such resolution has been recommended for adoption. A sub account of a FII which is a foreign corporate or foreign individual shall not be considered to be a Qualified Institutional Buyer, as defined under the SEBI Regulations, for this Issue.

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 (the “**SEBI FII Regulations**”), an FII or its sub-account may issue, deal or hold, offshore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with “know your client” norms. 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. Associates and affiliates of the underwriters including the BRLMs and the Syndicate Member that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation of, claim on or an interest in our Company.

### **Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors**

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign



venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor. However, venture capital funds or foreign venture capital investors may invest not more than 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers of venture capital undertakings.

#### **Bids by ASBA investors**

For ASBA process, please refer section “ASBA Process” on page 179 of this Draft Red Herring Prospectus.

**The above information is given for the benefit of the Bidders. Our Company and the Book Running Lead Manager are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this DRHP. Bidders are advised to make their own independent investigations and 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 DRHP. Our Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated above.**

#### **Maximum and Minimum Bid Size**

##### **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. 2,00,000. In case the maximum Bid amount is more than Rs. 2,00,000 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 and purchase at the final Issue Price as determined at the end of the Book Building Process.

**For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 2,00,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue less allocation in the Anchor Investor Portion. 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 SEBI Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the entire Bid Amount upon submission of Bid. In case of revision of bids, the Non Institutional Bidders who are individuals, have to ensure that the Bid Amount is greater than Rs. 2,00,000. In case the Bid Amount reduces to Rs. 2,00,000 or less due to a revision in Bids or revision of 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”.

**For Bidders in the Anchor Investor Portion:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 1,000 lakhs and in multiples of [●] Equity Shares thereafter. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids. A Bid cannot be submitted for more than the Anchor Investor Portion. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/ Issue Period.**

**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 DRHP.**

#### **Information for Bidders**

1. Our Company and the BRLM shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date in the Red Herring Prospectus to be registered with the RoC and also publish the same in two national newspapers (one each in English and Hindi) and in one Marathi newspaper with wide circulation. This advertisement shall be in the prescribed format.
2. Our Company will file the Red Herring Prospectus with the ROC at least three days prior to the Bid/ Issue Opening Date.
3. The members of the Syndicate and the SCSBs, as applicable will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors. The SCSB shall ensure that the abridged prospectus is made available on its website.

4. Any Bidder (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 our Registered Office or from the BRLMs / Syndicate Member.
5. Eligible Bidders who are interested in subscribing the Equity Shares should approach the BRLMs or Syndicate Member or their authorized agent(s) or the SCSBs (as applicable) to register their Bid. Bidders can also approach the Designated Branch of the SCSBs to register their Bids under the ASBA process.
6. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms (other than the ASBA BCAFs) should bear the stamp of the members of the Syndicate otherwise they will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of SCSBs or the members of the Syndicate or sub Syndicate in accordance with the SEBI (ICDR) Regulations and any circulars issued by SEBI in this regard.
7. Pursuant to SEBI circular number CIR/CFD/DIL/8/2010 dated October 12, 2010, the Syndicate and / or sub Syndicate Members shall be entitled for selling commission for ASBA Bid cum Application Forms procured by them in the same manner as a Bid cum Application Form. SCSBs shall be entitled to per form processing fee for ASBA Bid cum Application Forms procured by member of the Syndicate and / or sub Syndicate and submitted with the SCSBs. For ASBA Bid cum Application Forms procured directly by the SCSBs, they would be entitled for selling commission only and no processing fee shall be paid to them.

#### **Method and Process of Bidding**

- A. Our Company and the BRLM, shall decide the Price Band and the minimum Bid lot size for the Issue and the same shall be advertised in one English national daily, one Hindi national daily and one Marathi daily newspaper with wide circulation at least two Working Days prior to the Bid/ Issue Opening Date. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bidding/Issue Period.
- B. The Bidding/Issue Period shall be a minimum of three Working Days and not exceeding ten Working Days. In case the Price Band is revised and the Bidding/Issue Period shall be extended by an additional three Working Days, subject to the total Bidding/Issue Period not exceeding ten Working Days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one Marathi newspaper with wide circulation and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.
- C. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- D. The Bidder cannot Bid on another Bid cum Application Form after his or her Bids on one Bid cum Application Form have been submitted to any member of the Syndicate or the SCSBs. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate or SCSBs will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled “Build up of the Book and Revision of Bids”.
- E. Except in relation to Bids received from the Anchor Investors, the members of the Syndicate/SCSBs 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.

- F. The BRLM shall accept Bids from the Anchor Investors during the Anchor Investor Bid/Issue Period i.e. one Working Day prior to the Bid/ Issue Opening Date. Bids by QIBs under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.
- G. During the Bidding/Issue Period, Bidders (other than QIBs) may approach the Syndicate Member to submit their Bid. Every Syndicate Member shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids. ASBA Bidder may also download the ASBA form from the website of Stock Exchanges, namely, BSE and NSE or from the hyperlink “[●]” provided on the website of the BRLM and SCSBs and place their bids/ order.
- H. Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described under the paragraph titled “Payment Instructions” on page no. 172 of this DRHP.
- I. Upon receipt of the ASBA BCAF, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA BCAF, prior to uploading such Bids with the Stock Exchanges.
- J. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
- K. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA BCAF and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.

#### **Bids at Different Price Levels**

The Bidders can Bid at any price within the Price Band, in multiples of Re 1.

- 1. In accordance with SEBI Regulations, our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bid/Issue Period, provided the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.
- 2. Our company in consultation with the BRLM will finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- 3. Our company, in consultation with the BRLM, will finalise the Anchor Investor Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Anchor Investors.
- 4. Bidders can bid at any price within the Price Band. Bidders have to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 2,00,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIBs and Non-Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.
- 5. Retail Individual Bidders who Bid at the 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 shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e.

the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders shall receive the refund of the excess amounts from the respective Refund account(s). In case of ASBA Bidder bidding at Cut-off Price, the ASBA Bidders shall instruct the SCSBs to block amount based on the Cap Price.

6. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the members of the Syndicate or the SCSBs to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 2,00,000, the Bid will be considered for allocation under the Non Institutional category in terms of this DRHP. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off.
7. In case of a downward revision in the Price Band, Retail Individual Bidders could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Escrow Accounts/refund account(s) or unblocked by the SCSBs, as applicable.
8. Our Company, in consultation with the BRLMs, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.

#### **Escrow Mechanism**

For details of the escrow mechanism and payment instructions, please refer to “Issue Procedure – Payment Instructions” on page 172 of this DRHP.

#### **Electronic Registration of Bids**

- a. The members of the Syndicate and the SCSBs will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one ‘on-line connectivity’ to each city where a stock exchange is located in India and where the Bids are being accepted. The BRLMs, the Company and the Registrar to the Issue are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Syndicate Member and the SCSBs, (ii) the Bids uploaded by the Syndicate Member and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Member and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the members of the Syndicate and / or the SCSBs shall be responsible for any errors in the Bid details uploaded by them. It shall be presumed that for the Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.
- b. The Stock Exchange will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Member, their authorized agents and the SCSBs during the Bid/Issue Period. The Syndicate Member and the Designated Branches 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 regular basis. On the Bid/Issue Closing Date, the Syndicate Member and the Designated Branches shall upload the Bids till such time as may be permitted by the Stock Exchange.
- c. The aggregate demand and price for Bids registered on the electronic facilities of BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centres. A graphical representation of the consolidated demand and price would be made available at the bidding centres and the websites of the Stock Exchanges during the Bidding/Issue Period along with category wise details.

At the time of registering each Bid, the Syndicate Member shall enter the following details of the Bidder in the on- line system:

- Name of the Bidder(s): Bidders should 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, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- Investor Category such as Individual, Corporate, NRI, FII or Mutual Fund;
- Numbers of Equity Shares Bid for;
- Bid price;
- Bid cum Application Form number;
- Depository Participant Identification Number and Client Identification Number of the Demat Account of the Bidder; and
- PAN, except for Bids on behalf of the Central and State Governments, residents of the state of Sikkim and officials appointed by the courts

Any Bid cum Application Form without the PAN is 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. With effect from August 16, 2010, the demat accounts of Bidders for which PAN details have not been verified shall be “suspended for credit” and no credit of Equity Shares pursuant to the Offer shall be made into accounts of such Bidders.

With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the electronic bidding system:

- Name of the Bidder(s).
- Application Number.
- PAN (of First Bidder if more than one Bidder)
- Investor Category and Sub-Category:

<b>Retail</b>	<b>Non-institutional</b>	<b>QIBs</b>
<ul style="list-style-type: none"> <li>○ Individual</li> <li>○ HUF</li> </ul>	<ul style="list-style-type: none"> <li>○ Individual</li> <li>○ Corporate</li> <li>○ Other</li> </ul>	<ul style="list-style-type: none"> <li>○ Mutual Funds</li> <li>○ Financial Institutions</li> <li>○ Insurance companies</li> <li>○ Foreign Institutional</li> </ul>

- shareholder (if reservation)
- Demat ID
- Beneficiary Account Number
- Quantity
- Price
- Bank Account Number

- (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 request and obtain the TRS from the members of the Syndicate or the Designated Branches of the SCSBs. The registration of the Bid by the Syndicate Member or the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or the 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, the members of the Syndicate can reject the Bids at the time of accepting the Bid provided that the reason for such rejection is provided in writing. In case of Bids under the Non- Institutional Portion and Bids under the Retail Individual Portion would not be rejected except on the technical grounds listed in this DRHP. The SCSB shall have no right to reject Bids except on technical grounds.
- (h) It is to be distinctly understood that the permission given by the stock exchange to use its network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and the BRLM are cleared or approved by the stock exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.
- (i) Only Bids that are uploaded on the online IPO system of the Stock Exchange shall be considered for allocation/ Allotment. Members of the Syndicate will be given up to one day after the Bid/Issue Closing Date to verify DP ID and Client ID uploaded in the online IPO system during the Bidding/Issue Period after which the data will be sent to the Registrar for reconciliation and Allotment of Equity Shares. In case of discrepancy of data between the BSE/NSE and the members of the Syndicate or the Designated Branches, the decision of the Company, in consultation with the BRLMs and the Registrar, shall be final and binding on all concerned. If the Syndicate Member finds any discrepancy in the DP name, DP ID and the client ID, the Syndicate Member will correct the same and then send the data to the Registrar for reconciliation and Allotment of Equity Shares.
- (j) Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of electronic facilities of BSE. Anchor Investors cannot use the ASBA process and should approach the BRLMs to submit their Bids.

#### **Build Up of the Book and Revision of Bids**

- A. Bids registered by various Bidders, except Anchor Investors, through the members of the Syndicate and SCSBs shall be electronically transmitted to the BSE 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 at the end of the Bid/Issue Period.
- C. During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid cum Application Form.
- D. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate and the Designated Branches of the SCSBs.
- E. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate or the SCSB through whom the Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- F. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders could either (i) revise their Bid or (ii) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 2,00,000 if the Bidder wants to continue to Bid at Cut-off Price), with the

members 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. 2,00,000, the Bid will be considered for allocation under the Non- Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

- G. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.
- H. The Company in consultation with the BRLM, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.
- I. 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 DRHP. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional Bid amount. In case of Bids, other than ASBA Bids, the members of the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of upward revision of the Bid at the time of one or more revisions. In such cases, the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.
- J. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the member of 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.
- K. In case of discrepancy of data between BSE and the Syndicate Member, the decision of the BRLMs based on physical records of Bid cum Application Forms shall be final and binding to all concerned.
- L. The members of the Syndicate may modify selected fields in the Bid details already uploaded upto one day post the Bid/Issue Closing Period.

#### **Price Discovery and Allocation**

After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with our Company. Our Company, in consultation with BRLMs, shall finalise the Issue Price, the number of Equity Shares to be allotted and the allocation to successful Bidders.

- A. Not more than 50% of the Issue (including 5% specifically reserved for Mutual Funds) would be available for allocation on a proportionate basis after consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds.
- B. Not less than 15% and 35% of the Issue, would be available for allocation on a proportionate basis to Non- Institutional Bidders and Retail Individual Bidders, respectively, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- C. Under-subscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be

allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has not been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs.

- D. Under-subscription in the Anchor Investor Portion would be met with a spill-over from the QIB Portion. If one-third of the Anchor Investor Portion, available for allocation to domestic Mutual Funds, is not subscribed, the same shall be met by a spill over from the Anchor Investor Portion or the QIB Portion, if the Anchor Investor Portion is undersubscribed.
- E. Allocation to Eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis will be subject to the terms and conditions stipulated by RBI.
- F. Our Company reserves the right to cancel the Issue at any time after the Bid/Issue Closing Date but before Allotment without assigning any reasons whatsoever.
- G. In terms of SEBI Regulations, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/ Issue Closing Date.
- H. The Basis of Allotment details shall be put up on the website of the Registrar to the Issue.

#### **Signing of Underwriting Agreement and RoC Filing**

- A. Our Company, the BRLM and the Syndicate Member shall enter into an Underwriting Agreement on or immediately after finalization of the Issue Price and allocation(s) to the Bidders.
- B. After signing the Underwriting Agreement, the Company and the Book Running Lead Managers would update and file the updated Red Herring Prospectus with RoC, which then would be termed the "Prospectus". The Prospectus will contain details of the Issue Price, Issue Size, underwriting arrangements and will be complete in all material respects.

#### **Filing of the Prospectus with the ROC**

Our Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

#### **Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, the Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI (ICDR) Regulations 2009, in one English language national daily newspaper, one Hindi language national daily newspaper and one Marathi language daily newspaper, each with wide circulation.

#### **Advertisement regarding Issue Price and Prospectus**

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

#### **Issuance of Confirmation of Allocation Note ("CAN")**

- A. Upon approval of basis of allocation by the Designated Stock Exchange and approval by the Board of Directors the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders (including Anchor Investors) may be done



simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, Bidders should note that our Company shall ensure that the date of Allotment of the Equity Shares to all Bidders in this Issue shall be done on the same date.

- B. The Registrar to the Issue will then dispatch the CAN to the Bidders who have been allocated Equity Shares in the Issue. The dispatch of 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.
- C. The Issuance of CAN is subject to **“Notice to Anchor Investors - Allotment Reconciliation and Revised CANs”** as set forth below.

#### **With respect to ASBA Bidders**

- A. Upon approval of the **“Basis of Allocation”** by the Designated Stock Exchange, the Registrar to the Issue shall send a list of the ASBA Bidders who have been allocated Equity Shares in the Issue to the Controlling Branches along with:
  - (a) The number of Equity Shares to be allotted against each successful ASBA Form;
  - (b) The amount to be transferred from the ASBA Account to the Public Issue Account, for each successful ASBA Form;
  - (c) The date by which the funds referred to in sub-para (ii) above, shall be transferred to the Public Issue Account; and
  - (d) The details of rejected ASBA Forms, if any, along with reasons for rejection and details of withdrawn (except in case of QIB bidding through an ASBA Form) or unsuccessful ASBA Forms, if any, to enable SCSBs to unblock the respective ASBA Accounts. ASBA Bidders should note that our Company shall ensure that the instructions by our Company for demat credit of the Equity Shares to all investors in this Issue shall be given on the same date; and
- B. The ASBA Bidders shall directly receive the CANs from the Registrar to the Issue. The dispatch of a CAN to an ASBA Bidder shall be deemed a valid, binding and irrevocable contract with the ASBA Bidder.

#### **Notice to Anchor Investors: Allotment Reconciliation and Revised CANs**

After the Anchor Investor Bidding date a physical book will be prepared by the Registrar on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of the Company and the BRLM, select Anchor Investors may be sent a CAN, within two Working Days of the Anchor Investor Bid/ Issue Period, indicating the number of Equity Shares that may be allocated to them. This provisional CAN and the final allocation is subject to the physical application being valid in all respect along with receipt of stipulated documents, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and Allotment by the Board of Directors. In the event that the Issue Price is higher than the Anchor Investor Issue Price then a revised CAN will be sent to Anchor Investors. The price of Equity Shares in such a revised CAN will be different from that specified in the earlier CAN. Anchor Investors should note that they shall be required to pay additional amounts, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised CAN within two Working Days after the Bid/ Issue Closing Date. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **Notice to QIBs: Allotment Reconciliation**

After the Bid Closing Date, an electronic book will be prepared by the Registrar to the Issue on the basis of Bids uploaded on the BSE or NSE system. This shall be followed by a physical book prepared by the Registrar to the Issue on the basis of the Bid cum Application Forms received. Based on the electronic book, QIBs bidding in the Net QIB Portion will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject, inter alia, to approval of the final **“Basis of Allocation”** by the Designated Stock Exchange. Subject to SEBI Regulations, certain Bids/applications may be rejected due to technical reasons, non-receipt/ availability of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation of the book prepared by

the Registrar to the Issue and the “Basis of Allocation” as approved by the Designated Stock Exchange. As a result, one or more revised CAN(s) may be sent to QIBs bidding in the Net QIB Portion and the allocation of Equity Shares in such revised CAN(s) may be different from that specified in the earlier CAN(s). QIBs bidding in the Net QIB Portion should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN(s), for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract, subject only to the issue of revised CAN(s), for such QIBs to pay the entire Issue Price for all the Equity Shares allocated to such QIBs. The revised CAN(s), if issued, will supersede in entirety, the earlier CAN(s).

**Designated Date and Allotment of Equity Shares**

- A. Our Company will ensure that (i) Allotment of Equity Shares; and (ii) credit to the successful Bidder’s depository account will be completed within 10 (ten) Working Days of the Bid/Issue Closing Date.
- B. In accordance with SEBI (ICDR) Regulations 2009 Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allotted to them pursuant to this Issue.**

**Letters of Allotment or refund orders or instructions to the SCSBs**

Our Company shall give credit to the beneficiary account with Depository Participants within 10 (ten) Working Days from the Bid/Issue Closing Date. Applicants residing at [insert number] centres where clearing houses are managed by the RBI, will get refunds through NECS (subject to availability of information for crediting the refund through NECS) except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS. In case of other applicants, 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 only at the sole or First Bidders sole risk within 11 (eleven) Working Days of the Bid/ Issue Closing Date and adequate funds for the purpose shall be made available to the Registrar by us. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA BCAFs for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 11 (eleven) Working Days of the Bid/Issue Closing Date.

**In accordance with the requirements of the Stock Exchanges and SEBI Regulations, we undertake that:**

- Allotment shall be made only in dematerialised form within 10 (ten) Working Days from the Bid/Issue Closing Date;
- Despatch of refund orders shall be done within 11 (eleven) Working Days from the Bid/Issue Closing Date; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 11 working-day time period as mentioned above), if Allotment is not made, refund orders are not despatched and/or demat credits are not made to Bidders within the 11 working-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the demat credit.

Our Company will provide adequate funds required for despatch 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 the Refund Account and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

**General Instructions Do's:**

- (a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, and approvals in terms of this DRHP;
- (b) Read all the instructions carefully and complete the Bid cum Application Form;
- (c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialized form only;
- (d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate or with respect to ASBA Bidders ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidders or the person whose bank account will be utilised by the ASBA Bidder for bidding has a bank account;
- (e) With respect to ASBA Bids ensure that the ASBA BCAF is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA BCAF;
- (f) Ensure that you have requested for and receive a TRS for all your Bid options;
- (g) Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA BCAF to the respective Designated Branch of the SCSB;
- (h) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
- (i) Ensure that the full Bid Amount is paid for the Bids submitted to the members of the Syndicate and funds equivalent to the Bid Amount are blocked in case of any Bids submitted through the SCSBs;
- (j) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- (k) Ensure that the Bid is within the Price Band;
- (l) Ensure that you mention your PAN allotted under the I.T. Act with the Bid cum Application Form, except for Bids on behalf of the Central and State Governments, residents of the state of Sikkim and officials appointed by the courts; also note that a PAN non-compliant demat accounts shall be "suspended for credit" by SEBI with effect from August 16, 2010
- (m) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects.
- (n) 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.

**Dont's:**

- (a) Do not Bid for lower than the minimum Bid size;
- (b) Do not Bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the member of the Syndicate or the SCSB;
- (d) Do not pay the Bid amount in cash, by money order or by postal order;
- (e) Do not provide your GIR number instead of your PAN number.
- (f) Do not send Bid cum Application Forms by post; instead submit the same to members of the Syndicate or the SCSBs, as applicable;
- (g) Do not Bid at cut-off price (for QIBs and Non-Institutional Bidders);

- (h) Do not Bid for a Bid Amount exceeding Rs. 2,00,000 (for Bids by Retail Individual Bidders);
- (i) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
- (j) Do not submit Bid accompanied with Stock invest.

#### **Instructions for completing the Bid cum Application Form**

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the BRLMs or Syndicate Member. ASBA Bid cum Application Forms shall also be available at the website of the Stock Exchanges. Bids and Revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders should note that the members of the Syndicate and / or the SCSBs (as appropriate) will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.
- (c) Information provided by the Bidders will be uploaded in the online IPO system by the members of the Syndicate and SCSBs, as the case may be, and the electronic data will be used to make allocation/Allotment. Please ensure that the details are correct and legible.
- (d) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs. 2,00,000.
- (e) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs. 2,00,000 and in multiples of [●] Equity Shares thereafter. All Individual Bidders whose maximum bid amount exceeds Rs. 2,00,000 would be considered under this category. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (f) For Anchor Investors, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 1,000 lakhs and in multiples of [●] Equity Shares thereafter.
- (g) In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- (h) 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.

#### **Bidder's Depository Account and Bank Account Details**

Bidders should note that on the basis of PAN of the Sole/First Bidder, 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 demographic details including category, age, address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS**

**MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and making refunds as per the modes disclosed and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct. By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**In case of Bidders receiving refunds through electronic transfer of funds, 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 our Company, the Registrar, Escrow Collection Bank(s) nor the BRLMs 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, PAN of the sole/first Bidders, the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

#### **Bids under Power of Attorney**

In case of Bids (including ASBA Bids) made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of Rs. 2500 Lakhs (subject to applicable law) and pension funds with a minimum corpus of Rs. 2500 Lakhs 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 any Bid in whole or in part, in either case, without assigning any reason. In addition to the above, certain additional documents are required to be submitted by the following entities:

- (a) With respect to Bids by FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.
- (b) With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form.
- (c) With respect to Bids made by provident funds with a minimum corpus of Rs. 2500 Lakhs (subject to applicable law) and pension funds with a minimum corpus of Rs. 2500 Lakhs, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that our Company and the BRLMs may deem fit. Our 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, 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 ([●] in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant Details).
3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees. Bids by Eligible NRIs for a Bid Amount of up to Rs. 2,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 2,00,000 would be considered under Non- Institutional Portion for the purposes of allocation.

**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.**

**As per the existing policy of the Government of India, OCBs are not permitted to participate in the Issue.**

**There is no reservation for Eligible NRIs and FIIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.**

**Payment Instructions**

**Escrow Mechanism for Bidders other than ASBA Bidders**

Our Company and the BRLM shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement to be entered into amongst the Company, the BRLMs, Escrow Bankers and Registrar to the Issue. 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 with the Bankers to the Issue as per the terms of the Escrow Agreement. The balance amount after transfer to the Public Issue account shall be transferred to the Refund Account. Payments of refunds to the Bidders 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 the Escrow Collection Bank(s), our Company, Registrar to the Issue and BRLM to facilitate collection from the Bidders.

**Payment mechanism for ASBA Bidders**

The ASBA Bidders shall specify the bank account number in the ASBA BCAF and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA BCAF. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of ASBA BCAF or for unsuccessful ASBA BCAFs, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant bank account within one day of receipt of such instruction.

The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

#### **Payment into Escrow Account for Bidders other than ASBA Bidders**

1. 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:
2. All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.
3. QIB, Non-Institutional Bidders and Retail Individual Bidders 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.
4. Anchor Investors would be required to pay the Bid Amount at the time of submission of the application form through RTGS mechanism. In the event of Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them.
5. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - (a) In case of QIBs: **“Escrow Account – [●]– Public Issue - QIB – R”**;
  - (b) In case of Resident Anchor Investors: **“[●] - Public Issue – Escrow Account – Anchor Investor - R”**;
  - (c) In case of Non-Resident Anchor Investor: **“[●]- Public Issue – Escrow Account – Anchor Investor - NR”**
  - (d) In case of non-resident QIB Bidders: **“Escrow Account – [●]- Public Issue - QIB - NR”**;
  - (e) In case of Resident Retail and Non Institutional Bidders: **“Escrow Account – [●] - Public Issue - R”**;
  - (f) In case of Non Resident Retail and Non Institutional Bidders: **“Escrow Account – [●]- Public Issue - NR”**;
6. In case of bids by eligible NRIs applying on a repatriation basis, the payments must be made through 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 the Non-Resident External (NRE) Accounts or the Foreign Currency Non-Resident Accounts (FCNR), maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO). Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the Foreign Currency Non- Resident Account.
7. In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.
8. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

9. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Accounts.
10. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
11. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Banker to the Issue.
12. No later than 11 working days from the Bid/Issue Closing Date, the Refund Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Successful Bidders Payments should be made by cheque, or a demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center 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/ stock invest/money orders/ postal orders will not be accepted.
13. Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.
14. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected

#### **Payment by Stock invest**

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.001/2003-04 dated 5 November 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn. Hence, payment through stock invest would not be accepted in this Issue.

#### **Payment by cash/ money order**

Payment through cash/ money order shall not be accepted in this Issue.

#### **Submission of Bid cum Application Form**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the ASBA BCAF or the ASBA Revision Form shall be submitted to the Designated Branches of the SCSBs. No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

#### **Other Instructions**

##### *Joint Bids in the case of Individuals*

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid cum Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

##### *Multiple Bids*

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:



- All applications will be checked for common PAN and Bids with common PAN will be identified as multiple unless they are from mutual funds for different schemes / plans or from portfolio managers registered as such with SEBI seeking to invest under different schemes / plans.
- In case of a Mutual Fund/ a SEBI registered port folio managers, a separate Bid can be made in respect of each scheme of the Mutual Funds/ scheme and such Bids in respect of more than one scheme will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be considered as multiple Bids.
- ASBA Bids made by duplicate copies of the same ASBA Bid cum Application Form (i.e. two ASBA Bid cum Application Forms bearing the same unique identification number) shall be treated as multiple Bids and shall be rejected.

#### **Permanent Account Number (“PAN”)**

Pursuant to Circular MRD/DoP/Circ/2007 dated April 27,2007 SEBI has made Permanent Account Number (“PAN”) to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transactions with effect from July 2, 2007. 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. 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.** This requirement is not applicable to Bids received on behalf of the Central and State Governments, from residents of the state of Sikkim and from officials appointed by the courts. Any Bid cum Application Form without the PAN is 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. With effect from August 16, 2010, the demat accounts of Bidders for which PAN details have not been verified shall be “suspended for credit” and no credit of Equity Shares pursuant to the Offer shall be made into accounts of such Bidders.

#### **Right to Reject Bids**

In case of QIB Bidders, our Company, in consultation with the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, our Company has a right to reject Bids on technical grounds. Consequent refunds shall be made by RTGS/NEFT/NES/Direct Credit / cheque or pay order or draft and will be sent to the Bidder’s address at the Bidder’s risk. With respect to ASBA Bids, the Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder’s bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder’s bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, the Company would have a right to reject the ASBA Bids only on technical grounds.

#### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

1. Amount paid does not tally with the highest number of Equity Shares Bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA BCAAF does not tally with the amount payable for the value of the Equity Shares Bid for;
2. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
3. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
4. PAN number not stated and GIR number given instead of PAN number, except for Bids on behalf of the Central and State Governments, residents of the state of Sikkim and officials appointed by the courts;
5. Bids by persons who are not eligible or prohibited from dealing in capital markets by SEBI or any authority, to acquire Equity Shares in terms of any rules, regulations and guidelines.

6. Bids or revisions thereof by QIB Bidders by non-institutional Bidders uploaded after 4:00 p.m. on the Bids / Offer Closing prices.
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at cut-off price by Non-Institutional and QIB Bidders;
11. Bids for number of Equity Shares which are not in multiples of [●];
12. Category not ticked;
13. Multiple bids as defined in this DRHP;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stock invest/ money order/postal order/cash;
16. Signature of sole and / or joint bidders missing. With respect to ASBA Bids, the Bid cum Application form not being signed by the account holders, if the account holder is different from the Bidder;
17. Bid cum Application Form does not have the stamp of the BRLMs or Syndicate Member;
18. ASBA Bid cum Application Form does not have the stamp of the SCSB; except for ASBA Bid cum Application Forms downloaded from the websites of the Stock Exchanges, in which case the ASBA Bid Cum Application Forms shall bear a unique application number;
19. Bids by QIBs not submitted through the BRLMs or their affiliates or in case of ASBA Bids for QIBs, not intimated to the BRLM;
20. Bid cum Application Form does not have Bidder's depository account details;
21. In case no corresponding record is available with the Depository that matches three parameters: PAN of the sole name of the Bidder, Depository Participant's identity (DP ID) and beneficiary's account number;
22. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;
23. With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA BCAF at the time of blocking such Bid Amount in the bank account;
24. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. For further details, please refer to the paragraph titled "Issue Procedure - Maximum and Minimum Bid Size";
26. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
27. Bids by U.S. Persons (as defined in Regulation S) other than entities in the United States (as defined in Regulation S) that are qualified institutional buyers as defined in Rule 144A of the U.S. Securities Act;
28. Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
29. Bids not uploaded on the terminals of the Stock Exchanges;
30. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
31. Bids by OCBs;

32. In case the DP ID, client ID and PAN mentioned in the Bid Cum Application Form and entered into the electronic bidding system of the Stock Exchanges by the members of the Syndicate do not match with the DP ID, client ID and PAN available in the records with the depositories.
33. Non-submissions bank account details in the space provided in the application form.
34. Age of the First /Sole Bidder not given; and
35. Application on plain paper.

#### **Basis of Allotment or Allocation for Retail Individual Bidders**

Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price. The Issue less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price. If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price then full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids. If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price then the allotment shall be made on a proportionate basis not more than [●] Equity Shares. For the method of proportionate basis of allotment, refer below.

#### **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 less allotment to QIBs and Retail Portion shall be available for allotment to Non- Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price. If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand. In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis not less than [●] Equity Shares. For the method of proportionate basis of allotment refer below.

#### **For Qualified Institutional Bidders (excluding the Anchor Investor Portion)**

1. Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.
2. The QIB Portion shall be available for allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
3. Allotment shall be undertaken in the following manner:
  - (a) *In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be determined as follows:*
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion (excluding the Anchor Investor Portion), allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion (excluding the Anchor Investor Portion).
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding the Anchor Investor 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 for allotment 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) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

- (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
- (iii). Under-subscription below 5% of the QIB Portion (excluding the Anchor Investor Portion), if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

The aggregate allotment available for allocation to QIB Bidders shall not be more than 47,50,000 Equity Shares.

#### **For Anchor Investor Portion**

1. Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of our Company, in consultation with the BRLMs, subject to compliance with the following requirements:
  - (a) not more than 30% of the QIB Portion will be allocated to Anchor Investors;
  - (b) one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;
  - (c) allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation upto Rs. 25,000 Lakhs and minimum number of five Anchor Investors for allocation more than Rs. 25,000 Lakhs.
2. The number of Equity Shares Allotted to Anchor Investors and the Anchor Investor Issue Price, shall be made available in the public domain by the BRLMs before the Bid/ Issue Opening Date by intimating the Stock Exchanges.

#### **Method of proportionate basis of allotment in this Issue**

In the event of the Issue being over-subscribed, our Company shall finalise the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner. The allotment shall be made in marketable lots, on a proportionate basis as explained below:

1. Bidders will be categorised according to the number of Equity Shares applied for;
2. 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;
3. 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.
4. In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:
  - (i) Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
  - (ii) 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.
5. If the proportionate allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5 then it would be rounded-off to the lower multiple of one. All Bidders in such categories would be Allotted Equity Shares arrived at after such rounding off.
6. If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate

allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

7. Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors shall be at the sole discretion of the Company, in consultation with the BRLM.

#### Illustration of Allotment to QIBs and Mutual Funds (“MF”)

##### A. Issue Details

Sr. No.	Particulars	Issue details
1.	Issue size	2,000 lakhs equity shares
2.	Allocation to QIB (50%)	1,000 lakhs equity shares
3.	Anchor Investor Portion	300 lakhs equity shares
4.	Portion available to QIBs other than Anchor Investors [(2) minus (3)]	700 lakhs equity shares
	Of which:	
	a.Allocation to MF (5%)	35 lakhs equity shares
	b.Balance for all QIBs including MFs	665 lakhs equity shares
5	No. of QIB applicants	10
6	No. of shares applied for	5,000 lakhs equity shares

##### B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of equity shares bid for (in lakhs)
1	A1	500
2	A2	200
3	A3	1,300
4	A4	500
5	A5	500
6	MF1	400
7	MF2	400
8	MF3	800
9	MF4	200
10	MF5	200
<b>Total</b>		<b>5,000</b>

##### C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in lakhs) Type of QIB bidders	Equity shares bid for (in million)	Allocation of 35 Lakh equity shares to MF proportionately (please see note 2 below)	Allocation of balance 665 Lakh equity shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	500	0	67	0
A2	200	0	26.8	0
A3	1,300	0	174.1	0
A4	500	0	67	0
A5	500	0	67	0
MF1	400	7	52.6	59.6
MF2	400	7	52.6	59.6
MF3	800	14	105.3	119.3
MF4	200	3.5	26.3	29.8
MF5	200	3.5	26.3	29.8
<b>Total</b>	<b>5,000</b>	<b>35</b>	<b>665</b>	<b>298.2</b>

**Please note:**

1. The illustration presumes compliance with the requirements specified in this DRHP in the Section titled “Issue Structure” on page no. 146 of this DRHP.
2. Out of 700 lakhs equity shares allocated to QIBs, 35 lakhs (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 2,000 lakhs equity shares in QIB category.
3. The balance 665 lakhs equity shares (i.e. 70-3.5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 5,000 lakhs equity shares (including five MF applicants who applied for 2,000 lakhs equity shares).
4. The figures in the fourth column entitled “Allocation of balance 665 lakhs Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
  - For QIBs other than Mutual Funds (A1 to A5) = No. of shares bid for (i.e. in column II) X 66.5 / 496.5.
  - 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 79.80 / 495.80.

The numerator and denominator for arriving at allocation of 840 lakhs equity shares to the 10 QIBs are reduced by 42 lakhs equity shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

**Equity Shares in Dematerialized 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 dematerialized 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 us, the respective Depositories and the Registrar to the Issue:

- (a) a tripartite agreement dated [●] with NSDL, our Company and Registrar to the Issue;
- (b) a tripartite agreement dated [●] with CDSL, our Company and Registrar to the Issue.

All bidders can seek Allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant’s Identification number) appearing in the Bid cum Application Form or Revision Form.
- (c) 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 in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- (e) Non-transferable allotment advice will be directly sent to the Bidder by the Registrar to this Issue. Refunds will be made directly by the Registrar to the Issue as per the modes disclosed.
- (f) If incomplete or incorrect details are given under the heading “Request for Equity Shares in electronic form” in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- (g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

- (h) 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.
- (i) The trading of the Equity Shares of the Company would be only in dematerialized form for all investors.

### **Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, 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 Equity Shares in the respective beneficiary accounts, refund orders etc.

### **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”.

### **PAYMENT OF REFUND**

Bidders other than ASBA Bidders must note that on the basis of the names of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition (“MICR”) code as appearing on a cheque leaf. 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 of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

### **Mode of making refunds**

The payment of refund, if any, for Bidders other than ASBA Bidders 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 centres specified by RBI where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the centres where such facility is made available, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

**2. Direct Credit** – Applicants having bank accounts with the Refund Bank (s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company.

**3. RTGS** – Applicants having a bank account at any of the centres where such facility is available and whose refund amount exceeds Rs. 10.00 lakhs, 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 Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

**4. NEFT** – 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. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in this Section.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

#### **Disposal of Applications and Application Moneys**

Our Company shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 10 (Ten) working days of the Bid Closing Date / Issue Closing Date.

Applicants residing at 68 centres 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 applicants are otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS. In case of other applicants, our 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 Direct Credit, NEFT, RTGS or ECS facility. 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 11 working days of closure of Issue. Our Company shall ensure dispatch of refund orders, if any, by "Under Certificate of Posting" or registered post or speed post or Direct Credit, NEFT, RTGS or ECS, as applicable, only at the sole or First Bidder's sole risk within 11 working 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. Our Company 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 allotment to the Stock Exchanges within 1 (one) working day of date of Allotment. Our Company 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 4 (four) working days after the finalisation of the basis of allotment. In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations we further undertake that:

1. allotment of Equity Shares shall be made only in dematerialised form within 9 (Nine) working days of the Bid /Issue Closing Date;



2. dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or ECS, shall be done within 11 (eleven) working days from the Bid/Issue Closing Date would be ensured;
3. instructions to SCSBs to unblock the funds in the relevant ASBA Account for withdrawn rejected or unsuccessful Bids shall be made within 9 (Nine) working days of the Bid/Issue Closing Date shall be ensured; and
4. Our Company shall pay interest at 15% p.a. if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 9 (Nine) days, as per Section 73 of the Companies Act, post the 10th working day from the Bid/Issue Closing Date or if instructions to SCSBs to unblock funds in the ASBA Accounts are not given within 11 working days of the Bid/Issue Closing Date, as the case may be and as stated above.

The Registrar to the Issue and our Company shall file the confirmation of demat credit of Equity Shares and refund dispatch with the stock exchanges within 11 working days of the Bid/Issue Closing Date. 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 Direct Credit, NEFT, RTGS or ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

**Interest in case of delay in dispatch of Allotment Letters or Refund Orders/ instruction to SCSB by the Registrar**

Our Company agrees that the Allotment of Equity Shares in the Issue shall be made not later than 9 (Nine) working days of the Bid/ Issue Closing Date. Our Company further agrees that it shall pay interest at the rate of 15% p.a. if the allotment letters or refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given in the disclosed manner within 11 working days from the Bid/ Issue Closing Date or instructions to SCSBs to unblock funds in the ASBA Accounts shall be given within 11 working days of the Bid/Issue Closing Date, as the case may be.

The Company 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 the Company as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

**Undertaking by the Company**

We undertake as follows:

1. That the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
2. That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within 12(twelve) working days of the Bid/Issue Closing Date;
3. That the funds required for making refunds as per the modes disclosed or dispatch of allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
4. That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 11 working days of the 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;
5. Instructions to SCSBs to unblock funds in the ASBA Accounts shall be given within 9(Nine) working day of the Bid/Issue Closing Date

6. That the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time;
7. That no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and
8. That adequate arrangements shall be made to collect all Applications Supported by Blocked Amount and to consider them similar to non-ASBA applications while finalizing the Basis of Allotment.
9. That the promoters' contribution in full wherever required, shall be brought in advance before the Issue opens for public subscription.

The Company shall not have recourse to the Issue proceeds until the final approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

#### **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 but before the Allotment of Equity Shares. In such an event the Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

Any further issue of Equity Shares by the Company shall be in compliance with applicable laws.

If our Company withdraws the Issue after the closure of bidding, our Company shall be required to file a fresh DRHP with SEBI.

#### **Utilization of the Issue proceeds**

The Board of Directors of our Company certifies that:

- (a) all monies received out of the Issue shall be 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 utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such unutilized monies have been invested; and
- (c) details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

The Company shall not have recourse to the Issue proceeds until the final approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

#### **ASBA PROCESS**

*This section is only to facilitate better understanding of aspects of the procedure for bidding which is specific to ASBA Bidders. ASBA Bidders should nonetheless read this document in its entirety including the rest of the chapter titled "Issue Procedure" on page 149 of this Draft Red Herring Prospectus.*

Our Company, its Directors and officers, the BRLM are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of the Draft Red Herring Prospectus.

ASBA Bidders are advised to make their independent investigations and to ensure that the ASBA Form is correctly filled up, as described in this section.

The list of banks who have been notified by SEBI to act as SCSBs for the ASBA are provided at <http://www.sebi.gov.in>. For details on designated branches of SCSB collecting the ASBA Form, please refer the above mentioned SEBI link.

### **ASBA Process**

A Bidder, other than Anchor Investors, can submit his bid through an ASBA Form, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Bidder or bank account utilised by the ASBA Bidder is maintained. The SCSB shall block an amount equal to the Bid Amount in the ASBA Account specified in the ASBA Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the ASBA Bid. The ASBA Bid data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchange. The Bid Amount shall remain blocked in the ASBA Account until finalization of the basis of Allotment and consequent transfer of the Bid Amount against the allocated Equity Shares to the Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid, as the case may be.

Once the basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Bidders to the Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.

### **ASBA Form**

An ASBA Bidder shall use the ASBA Form obtained from the Designated Branches for the purpose of making an ASBA Bid in terms of the Red Herring Prospectus. ASBA Bidders are required to submit their bids under the Issue, either in physical or electronic mode. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Form at the Designated Branch. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Bids. The QIBs who bid through the ASBA process shall submit their Bids to the designated branch of the SCSBs and should intimate the BRLM.

1. The ASBA Bidders can submit only one ASBA Form. After determination of the Issue Price, the number of Equity Shares Bid for by the ASBA Bidders will be considered for allocation along with the other Bidders who have Bid for the Equity Shares.

2. In the ASBA Form, the ASBA Bidder shall, inter alia, give the following confirmations/declarations:

- a. That he/she is an ASBA Bidder as per the SEBI ICDR Regulations;
- b. That he/she has authorized the SCSBs to do all acts as are necessary to make an application in the Issue, upload his/her Bid, block or unblock the funds in the ASBA Account and transfer the funds from the ASBA Account to the Public Issue Account after finalization of the basis of Allotment entitling the ASBA Bidder to receive Equity Shares in the Issue etc.; and
- c. That he/she has authorized the Registrar to the Issue to issue instructions to the SCSBs to unblock the funds in the ASBA Account upon finalization of the basis of Allotment and to transfer the requisite money to the Public Issue Account.

3. An ASBA Bidder cannot Bid under the Issue, either in physical or electronic mode, on another ASBA Form or Bid cum Application Form after bidding on one ASBA Form either in physical or electronic mode. Submission of a second ASBA Form to either the same or another Designated Branch or a Bid cum Application to the members of the Syndicate will be treated as multiple Bid and will be liable to be rejected either before entering the Bid into the electronic Bidding System, or at any point of time prior to the Allotment of Equity Shares in the Issue.

4. Upon completing and submitting the ASBA Form to the Designated Branch, the ASBA Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

### **Maximum and Minimum Bid Size for ASBA Bidders**

The ASBA Bid, in case of a Retail Individual Bidder cannot exceed [•] Equity Shares in order to ensure that the total ASBA Bid Amount blocked in respect of such ASBA Bidder does not exceed Rs. 200,000. The ASBA Bid, in case of Non Institutional Bidders must be for a minimum of [•] Equity Shares and cannot exceed [•] Equity Shares. The ASBA Bid, in case of QIBs must be for a minimum of [•] Equity Shares and cannot exceed [•] Equity Shares.

### **Information for the ASBA Bidders:**

i) Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

ii) Our Company, the BRLM will declare the Bid/Issue Opening Date, Bid/Issue Closing Date and the QIB Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with the RoC and also publish the same in an English national newspaper and a Hindi national newspaper, each with wide circulation, and a Marathi newspaper of wide circulation in the place where our Registered Office is situated. The Price Band and the Minimum Bid Size will be decided by the Company in consultation with the BRLM and advertised by the Company at least two (2) Business Days prior to the Bid / Issue Opening Date.

iii) ASBA Bidders who would like to obtain the Red Herring Prospectus and/or the ASBA Form, can obtain the same from the Designated Branches. ASBA Bidders can also obtain a copy of the Red Herring Prospectus and/or the ASBA Form in electronic form on the websites of the SCSBs.

iv) The ASBA Bids should be submitted to the SCSBs in the prescribed ASBA Form if applied in physical mode. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.

v) The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share. In accordance with the SEBI (ICDR) Regulations, our Company in consultation with the BRLM, reserves the right to revise the Price Band during the bidding/Issue period. In case of revision, the cap on the Price Band will not be more than 120 per cent. 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 per cent. of the floor of the Price Band.

vi) Our Company in consultation with the BRLM, shall finalize the Issue Price within the Price Band, without the prior approval of, or intimation to, the ASBA Bidders.

vii) Our Company and the BRLM shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date, the QIB Bid/Issue Closing Date in the Red Herring Prospectus to be filed with the RoC and also publish the same in an English national newspaper and a Hindi national newspaper, each with wide circulation, and in a Marathi newspaper of wide circulation in the place where our Registered Office is situated. The Price Band and the Minimum Bid Size will be decided by the Company in consultation with the BRLM and advertised by the Company at least two (2) Business Days prior to the Bid / Issue Opening Date. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall contain the disclosure requirements as specified under Schedule XIII of the SEBI ICDR Regulations. The SCSBs shall accept ASBA Bids from the ASBA Bidders during the Bidding/Issue Period.

viii) The Bidding/Issue period shall be for a minimum of three Business Days and shall not exceed ten Business Days. In case the Price Band is revised, the revised Price Band and bidding/Issue period will be published in an English national newspaper and a Hindi national newspaper, each with wide circulation, and a Marathi newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate. The Bidding/Issue period shall be extended by an additional three Business Days, subject to the total Bidding/Issue period not exceeding ten Business Days.

## **Mode of Payment**

Upon submission of an ASBA Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorized the Designated Branch to block the Bid Amount in the ASBA Account. An ASBA Form should not be accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the ASBA Account. SCSBs shall block the Bid Amount in the ASBA Account. The Bid Amount shall remain blocked in the ASBA Account until finalization of the basis of Allotment or withdrawal/failure of the Issue or withdrawal/failure of the ASBA Bid, as the case may be. In the event the ASBA Account does not have a sufficient credit balance for the Bid Amount, the ASBA Bid shall be rejected by the SCSB and no funds shall be blocked in the that ASBA Account. On the Designated Date, the SCSBs shall unblock and transfer the Bid Amount from the ASBA Account for successful Bids into the Public Issue Account and the balance amount, if any, shall be unblocked.

## **Electronic Registration of Bids**

Upon receipt of the ASBA Form, the Designated Branch shall register and upload the Bid. The BRLM, our Company and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to Bids accepted by SCSBs, Bids uploaded by SCSBs, Bids accepted but not uploaded by SCSBs or Bids accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Bids uploaded by SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

At the time of registering each Bid, the Designated Branches shall enter the information pertaining to the investor into the online system, including the following details:

- Name of the Bidder(s);
- Application number;
- Permanent account number;
- Bank Account number;
- Bid Amount;
- Number of Equity Shares Bid for
- Depository Participant's identification No.; and
- Client identification number of the Bidder's beneficiary account.

In case of an electronic ASBA Form, the ASBA Bidder shall himself fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the above mentioned details in the electronic bidding system provided by the stock exchanges. A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. It is the ASBA Bidder's responsibility to obtain the TRS from the Designated Branches. The registration of the Bid by the Designated Branch does not guarantee that the Equity Shares Bid for shall be Allocated to the ASBA Bidders. Such TRS will be non-negotiable and by itself will not create any obligation of any kind. The stock exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bidding/Issue period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Designated Branches shall upload the Bids till such time as may be permitted by the stock exchanges.

### **Unblocking of ASBA Account**

Once the basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branches for unblocking the ASBA Accounts and for the transfer of requisite amount to the Public Issue Account. On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Bidder to the Public Issue Account and shall unblock excess amount, if any in the ASBA Account. However, the Bid Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the Controlling Branch regarding finalization of the basis of Allotment in the Issue, in the event of withdrawal/failure of the Issue or withdrawal or rejection of the ASBA Bid, as the case maybe.

*The above information is given for the benefit of Bidders. Our Company, the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this DRHP. 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. However we shall update this DRHP and keep the public informed of any material changes in matters concerning our business and operations till the listing and commencement of trading of the Equity Shares.*

## **SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY**

### **CAPITAL AND INCREASE AND REDUCTION OF CAPITAL**

#### **CAPITAL**

2. The Authorized Share Capital of the Company is as per clause V of the Memorandum of Association of the Company with all rights to the company to alter the same in any way it thinks fit.

#### **INCREASE OF CAPITAL BY THE COMPANY AND HOW CARRIED INTO EFFECT**

3. The Company in General Meeting may be Ordinary Resolution, from time to time increase the capital by creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any shares of the original or increase capital shall be issued upon such terms and conditions and with such rights and privileges attached thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the directors shall determine and in particular such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at General Meetings of the Company in conformity with section 87 and 88 of the Act, whenever the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

4. The shares in the capital shall be distinguished by its appropriate number, provided that nothing in this section shall apply to the shares held with a depository.

#### **SHARES AT THE DISPOSAL OF THE DIRECTORS**

5. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in proportion and on such terms and conditions and either at a premium or at par of (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in General Meeting.

#### **POWER ALSO TO COMPANY IN GENERAL MEETING TO ISSUE SHARES**

6. In addition to and without derogating from the powers for the purpose conferred on the Board under Article 5 & 8 the Company in General Meeting may subject to the Provisions of Section 81 of the Act, determine that any share (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or not) in such proportions and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount, as such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted any class of shares of the Company either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provisions, whatsoever for the issue, allotment or disposal of any shares.

#### **INCREASE OF CAPITAL**

7. The Company in General Meeting may from time to time increase its share capital by the creation of further shares, such increase to be of such aggregate amount and to be divided into shares of such respective amount as the resolution shall prescribe. Subject to the provisions of the Act, the further shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof shall direct and if no direction be given as the Board shall determine.

## **FURTHER ISSUE OF SHARES**

8. 1. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

- a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
- b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
- c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.

PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

- d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion fit.

2. 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 proposer by members, so entitled and voting and Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

3. Nothing in sub-clause © of (1) hereof shall be deemed:

- a) To extend the time within which the Offer should be accepted; or
- b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made had declined to take the shares comprised in the renunciation.

Nothing in the Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

- 1. To convert such debentures or loans into shares in the Company; or
- 2. To subscribe for shares in the Company whether such options is conferred in these Articles or otherwise.

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term;

- a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or in conformity with the rules, if any, made by that Government in this behalf;



- b) In the case of debentures or loans or other than debentures issued or loans obtained from Government or any Institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in general meeting before the issue of debentures or raising of the loans.

#### **POWER ALSO TO COMPANY IN GENERAL MEETING TO ISSUE SHARES**

8A. In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option or right to call for or buy allotted Shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.

#### **POWER OF GENERAL MEETING TO AUTHORISE BOARD TO OFFER SHARES/OPTIONS TO EMPLOYEES**

8B. Without prejudice to the generality of the powers of the General Meeting under Article 8A or in any other Article of these Articles of Association, the General Meeting may, subject to the applicable provisions of the Act, rules notified there under and any other applicable laws, rules and regulations, determine, or give the right to the Board or any Committee thereof to determine, that any existing or further shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) be allotted / granted to its employees, including Directors (whether whole-time or not), whether at par, at discount or a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force. The General Meeting may also approve any Scheme/Plan/Other writing, as may be set out before it, for the aforesaid purpose.

In addition to the powers contained in this Article, the General Meeting may authorize the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme / Plan / other writing approved under the aforesaid Article.

#### **APPLICATION OF PREMIUM RECEIVED ON SHARES**

8C. 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 security 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 security premium account were paid up share capital of the Company.

2. The security premium account may, notwithstanding anything in clause (I) thereof 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;
- b) In writing off the preliminary expenses of the Company;
- c) In writing off the expenses of or the commission paid or discount allowed or 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.

#### **POWER TO OFFER SHARES/OPTIONS TO ACQUIRE SHARES**

8D. (i) Without prejudice to the generality of the powers of the Board under any other Article of these Articles of Association, the Board or any Committee thereof duly constituted may, subject to the applicable provisions of the Act, rules notified there under and any other applicable laws, rules and regulations, at any point of time, offer existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) to its employees, including

Directors (whether whole-time or not), whether at par, at discount or at a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force.

(ii) In addition to the powers of the Board under Article 8D(i), the Board may also allot the Shares referred to in Article 8D(i) to any trust, whose principal objects would inter alia include further transferring such Shares to the Company's employees (including by way of options, as referred to in Article 8D(i) in accordance with the directions of the Board or any Committee thereof duly constituted for this purpose. The Board may make such provision of moneys for the purposes of such trust, as it deems fit. The Board, or any Committee thereof duly authorized for this purpose, may do all such acts, deeds, things, etc. as may be necessary or expedient for the purposes of achieving the objectives set out in Articles 8D(i) and (ii) above.

#### **REDEEMABLE PREFERENCE SHARES**

9. 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 and the resolution authorizing such issues shall prescribe the manners, terms and conditions of redemption.

#### **PROVISIONS APPLICABLE IN CASE OF REDEEMABLE SHARES**

10. On the issue of redeemable preference shares under the provisions of Article 9 hereof, the following provisions shall take effect.

- a) No such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption.
- b) No such shares shall be redeemed unless they are fully paid.
- c) The premium, if any, payable on redemption shall be provided for out of the profits of the Company or out of the Company's share Premium Account, before the shares are redeemed; and
- 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 Capital Redemption Reserve Account, a sum equal to the nominal amount of the shares to be redeemed and the provisions of the Act relating to the reduction of the share capital of a Company shall, except as provided under Section of the Act, apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.

#### **NEW CAPITAL SAME AS ORIGINAL CAPITAL**

11. Except 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 part of the initial capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments; transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

#### **RESTRICTION OF PURPOSE BUY COMPANY OF ITS OWN SHARES**

12. (1). The Company shall not have the power to buy its own shares, unless the consequent reduction of capital is effected and sanctioned in accordance with Article 13 and in accordance with Sections 100 to 104 or Section 402 or other applicable provisions (if any) of the Act.

This Article is not to delegate any power which the Company would have if it were omitted.

(2). Except to the extent permitted by Section 77 or other applicable provisions (if any) of the Act, the Company shall not give whether directly or indirectly and whether by means of a loan, guarantee, the provisions of security or otherwise any financial assistance for the purchase of or in connection with the purchase or subscription made or to be made by any person or for any shares in the Company.

(3). Nothing in this Article shall affect the right of the Company to redeem any redeemable preference shares issued under these Articles or under Section 80 or other relevant provisions (if any) of the Act.

12A. Notwithstanding anything contained in these Articles and in accordance with the provisions of the Sections 77A, 77AA and 77B of the Companies Act, 1956 the Company may, when and if thought fit by the Board of Directors, buy back, acquire or hold its own shares or other specified securities (as may be notified by the Central Government from time to time under section 77A of the Act) whether or not they are redeemable and on such terms and conditions and up to such limits as may be prescribed by law from time to time provided that nothing herein contained shall be deemed to affect the provisions of section 100 to 104 and 402 of the Act, in so far as and to the extent they are applicable.

### **REDUCTION OF CAPITAL**

13. The Company may, subject to the provisions of Section 78, 80 and 100 to 105 and other applicable provisions (if any) of the Act, from time to time by special resolution, reduce its capital and any capital redemption reserve account or any share premium account in any manner for the time being authorized by law and in particular, capital may be paid off on the footing that it may be called up again or otherwise.

### **CONSOLIDATION AND DIVISION OF CAPITAL**

14. The Company may in general meeting alter the conditions of its Memorandum of Association as follows:

- a) Consolidate and divide all or any of its share capital into shares of large amount than its existing shares.
- b) Sub-divide its shares or any of them into shares of smaller amount so however that in the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced shares shall be the same as it was in the case of the share from which the reduced share is derived.
- c) Cancel any shares which, at the date of the passing of the resolution, have not been 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.

### **SALE OF FRACTIONAL SHARES**

15. If and whenever as a result of issue of new shares of any consolidation or sub-division of shares any share become held by members in fractions, the Board shall, subject to the provisions of the Act and the Articles and to the directions of the Company in General Meeting, if any, sell those shares which members hold in fractions for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportions the net proceeds of the sale thereof. For the purpose of giving effect to any such sale, the Board may authorise any person the transfer and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings with reference to the sale.

### **MODIFICATION OF RIGHTS**

16. Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Section 106 and 107 of the Act, be varied, modified, commuted, affected or abrogated or dealt with by agreement between the Company and any person purporting to contract on behalf of that class provided such agreement is ratified in writing by holders of at least three-fourths in nominal value of the issued shares of the class or is confirmed by a resolution passed by the votes of not less than three-fourths of the votes of the holders of the shares of that class at a separate general meeting of the holders of shares of that class and all the provisions contained in these Articles to its general meetings shall mutatis mutandis apply to every such meeting. This Article is not to derogate from any power, the Company would have if this Article were omitted.

### **ISSUE OF FURTHER SHARES ON PARI PASSU BASIS**

17. The rights conferred upon the holders of shares of any class issued with preferred or other rights, not unless otherwise expressly provided by the terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

### **NO ISSUE WITH DISPROPORTIONATE RIGHTS**

18. The Company shall not issue any shares (not being preference shares) which carry voting right or rights in the Company as to dividend, capital or otherwise which are disproportionate to the rights attached to the holders of other shares (not being preference shares).

#### **18A. a. "Power to Company to dematerialize and rematerialize"**

"Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its existing shares, debentures and other securities and rematerialize its such shares, debentures and other securities held by it with the Depository and/ or offer its fresh shares and debentures and other securities in a dematerialized form pursuant to the Depositories Act, 1996 and the Rules framed there under if any"

#### **b. Dematerialization of Securities**

Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialized form, the Company shall enter into an agreement with the depository to enable the investor to dematerialize the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.

**c. "Intimation to Depository"**

"Notwithstanding anything contained in this Article, where securities are dealt with in a Depository, the Company shall intimate the details of allotment of securities to Depository immediately on allotment of such Securities"

**d. "Option for Investors"**

"Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository. A beneficial owner of any security can at any time opt out of a Depository, if permitted by law, in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities."

**e. "The Company the recognize under Depositories Act, Interest in the Securities other than that of Registered holder."**

"The Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with Depository in electronic form and the certificates in respect thereof shall be, dematerialized in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereto shall be governed by the provisions of the Depositories Act, 1996."

**f. "Securities in Depositories and Beneficial Owners"**

"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."

**g. "Rights of depositories and Beneficial Owners."**

a. Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

b. Save as otherwise provided in (a) 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.

c. Every person holding securities 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. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities which are held by a depository."

**h. Depository to furnish information**

Every Depository shall furnish to the Company information about the transfer of Securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

## **SHARES AND CERTIFICATES**

### **19. "REGISTER AND INDEX OF MEMBERS"**

The Company shall cause to be kept at its Registered Office or at such other place as may be decided, Register and Index of Members in accordance with Sections 150 and 151 and other applicable provisions of the Act and the Depositories Act, 1996 with details of shares held in physical and dematerialized forms in any media as may be permitted by law including in any form of electronic media.

The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also be deemed to be the Register and Index of Members for the purpose of this Act. The Company shall have the power to keep in any state or country outside India, a Register of Members for the residents in that state or country.

### **20. SHARES TO BE NUMBERED PROGRESSIVELY**

The shares in the capital shall be numbered progressively according to their several denominations and except in the manner herein before mentioned, no share shall be sub-divided.

### **21. DIRECTORS MAY ALLOT SHARES FULLY PAID-UP**

Subject to the provisions of the Act and of these Articles, the Board may allot and issue shares in the capital of the Company as payment or part payment for any property sold or transferred, goods or machinery supplied or for services rendered to the company either in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid-up shares and if so issued shall be deemed to be fully paid up shares.

## **22. APPLICATION OF PREMIUM**

1. Where the Company issue shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account to be called Share Premium Account and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in this clause, apply as if the share premium account were paid up share capital of the Company.

2. The share premium account may, notwithstanding sub-clause (1) hereof, be applied by the Company;

- a) in paying up unissued shares of the Company to be issued to 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 debenture 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.

## **23. INSTALLMENTS OF SHARES**

If by the terms of issue of any shares or otherwise, the whole or any part of the amount or issue price thereof shall be payable by installments at a fixed time, every such installments shall when due, be paid to the Company by the person who, for the time being and from time to time, is the registered holder of the shares of his legal representatives.

## **24. ACCEPTANCE OF SHARES**

Subject to the provisions of these Articles, any application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any shares therein, shall be an acceptance of shares within the meaning of these articles and every person who thus or otherwise accept any shares and whose name is on the Register of Members shall, for the purposes of these Articles, be a member, provided that no share shall be applied for or allotted to a minor, insolvent or person of unsound mind.

## **25. DEPOSITS AND CALLS TO BE DEBT PAYABLE IMMEDIATELY**

The money (if any) which the Board of Directors shall, on the allotment of any shares being made by it, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by it, shall immediately on the insertion of the name of the allottee in the Register of Members as the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.

## **26. LIABILITY OF MEMBERS**

Every member or his heir, executors or administrators shall pay to the Company the proportion of the capital represented by his share or shares which may, for the time being remain unpaid thereon in such amounts, at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's regulations require or fix for the payment thereof.

## **27. LIMITATION OF TIME FOR ISSUE OF CERTIFICATE**

The Company shall, unless the conditions of issue otherwise provide, within three months after the allotment of any of its shares or debentures and within one month after the application for the transfer of any such shares or debentures, complete and have ready for delivery the certificates of all shares and debentures allotted or transferred.

## **28A. LIMITATION OF TIME FOR ISSUE OF CERTIFICATES**

Every members shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate to all such holder.

**28B. ISSUE OF NEW CERTIFICATE IN PLACE OF DEFACED, LOST OR DESTROYED**

If any certificate be worn out, defaced mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, an a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every Certificates under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fees shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

**29. JOINT ALLOTTEES OF HOLDERS**

Any two or more joint allottees or holders of shares shall, for the purpose of Article-28, be treated as a single member and the certificate for any share, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them.

**30. RENEWAL OF SHARES CERTIFICATES**

A certificate of share may be renewed or a duplicate issued in accordance with the provisions of the Act and the Companies (Issue or Share Certificates) Rules, 1960 and any modification thereof.

**31. THE FIRST NAMED OF JOINT HOLDERS DEEMED SOLE HOLDER**

If any share stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus or service of notice and/or any other matter connected with the Company, except voting at meeting and the transfer of the share, be deemed the sole holder thereof, but the joint holders of a share be severally as well as jointly, liable for the payment of all installments and calls due in respect of such share and for all incidents thereof according to these Articles.

**32. COMPANY NOT BOUND TO RECOGNISE ANY INTEREST IN SHARE OTHER THAN THAT OF REGISTERED HOLDER**

The Company shall not be bound to recognize any equitable, contingent, future or partial interest in any share or (except only as is by these presents, otherwise expressly provided) any right in respect of a share other than an absolute right there to, in accordance with these presents in the person from time to time registered as the holder thereof, but the Board shall be at liberty at its sole discretion to register any share in the joint names of two or more persons or survivors of them.

Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as by Law required) be bound to recognize any benami trust or equitable, contingent, future, partial or other claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

**33. WHO MAY HOLD SHARES**

Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or in the name of a person of unsound mind or in the name of any firm or partnership.

**33A.** The Directors shall have the power to offer, issue and allot Equity Shares in or Debentures (whether fully/partly convertible or not into Equity Shares) of the Company with or without Equity Warrants to such of the Officers, Employees, Workers of the Company or of its Subsidiary and / or Associate Companies or Managing and Whole Time Directors of the Company (hereinafter in this Article collectively referred to as “the Employees”) as may be selected by them or by the trustees of such trust as may be set up for the benefit of the Employees in accordance with the terms and conditions of the Scheme, trust plan or proposal that may be formulated, created, instituted or set up by the Board of Directors or the Committee thereof in that behalf on such terms and conditions as the Board may in its discretion deem fit.

### **33B. SWEAT EQUITY**

Subject to the provisions of the Act (including any statutory modification or re-enactment thereof, for the time being in force), shares of the Company may be issued at a discount or for consideration other than cash to Directors or employees who provide know-how to the Company or create an intellectual property right or other value addition.

### **33 C. DECLARATIONS BY PERSON NOT HOLDING BENEFICIAL INTEREST IN ANY SHARES**

1. Notwithstanding anything herein contained a person whose name is at any time entered in Register of Member of the Company as the holder of a Share in the Company, but who does not hold the beneficial interest in such Shares, shall, if so required by the Act within such time and in such forms as may be prescribed, make declaration to the Company specifying the name and other particulars of the person or persons who hold the beneficial interest in such Share in the manner provided in the Act.

2. A person who holds a beneficial interest in a Share or a class of Shares of the Company, shall if so required by the Act, within the time prescribed, after his becoming such beneficial owner, make a declaration to the Company specifying the nature of his interest, particulars of the person in whose name the Shares stand in the Register of Members of the Company and such other particulars as may be prescribed as provided in the Act.

3. Whenever there is a change in the beneficial interest in a Share referred to above, the beneficial owner shall, if so required by the Act, within the time prescribed, from the date of such change, make a declaration to the Company in such form and containing such particulars as may be prescribed in the Act.

4. Notwithstanding anything contained in the Act and Articles 35 and 36 hereof, where any declaration referred to above is made to the Company, the Company shall, if so required by the Act, make a note of such declaration in the Register of Members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the Register with regard to such declaration.

### **33D. FUNDS OF COMPANY NOT TO BE APPLIED IN PURCHASE OF SHARES OF THE COMPANY**

No funds of the Company shall except as provided by Section 77 of the Act, be employed in the purchase of its own shares, unless the consequent reduction of capital is effected and sanction in pursuance of Sections 78, 80 and 100 to 105 of the Act and these Articles or in giving either directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Share in the Company in its holding Company.

### **33E. ISSUE OF SHARES WITHOUT VOTING RIGHTS**

In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such share upon such terms and conditions and with such rights and privileges annexed thereto as through fit and as may be permitted by law.

### **33F. SECTIONS 83 AND 108 OF THE ACT NOT TO APPLY**

Notwithstanding anything to the contrary contained in the Articles,

1. Section 83 of the Act shall not apply to the Shares held with a Depository;
2. Section 108 of the Act shall not apply to transfer of Security effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the Records of a Depository.

### **33G. LIABILITY OF MEMEBRS**

Every member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.

### **33H. TRUST RECOGNIZED**

A. Except as ordered, by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognize, even when having notice thereof, any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in

the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

B. Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or of a person of unsound mind (except in case where they are fully paid) or in the name of any firm or partnership.

## **UNDERWRITING AND BROKERAGE**

### **34. COMMISSION MAY BE PAID**

The Company may, subject to the provisions of Section 76 and other applicable provisions, if any, of the Act any time pay a 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. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or debentures, or partly in the one way and partly in the other.

### **35. BROKERAGE MAY BE PAID**

The Company may pay a reasonable sum for brokerage on any issue of shares and debentures.

### **35A. 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 to 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.

### **36. INTEREST OUT OF CAPITAL**

Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a 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 contained in 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.

## **CALLS**

### **37. DIRECTORS MAY MAKE CALLS**

The Board of Directors may from time to time by a resolution passed at meeting of the Board (and not by circular resolution) make such call as it may think fit upon the members in respect of all moneys unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at a fixed time and each member shall pay the amount of every call so made on him to the persons and at the times and place appointed by the Board of Directors. A call may be made payable by instalments.

### **38. CALLS ON SHARES OF THE SAME CLASS TO BE MADE ON UNIFORM BASIS**

Where any calls for further share capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purpose of this Article shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

### **39. NOTICE OF CALLS**

One month notice at least of every call payable otherwise than on allotment shall be given by the Company specifying the time and place of payment and to whom such call shall be paid. Provided that the Board may, at its discretion, revoke the call or postpone it.

### **40. CALLS TO DATE FROM RESOLUTION**

A call shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed at a meeting of the Board of Directors and may be made payable by the members on the Register of Members on a subsequent date to be fixed by the Board.

### **41. DIRECTORS MAY EXTEND TIME**

The Board of Directors may, from time to time, at its discretion, extend the time fixed for the payment of any call and may extend such times as to all or any of the members, who from residence at a distance or other cause, the Board of Directors may deem fairly entitled to such extension save as a matter of grace and favour.



#### **42. CALL TO CARRY INTEREST AFTER DUE DATE**

If any member fails to pay a call due from him on the day appointed for payment thereof or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board of Directors, but nothing in this Article shall render it compulsory upon the Board of Directors to demand or recover any interest from any such member.

#### **43. PROOF ON TRIAL IN SUIT FOR MONEY DUE ON SHARES**

Subject to the provisions of the Act and these Articles, on the trial or hearing of any action or suit brought by the Company against any member or his representatives for the recovery of any debt or money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the member in respect of whose shares the money is sought to be recovered, appears, entered on the register of members as the holder at or subsequent to the date at which the money sought to be recovered is alleged to have become due, of the shares in respect of which such money is sought to be received, that the resolution making the call is duly recorded in the minute book and that notice of such call was duly given to the member or his representatives sued in pursuance of these presents and it shall not be necessary to prove the appointment of the Directors who made such call, nor that a quorum 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 matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

#### **44. 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 he would, but for such payment, become presently payable. The provisions of these Articles shall mutatis mutandis apply to the calls on debenture of the Company.

### **FORFEITURE, SURRENDER AND LIEN**

#### **45. IF CALL OR INSTALLMENT NOT PAID, NOTICE MAY BE GIVEN**

If any member fails to pay any call or installment of a call in respect of any shares on or before the day appointed for the payment of the same, the Board may at any time hereafter during such time as the call or installment remains unpaid, serve a notice on such member or on the person (if any) entitled to the share by transmission 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.

#### **46. FORM OF NOTICE**

The notice shall name a day (not being earlier than the expiry of fourteen days from the date of service of the notice) and a place or places on and at which such money, including the call or installment and such interest and expenses as aforesaid is to be paid. The notice shall also state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which the calls was made or installment was payable, will be liable to be forfeited.

#### **47. IN DEFAULT TO PAYMENT SHARES TO BE FORFEITED**

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before all the calls or installments and interest and expenses due in respect thereof are paid, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonus declared in respect of the forfeited shares and not actually paid before forfeiture.

#### **48. NOTICE OF FORFEITURE**

When any share shall have been so forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall

forthwith be made in the Register of Members provided however that the failure to give the notice of the shares having been forfeited will not in any way invalidate the forfeiture.

#### **49. FORFEITED SHARES TO BECOME PROPERTY OF THE COMPANY**

Any shares so forfeited shall be deemed to be the property of the Company and the Board may sell, re-allot otherwise dispose off the same in such manner as it thinks fit.

#### **50. POWER TO ANNUAL FORFEITURE**

The Board may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed off, annual the forfeiture thereof as a matter of grace and favour but not as of right upon such terms and conditions as it may think fit.

#### **51. ARREARS TO BE PAID NOTWITHSTANDING FORFEITURE**

Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company 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 forfeiture until payment at such rate not exceeding fifteen per cent per annum as the Board may determine and the Board may enforce the payment of such moneys or any part thereof if it thinks fit, but shall not be under any obligation so to do.

#### **52. EFFECT OF FORFEITURE**

The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company, in respect of the share and all other rights, incidental to the share except only such of those rights as are by these Articles expressly saved.

#### **53. PROCEEDS HOW TO BE APPLIED**

The net proceeds of any such sale shall be applied in or towards satisfaction of the said debts, liabilities or engagements and the residue (if any) paid to such member, his heirs, executors, administrators or assigns.

#### **54A. DECLARATION OF FORFEITURE**

a. A duly verified declaration in writing that the declarant is a Director, the Managing Director of the Manager of the Secretary of the Company, and that share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to the 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 any may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed off.

c. The person to whom such Share is sold, re-allotted or disposed of shall thereupon be registered as the holder of the Share.

d. Any such purchaser or allottee shall not (unless by express agreement) be liable to pay calls, amounts, installments, interests and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the Share before the time of completing such purchase or before such allotment.

e. Such purchaser or allottee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be effected by the irregularity or invalidity in the proceedings in reference to the forfeiture, sale re-allotment or other disposal of the Shares.

**54B.** The declaration as mentioned in Article 65(a) of these Articles shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.

#### **55. TITLE OF PURCHASER AND ALLOTTEE OF FORFEITED SHARES**

The Company may received 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 and the person to whom such share is sold, re-allotted or disposed off may be registered as the holder of the share. Any such purchaser or allottee shall not (unless by express agreement to the contrary) be liable to pay any calls, amounts, installments, interest and expenses owing to the Company prior to such purchase or allotment, nor shall he be entitled (unless by express agreement to contrary) 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. 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 affected by any irregularity or invalidity in the proceedings with reference to the forfeiture, sale, re-allotment or disposal of the share.

#### **56. PARTIAL PAYMENT NOT TO PRECLUDE FORFEITURE**

Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as herein provided.

#### **57. THE 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 to 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 the Shares or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

#### **58. BOARD MAY ACCEPT SURRENDER OF SHARES**

The Board may at any time, subject to the provisions of the Act, accept the surrender of any share from or by any member desirous of surrendering the same on such terms as the Board may think fit.

#### **59. COMPANY'S LIEN ON SHARE/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. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this Article.

#### **60. ENFORCING LIEN BY SALE**

For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as it thinks fit but no sale shall be made until such time fixed as aforesaid shall have arrived and until notice in writing of the intention to sell, shall have been served on such member his heirs, executors, administrators or other legal representatives as the case may be and default shall have been made by him or them in payment, fulfillment or discharged of such debts, liabilities or engagements for seven days after the date of such notice.

#### **61. APPLICATION OF PROCEEDS OF SALE**

The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of the said debts, liabilities or engagements and the residue, if any, shall be paid to such member, his heirs, executors, administrators or other legal representatives, as the case may be.

#### **62. VALIDITY OF SALE IN EXERCISE OF LIEN AND AFTER FORFEITURE**

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Board of Directors may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of the shares sold and the purchaser shall not be bound to see to the regularity of the proceedings, nor to the application of the purchase money and after his name has been entered in the Register of members in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

#### **63. BOARD OF DIRECTORS MAY ISSUE NEW CERTIFICATES**

Where an shares under the powers in that behalf herein contained are sold by the Board of Directors after forfeiture or for enforcing a lien, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall voluntarily or on demand by the Company, have been previously surrendered to the Company by the defaulting member) stand cancelled and become null and void and of no

effect and the Board of Directors may issue a new certificate or certificates for such shares distinguishing it or them in such manner as it may think fit from the certificate or certificates previously issued in respect of the said shares.

#### **64. MONEY DUE FROM THE COMPANY MAY BE SET OFF AGAINST MONEY DUE TO THE COMPANY**

Any money due from the Company to a member may without the consent and notwithstanding the objection of such member, be applied by the Company in or towards the payment of any money due from him to the Company for calls or otherwise.

#### **64A. SUM PAYABLE ON ALLOTMENT TO BE DEEMED A CALL**

For the purpose of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.

### **TRANSFER AND TRANSMISSION OF SHARES**

#### **65. REGISTER OF TRANSFER**

The Company shall keep a book to be called the Register of Transfer and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

#### **66. EXECUTION OF TRANSFER**

Subject to the Provisions of the Act and these Articles, the transfer of shares in or debentures of the Company shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company along with the certificate if in existence or along with the letter of allotment of the shares or debentures. The transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof. Shares of different classes shall not be included in the same instrument of transfer.

#### **67. INSTRUMENT OF TRANSFER**

The instrument of transfer shall be in writing and all the provisions of section 108 of the Act and any statutory modification thereof, for the time being, shall be duly complied with in respect of all transfers of shares and of the registration thereof.

**67A.** (i) Every holder of the share(s) in, and / or debenture(s) of the Company, may at any time nominate, in the manner prescribed under the Act, a person to whom his share(s) in, and/or debenture(s) of the Company, shall vest in the event of his death.

(ii) Where the share(s) in, and/or debenture(s) of the Company, are held by more than one person jointly, all the joint-holders may together nominate, in the manner prescribed under the Act, a person to whom all the rights in the share(s) and/or debenture(s) of the Company, as the case may be, shall vest in the event of death of all the joint holders.

(iii) Notwithstanding anything contained in any other law for the time being in force or in these Articles or in any disposition, whether testamentary or otherwise, in respect of such share(s) in, and/or debenture(s) of the Company, where a nomination made in the manner prescribed under the Act, purports to confer on any person the right to vest the share(s) in, and/or debenture(s) of the Company, the nominee shall, on the death of the shareholder and/or debenture-holders concerned or on the death of all the joint-holders, as the case may be, become entitled to all the rights in relation to such share(s) in and/or debenture(s) to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner prescribed under the Act.

(iv) Where the nominee is a minor, the holder of the share(s) in, and/or debenture(s) of the Company, can make a nomination in the manner prescribed under the Act, to appoint any person to become entitled to the share(s) in, and/or debenture(s) of the Company, in the event of his death, during the minority.

(v) Notwithstanding anything contained in these Articles, any person who becomes a nominee by virtue of the provisions of Article 67A, upon the production of such evidence as may be required by the Board and subject as herein after provided, may elect either;

- a. to be registered himself as holder of the share(s) and/or debenture(s), as the case may be; or
- b. to make such transfer of the share(s) and/or debenture(s), as the case may be, as the deceased shareholder and/or debenture-holder, as the case may be, could have made.

If the person being a nominee, so becoming entitled, elects to be registered as holder of the share(s) and/or debenture(s) himself, he shall deliver or send to the Company, a notice in writing duly signed by him stating

that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder and/or debenture-holder, as the case may be.

(vi) All the limitations, restrictions and provisions of the Act, relating to the right to transfer and the registration of transfer of share(s) and/or debenture(s) shall be applicable to any such notice or transfer as aforesaid as if the death of the shareholder/debenture holder had not occurred and the notice or transfer were a transfer signed by that shareholder and/or debenture-holder as the case may be.

(vii) A person, being a nominee, becoming entitled to the share(s) and/or debenture(s) by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share(s) and/or debenture(s), except that he shall not, before being registered a member in respect of his share(s) or debenture(s), be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided that, the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share(s) and/or debenture(s) and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share(s) and/or debenture(s), until the requirements of the notice have been complied with.

#### **68. NO TRANSFER TO A PERSON OF UNSOUND MIND**

No transfer shall be made to a minor or a person of unsound mind.

#### **69. TRANSFER OF SHARES**

1. An application for the registration of a transfer of shares may be made either by the transferor or by the transferee.

2. Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

3. For the purpose of clause (2) hereof notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instruments of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

##### **4. DIRECTORS MAY REFUSE TO REGISTER TRANSFER**

Subject to the Provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any Shares or interest of a Member in or Debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be giving reasons for such refusal. Provided that the registration of a transfer shall not be refused person or persons indebted to the Company on any account whatsoever except where the Company has a lien on Shares.

5. If the Company refuses to register the transfer of any share or transmission of right therein, the Company shall within one month from the date on which instrument of transfer or the intimation of transmission, as the case may be, was delivered to the Company, sends notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be.

6. Nothing in these Articles shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares of the Company has been transmitted by operation of law.

##### **7. NO FEE ON TRANSFER OR TRANSMISSION**

No fee shall be charged for registration of transfer, transmission, Probate, Succession, Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

#### **70. TRANSFER TO BE LEFT AT OFFICE AS EVIDENCE OF TITLE GIVEN**

Every instruments of transfer duly executed and stamped shall be left at the office for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares.

#### **71. WHEN TRANSFER TO BE RETAINED**

All instruments of transfer which are registered shall be retained by the Company but any instrument of transfer which the Board declines to register shall, on demand, be returned to the person depositing the same. The Board may cause to be destroyed all transfer deeds lying with the Company after such period not being less than six years as it may determine.

**72. TRANSFER BOOKS WHEN ENCLOSED**

The Board may after giving not less than seven days previous notice by advertisement as required by Section 154 of the Act, close the Register or Members or the Register of Debenture Holders for any period or periods not exceeding in the aggregate, 45(forty five) days in each year but not exceeding 30 days at any one time.

**73. DEATH OF ONE OR MORE JOINT HOLDERS OF SHARES**

In the case of death of any one or more of the persons named in Register of Members as joint shareholders of any share, the survivors shall be the only persons recognized by the Company as having any title to or interest in such shares, but nothing herein contained shall be taken to release the estate of a joint shareholder from any liability to the Company on shares held by him jointly with any other person.

**74. TITLE TO SHARES OF DECEASED HOLDER**

Subject to Article 74 the heir, executor or administrator of a deceased shareholder shall be the only person recognized by the Company as having any title to his shares and the Company shall not be bound to recognize such heir, executor or administrator unless such heir, executor or administrator shall have first obtained letters of administration or succession certificate.

**75. TRANSMISSION OF SHARE**

Subject to the provisions of the Act and these Articles, any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence as the Board think sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him and approved by the Board registered as such holder, provided nevertheless that if such person shall elect to have his nominee registered, he shall testify the election by executing to his nominee an instrument of transfer of the share in accordance with the provisions herein contained and until he does so he shall not be freed from any liability in respect of the share.

**76. BOARD MAY REFUSE TO TRANSMIT**

The Board shall, subject to the provisions of Article 68 hereof, have the same right to refuse on legal grounds to register a person entitled by transmission to any share or his nominee, as if he were the transferee named in any ordinary transfer presented for registration.

**77. BOARD MAY REQUIRE EVIDENCE OF TRANSMISSION**

Every transmission of share shall be verified in such manner as the Board may require and if the Board so desires, be accompanied by such evidence as may be thought necessary and the Company may refuse to register any such transmission until the same be verified on requisite evidence produced or until or unless an indemnity be given to the Company with regard to such registration which the Board at its absolute discretion shall consider sufficient, provided nevertheless, that there shall not be any obligation on the Company or the Board to accept any indemnity.

**78. TRANSFER BY LEGAL REPRESENTATION**

A transfer of a 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 instrument of transfer.

**79. CERTIFICATE OF TRANSFER**

The Certification by the Company of any instrument of transfer of shares in or debentures of the Company, shall be taken as a representation by the Company to any person acting on the faith of the certification that there have been produced to the Company such documents as on the face of them show a prime facie title to the shares or debentures in the transferor named in the instrument of transfer, but not as a representation that the transferor has any title to the shares or debentures.

**80. THE COMPANY NOT LIABLE FOR DISREGARD OF A NOTICE PROHIBITING REGISTRATION OF TRANSFER**

The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer or transmission of shares made or purporting to be made by any apparent legal owner thereof as shown or appearing in the Register of Members to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had

notice of such equitable right, title or interest or notice prohibiting registration of such transfer any may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some books of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

**A. NOMINATION**

- i. Every shareholder or debenture holder of the Company, may at any time, nominate a person to whom his shares or debentures shall vest in the event of his death in such manner as may be prescribed under the Act.
- ii. Where the shares or debentures of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the shares or debentures, as the case may be shall vest in the event of death of all the joint holders in such manner as may be prescribed under the act.
- iii. Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the shares or debentures, the nominee shall, on the death of the shareholders or debenture holder or, as the case may be on the death of the joint holders become entitled to all the rights in such shares or debentures or, as the case may be , all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act.
- iv. Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint any person to become entitled to shares in, or debentures of, the Company in the manner prescribed under the Act, in the event of his death, during the minority.

**“OPTION OF NOMINEE**

i. A nominee upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either-(a) to register himself as holder of the share or debenture, as the case may be; (b) or to make such transfer of the shares and/or debentures, as the deceased shareholder or debenture holder, as the case may be, could have made.

If the nominee elects to be registered as holder of the shares or debentures, himself, as the case may be, he shall deliver or send to the Company, notice in writing signed by him stating that he so elects and such notice shall be accompanied with death certificate of the deceased shareholder or debenture holder, as the case may be

(ii) A nominee shall be entitled to the share dividend/interest and other advantages to which he would be entitled if he were the registered holder of the shares or debentures, provided that he shall not, before being registered as a member, be entitled to exercise any right conferred by membership in relation to the meeting of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares or debentures, and if the notice is not complied within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the shares or debentures, until the requirements of the notice have been complied with.

**80B. TRUST NOT RECOGNISED**

Save as herein otherwise provided, the Company shall be entitled to treat the person whose names) appears on the Register of Members/Debentures as the holder of any Shares/Debentures in the records of the Company and/or in the records of the Depository as the absolute owner thereof and accordingly shall not (except as may be ordered by a Court of competent jurisdiction or as may be required by law) be bound to recognize any benami trust or equitable, contingent, future or other claim or interest or partial interest in any such shares/debentures on the part of any other person or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto on the part of any other person whether or not it shall have express or implied notice thereof, but the Board shall be at liberty and at its sole discretion decided to register any share/debenture in the joint names of any two or more persons or the survivor or survivors of them.

**80C.TRANSFER OF SECURITIES**

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of depository.

**80D. NOTICE OF APPLICATION WHEN TO BE GIVEN**

Where, in case of partly paid Shares, an 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.

**80E. 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.

**80F. PERSON ENTITLED MAY RECEIVE DIVIDEND WITHOUT BEING REGISTERED AS A MEMBER**

A person entitled to a Share by transmission shall subject to the right of the Directors to retain dividends or money as is herein provided, be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the Share.

**JOINT HOLDERS****81. BOARD MAY REFUSE TRANSFER TO MORE THAN THREE PERSONS**

Subject to the provisions of the Act, the Board may refuse to transfer a share or shares in the joint names of more than three persons.

**82. JOINT HOLDERS**

Where more than one person is registered as the holder of any share, the person first named in the Register of Members as one of the joint holders of a share shall be deemed the sole holder for matters connected with the Company subject to the following and other provisions contained in these articles;

**JOINT AND SEVERAL LIABILITIES FOR ALL PAYMENTS IN RESPECT OF SHARES**

a. The joint holders of any share shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such share.

**TITLE OF SURVIVORS**

b. On the death of any such joint holder, the survivor or survivors shall be the only person or persons recognized by the Company as having any title to the share but the Board may require such evidence of death as it may deem fit and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person.

**EFFECTUAL RECEIPTS**

c. Any one of several persons who is registered as joint holder of any share may give effectual receipts for all dividends and payments on account of dividends in respect of such share.

**DELIVERY OF CERTIFICATE AND GIVING OF NOTICE TO FIRST NAMED HOLDER**

d. Only the person whose name stands first in the Register of Members as one of the joint holders of any share shall be entitled to delivery of the certificates relating to such share or to receive documents (which expression shall be deemed to include all documents referred to in Article 28 from the Company and document served on or sent to such person shall be deemed service on all the joint holders).

**VOTES OF JOINT HOLDERS**

e. Any one or two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney than that one or such persons so present whose name stands first or higher (as the case may be) on the Register of Members in respect of such shares shall alone be entitled to vote in respect thereof but the others of the joint holders shall be entitled to be present at the meeting; provided always that a joint holder present at any meeting personally shall be entitled to vote in preference to a joint holder present by attorney or by proxy although the name of such joint holder present by an attorney or by proxy although the name of such joint holder present by an attorney or proxy stands first or higher (as the case may be) in the register in respect of such shares. Several executors or administrators of a deceased members in whose (deceased member's) sole name any shares stand shall for the purpose of this Article, be deemed joint holders.



## **SHARE WARRANTS**

### **82A.**

#### **(i) Power to issue Share Warrants.**

The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

#### **(ii) 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 call in a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Share included in the deposit warrant.

(b) Not more than one person shall be recognized as depositor of the Share warrant

(c) The Company shall, on two day's written notice, return the deposited share warrant to the depositor.

#### **(iii) Privileges and Disabilities of the holders of Share Warrants.**

(a) Subject as herein otherwise expressly provided, no person, being a bearer of a share warrant, shall 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 Members as the holder of the Share included in the warrant, and he shall be a Member of the Company.

#### **(iv) Issue of New Share Warrants Coupons**

The Board may, from time to time, make bye-laws as to 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**

### **Shares may be converted into stock**

83. The Board may, with the sanction of a General Meeting, convert any paid up share into stock and when any shares shall have been converted into stock, the several holders of such stock may henceforth, transfer their respective interests therein or any part of such interest in the same manner as and subject to the same regulations, under which fully paid up share in the capital of the Company may be transferred or as near thereto as circumstances will admit, but the Board may, from time to time if it thinks fit, fix the minimum amount of stock transferable and direct that fractions of a rupee shall not be dealt with, power nevertheless at their discretion to waive such rules in any particular case.

### **Rights of Stock-holders**

84. The stock shall confer on the holders thereof respectively the same rights, privileges and advantages as regards participation in the profits and voting at meetings of the Company and for other purposes as would have been conferred by shares of equal amount in the capital of the Company of the same class as the shares from which such stock was converted, but so that none of such privileges or advantages except participation in the profits of the Company or in the assets of the Company on a winding up, shall be conferred by any such equivalent part of consolidated stock as would not, if existing in shares have conferred such privileges or advantages. No such conversion shall effect or prejudice any preference or other special privileges attached to the shares so converted. Save as aforesaid, all the provisions herein contained shall, so far as circumstances will admit, apply to stock as well as to shares. The Company may at any time reconvert any such stock into fully paid up shares of any denomination.

## **MEETING OF MEMBERS**

85. (a) Subject to Section 166 of the Act, the Company shall in each year hold, in addition to any other meetings, a General Meeting as its Annual General Meeting and shall specify the meeting as such in the notices calling it and not more than fifteen months shall elapse between the date of the Annual General Meeting of the Company and that of the next, subject however to the right of the Registrar, under the Act, to extend the time within which any Annual General Meeting may be held.

(b) Every Annual General Meeting shall be called for at a time during business hours on a day that is not a public holiday and shall be held either at the Registered Office of the Company or at some other place within the city or town or village in which the Registered Office of the Company is situated.

**86.** The Company shall in accordance with Section 159 of the Act, within 60 day from the day on which the Annual General Meeting is held, prepare and file with the Registrar a return in the form set out in part II of Schedule V to the Act or as near thereto as the circumstance shall admit and containing the particulars specified in part I of the said Schedule V together with three copies of the Balance Sheet and the Profit and Loss Account laid before the Annual General Meeting in accordance with Section 220 of the Act.

#### **Distinction between Annual General Meeting and Extra-ordinary General Meeting**

**87.** The General Meeting referred to in Article 86 shall be called and styled as an Annual General Meeting and all meetings other than the Annual General Meeting shall be called Extra-ordinary General Meetings.

#### **Calling of Extra-ordinary General Meeting**

**88.** The Board may, whenever it thinks fit, call an Extra-ordinary General Meeting of the Company and it shall, on the requisition of the holders of not less than one-tenth of the issued capital of the Company upon which all calls or other sums then due have been paid forthwith proceed to convene an Extra-Ordinary General Meeting of the Company and in the case of such requisition, the provision of Section 169 of the Act shall apply. No shareholder or shareholders shall call a meeting of the Company except by or upon a requisition as herein provided.

#### **Length of notice for calling meeting**

**89.** (1) A General Meeting of the Company may be called giving not less than twenty one days notice in writing.

(2) A General Meeting may be called after giving shorter notice than the specified in sub-clause (1) hereof, if consent is accorded thereof.

- i. in the case of an Annual General Meeting, by all the members entitled to vote thereat: and
- ii. in the case of any other meeting, by members of the Company holding not less than ninety five per cent of such part of the paid up share capital of the Company as gives a right to vote at that meeting.

Provided that where any members of the Company are entitled to vote on some resolution to be moved at the meeting and not on the others, those members shall be taken into the account for the purpose of this sub-clause in respect of the former resolution or resolutions and not in respect of the later.

#### **Contents and manner of services of notices and person on whom it is to be served**

**90.** (1) Every notice of the 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) Notice of every meeting of the Company shall be given:

- to every member of the Company, in any manner authorised by sub-sections (1) to (4) of Section 53 of the Act.
- to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in prepaid letter addressed to them by name or by the title of representatives of the deceased or assignee of the insolvent or by any like description at the address if any, in India supplied for the purpose by the persons claiming to 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
- 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 any member of members of the Company.

PROVIDED that where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighborhood of the registered office of the Company under sub-section (3) of 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.

(3) The accidental omission to give notice to or non receipt of notice by any member or other person to whom it should be given shall not, invalidate the proceedings at the meeting.

(4) Every notice convening a meeting of the Company shall state in that a member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and that a proxy need not be a Member of the Company.

**Special business**

**91.** All business to be transacted at an Annual General Meeting with the exception of businesses relation to (i) the consideration of the accounts, balance sheets and reports of the Board of Directors and Auditors, (ii) the declaration of the dividend, (iii) the appointment of Directors in place of those retiring and (iv) the appointment of and the remuneration of Auditors and all business to be transacted at any other meetings of the Company shall be deemed Special.

**Explanatory Statement to be annexed to notice**

**92.** Where any items of business to be transacted at any meeting of the Company are deemed to be special as aforesaid, there shall be annexed to the notice of meeting an explanatory statement setting out all material facts concerning each item of business including in particular the nature and extend of the interest, if any, therein, of every Director and of the Manager and specifying 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.

PROVIDED that where any such item of special business at the meeting of the Company related to or affects any other company, the extent of shareholding interest in that other company of every Director of the Company, shall also be set out in the statement, if the extent of such shareholding interest is not less than 20 per cent of the paid up share capital of that other company.

**Meeting not competent to discuss or transact any business not mentioned in notice**

**93.** No General Meeting, Annual or Extra-ordinary, shall be competent to enter upon, discuss or transact any business which has not been specifically mentioned in the notice or notices upon which it is convened.

**Quorum**

**94.** Five members entitled to vote and present in person shall be a quorum for a General Meeting. When more than one of the joint holders of a share is present not more than one of them shall be counted for determining the quorum. Several executors or administrators of a deceased person in whose sole name a share stands shall, for the purpose of this Article, be deemed joint holders thereof. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India, or the Governor of a State being member of the Company shall be deemed to be personally present if he is represented in accordance with Section 187A of the Act.

**Presence of quorum**

**95.** No business shall be transacted at any General Meeting unless the requisite quorum shall be present at the commencement of the business.

**If Quorum not present, meeting to be dissolved and when to be adjourned**

**96.** If within half an hour from the time appointed for holding the meeting a quorum is not present, the meeting, if called upon the requisition of members shall stand dissolved but in any other case, it shall stand adjourned to the same day in the next week, at the same time and place or if that day is a public holiday, or to such other day, time and place as the Board may determine.

**97.** If at the adjourned meeting, a quorum is not present within half an hour from the time appointed for holding the meeting the members present shall be a quorum and may transact the business for which the meeting was called.

**Resolution passed at adjourned meeting**

**98.** Where a resolution shall, for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

**Power of adjourn General Meeting**

**99.** (1) The Chairman of the General Meeting may adjourn the same from time to time and from place to place, but not business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(2) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

(3) Save as aforesaid, it shall not be necessary to give any notice of an adjournment of or of the business to be transacted at any adjourned meeting.

**Chairman of General Meeting**

**100.** The Chairman of the Board shall, if willing, preside as Chairman at every General Meeting, Annual or Extra-ordinary, if there be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or being present declined to take the Chair, the Directors present may choose one of their members to be Chairman and in default of their doing so, the members present shall choose one of the Directors to be Chairman and if no Director present be willing to take the Chair, members shall, on a show of hands elect one of their numbers to be Chairman, of the meeting, if a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with the provisions of the Act and these Articles and the Chairman elected on a show of hands shall exercise all the powers of the Chairman under the said provisions. If some other person is elected chairman as a result of the poll, he shall be the Chairman for the rest of the meeting.

**Business confined to election of Chairman while chair vacant**

**101.** No business shall be discussed at any General Meeting except the election of a Chairman while the chair is vacant.

**Resolution must be proposed and seconded**

**102.** No resolution submitted to a meeting, unless proposed by the Chairman of the meeting shall be discussed nor put to vote until the same has been proposed by a member present and entitled to vote at such meeting and seconded by another member present and entitled to vote at such meeting.

**Postal Ballot**

**102A** The Company may pass such resolution by postal ballot in the manner prescribed by Section 192A of the Act and such other applicable provisions of the Act and any future amendments or re-enactment thereof. Notwithstanding anything contained in the provisions of the Act, the Company shall in the case of a resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of postal ballot instead of transacting such business in a general meeting of the Company.

**How question to be decided at meetings**

**103.** At any General Meeting, a resolution put to the vote of the meeting, shall be, decided on a show of hands unless the poll is demanded as provided in these Articles.

**Declaration of Chairman to be conclusive**

**104.** A declaration by the Chairman that on a show of hands, a resolution has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number of proportion of the votes cast in favour of or against such resolution.

**Demand for poll**

**105.** (1) Before or on the declaration of the result of the voting on any resolution on a show hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on demand made in that behalf by the person or persons specified below, that is to say: by any member or members present in person or by proxy and holding shares in the Company: which confer a power to vote on the resolution not being less than one-tenth to the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand has been paid up.  
(2) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

**Time of taking Poll**

**106.** Any poll duly demanded on the question of adjournment shall be taken forthwith, a poll demanded on any other question shall be taken at such time not exceeding 48 hours from the time when the demand was made, as the Chairman of the meeting may direct.

**Scrutineers at Poll**

**107.** Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given on the poll and to report thereon to him, the Chairman shall have power, at any time, before the result of the poll is declared to remove a scrutineer from office and to fill vacancies of the office of scrutineer arising from such removal or from any other cause of the two scrutineers so to be appointed, one

shall always be a member (not being an officer or employee of the Company) present at the meeting provided such a member is available and is willing to be appointed.

**Business may proceed notwithstanding demand for Poll**

**108.** The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

**Chairman's casting vote**

**109.** In the case of equality of votes, the Chairman shall, both on a show of hands and on a poll, have a second or casting vote in addition to the vote or votes to which he may be entitled as a member.

**Manner of taking poll and result thereof**

**110.** (a) Subject to the provisions of the Act the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.

(b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

**110A. Requisitionists' meeting**

(1) Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of Members as is hereinafter specified and (unless the General Meeting otherwise resolves) at the expense of the requisitionists:-

(a) Give to the Members of the Company entitled to receive notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting.

(b) Circulate to the Members entitled to have notice of any General Meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at that Meeting.

(2) The number of Members necessary for a requisition under clause (1) hereof shall be (a) Such number of Members as represent not less than one-twentieth of the total voting power of all the Members having at the date of the resolution a right to vote on the resolution or business to which the requisition relates; or

(b) not less than one hundred Members having the rights aforesaid and holding Shares in the Company on which there has been paid up an aggregate sum of not less than Rupees one 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 to each Member in any manner permitted by the Act for service of notice of the Meeting and notice of any such resolution shall be given to any other Member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act for giving him notice of meeting of the Company. The copy of the resolution shall be served, or notice of the effect of the resolution shall be given, as the case may be in the same manner, and so far as practicable, at the same time as notice of the Meeting and where it is not practicable for it to be served or given at the time it shall be served or given as soon as practicable thereafter.

(4) The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless:

(a) A copy of the requisition signed by, the requisitionists (or two or more copies which between them contain the signature of all the requisitionists) is deposited at the Registered Office of the Company.

(i) In the case of a requisition, requiring notice of resolution, not less than six weeks before the Meeting.

(ii) the case of any other requisition, not less than two weeks before the Meeting, and

(b) There is deposited or tendered with the requisition sum reasonably sufficient to meet the Company expenses in giving effect thereto.

PROVIDED THAT if after a copy of the requisition requiring notice of a resolution has been deposited at the Registered Office of the Company, and an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purposes also thereof.

(5) The Company shall also not be bound under this Article to circulate any statement, if on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this Article are being abused to secure needless publicity for defamatory matter.

(6) Notwithstanding anything in these Articles, the business which may be dealt with at Annual General Meeting shall include any resolution for which notice is given in accordance with this Article, and for the purposes of this clause, notice shall be deemed to have been so given, notwithstanding the accidental omission in giving it to one or more Members.

**110B. Extra-ordinary General Meeting by Board and by Requisition**

(a) The Directors may whenever they think fit, convene an Extra-Ordinary General Meeting and they shall on requisition of the Members as herein provided, forthwith proceed to convene Extra-Ordinary General Meeting of the Company.

(b) If at any time there are not within India sufficient Directors capable of acting to form a quorum, or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a General Meeting, any Director or any two or more Members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call for an Extra-Ordinary General Meeting in the same manner as nearly as possible as that in which meeting may be called by the Directors.

**110C. Contents of requisition, and number of requisitionists required and the conduct of Meeting**

(1) In case of requisition the following provisions shall have effect:

(a) The requisition shall set out the matter for the purpose of which the Meeting is to be called and shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company.

(b) The requisition may consist of several documents in like form each signed by one or more requisitionists.

(c) The number of Members entitled to requisition a Meeting in regard to any matter shall be such number as hold at the date of the deposit of the requisition, not less than one-tenth of such of the paid-up share capital of the Company as that date carried the right of voting in regard to that matter.

(d) Where two or more distinct matters are specified in the requisition, the provisions of sub-clause (3) shall apply separately in regard to such matter, and the requisition shall accordingly be valid only in respect of those matters in regard to which the conditions specified in that clauses are fulfilled.

(e) If the Board does not within twenty-one days from the date of the deposit of a valid requisition in regard to any matters, proceed, duly to call a Meeting for consideration of those matters on a day not later than forty-five days from the date of the date deposit of the requisition, the Meeting may be called:

(i) By the requisitionists themselves; or

(ii) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of the paid-up share capital of the Company as is referred to in sub clauses (c) of clause (I) which ever is less, PROVIDED THAT for the purpose of this sub-clause, the Board shall, in the case of a Meeting at which a resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the Meeting if they do not give such notice thereof as is required by subsection (2) of Section 189 of the Act.

(2) A meeting called under sub-clause (c) of clause (1) by requisitionists or any of them:

(a) shall be called in the same manner as, nearly as possible, as that in which meeting is to be called by the Board; but

(b) shall not be held after the expiration of three months from the date of deposit of the requisition. PROVIDED THAT nothing in sub-clause (b) shall be deemed to prevent a Meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some days after the expiry of that period.

(3) Where two or more Persons hold any Shares in the Company jointly; a requisition or a notice calling a Meeting signed by one or some only of them shall, for the purpose of this Article, have the same force and effect as if it has been signed by all of them.

(4) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly to call a Meeting shall be repaid to the requisitionists by the Company; and any sum repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

**VOTES OF MEMBERS****Votes may be given by proxy or attorney**

111. Subject to the provisions of the Act and these Articles, votes may be given either personally or by an attorney or by proxy or in the case of a body corporate, also by a representative duly authorised under section 187 of the Act and Article 113.

**Votes of members**

112. Subject to the provision of the Act and these Articles, every member not disqualified by Article 116 shall be entitled to be present in person and holding any equity share capital therein, shall have one vote and upon a poll the voting right of every such member present in person or by proxy shall be in proportion to his share of paid up equity share capital of the Company.

Provided, however, if any preference share holder be present at any meeting of the Company, save as provided in Clause (b) of sub-section (2) of Section 84 of the Act, he shall have a right to vote only on resolution placed before the meeting which directly affect the rights attached to his preference shares.

**Right of member to use his votes differently**

**113.** On a poll being taken at meeting of the Company, a member entitled to more than one vote or his proxy or other person entitled to vote for him as the case may be need not, if he votes, use all his votes or cast in the same way all the votes he uses.

**Representation of Body Corporate**

**114.** A body corporate whether a Company within meaning of the Act or not may, if it is a member or creditor of the Company including being a holder of debentures, may authorize such person by a resolution of its Board of Directors, as it thinks fit, to act as its representative at any meeting of creditors of the Company.

**Restriction on exercise of voting right by members who have not paid calls**

**115.** No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and/or has exercised its right of lien.

**No voting by proxy on show of hands**

**116.** No member not personally present shall be entitled to vote on a show of hands, unless such member is a body corporate present by a representative duly authorized, under Section 187 of the Act in which case such representative may vote on a show of hands as if he were a member of the Company. A proxy who is present at a meeting shall not be entitled to address the meeting.

**How member non-compos mentis and minor may vote**

**117.** If any member be a lunatic or non-compos mentis, the vote in respect of his share or shares shall be his committee or other legal guardian provided that such evidence of the authority of the person claimed to vote as shall be acceptable by the Board shall have been deposited at the office of the Company not less than forty eight hours before the time of holding a meeting.

**Instrument of proxy**

**118.** The instrument appointing a proxy shall be in writing and signed by the appointer or his attorney duly authorized in writing or if the appointer is a body corporate be under its seal or be signed by an officer or attorney duly authorized by it.

**Instrument of proxy to be deposited at office**

**119.** The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority shall be deposited at the registered office of the Company not less than forty eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. No instrument of proxy shall be valid after the expiration of twelve months from the date of its execution.

**When vote by proxy valid though authority revoked**

**120.** A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the transfer of the share in respect of which the vote is given. Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its office before the commencement of the meeting or adjournment meeting at which the proxy is used.

**Form of proxy**

**121.** Every instrument of proxy, whether for specified meeting or otherwise shall, as nearly as circumstances will admit, be in the form set out in Schedule IX of the Act.

**Time for objection to vote**

**122.** No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be so tendered and every vote whether given personally or by proxy and not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

**Chairman of any Meeting to be the judge of validity of any vote**

**123.** The Chairman of any meeting shall be sole judge of the validity of every vote tendered at such meeting. The Chairman present at the time of taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

**123A. 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.

**123B. Member paying money in advance not 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 moneys so paid by him until the same would but for such payment become presently payable.

**DIRECTORS**

**124.** 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 nor more than twelve.

**Increase in number of Directors to require Government sanction**

**125.** The Company shall not increase the number of its Directors beyond the maximum fixed by these Articles.

**Power of Directors to appoint additional Directors and to fill casual vacancies**

**126.** Subject to the provision of Sections 260, 263, 264 and 284 (6) of the Act and subject to these Articles, the Directors shall have power at any time and from time to time to appoint any other person as a Director either or fill casual vacancy or as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed. Any additional Director so appointed shall hold the office upto the next Annual General Meeting.

**Nominee Directors**

**127.** Whenever the Company enters into an agreement or contract with the Central or State Government, a local authority, bank or financial institution or any person or persons (hereinafter referred to as the appointer) for borrowing any money or for providing any guarantee or security or for underwriting shares or debentures or other securities of the Company or business takeover agreements, the Board shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have, if and to the extent provided by the terms of such agreement or contract, the right to appoint or nominate, by a notice in writing addressed to the Company, one or more Directors on the Board for such period and upon such conditions as may be mentioned in the agreement or contract and that such Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Board may also agree that any such Director or Directors may be removed from time to time by the appointer entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill any vacancy which may occur as a result of any Director or Directors ceasing to hold that office for any reason whatsoever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the other Directors of the Company including payment of remuneration and traveling expenses to such Director or Directors, as may be agreed by the Company with the appointer. The Company may provide by an agreement specific right to nominee Directors for insisting their concurrence to any of the decision of the Board and if no consent from the nominee Directors is received such a decision of Board would not be taken or if taken shall not be binding on Company, as if not validly taken.

**Debenture Directors**

**128.** If it is provided by the trust deed securing or otherwise in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate a Director of the Company then in



the case of any and every such issue of debentures, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as Debenture Director. A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be bound to hold any qualification shares.

#### **Qualification of Directors**

**129.** A Director need not hold any qualification shares.

#### **Remuneration of Directors**

**130.** (1) Subject to the provisions of the Act, a Managing Director or any other Director, who is in the Whole time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.

(2) Subject to the provisions of the Act, a Director who is neither in the Whole-time employment not a Managing Director may be paid remuneration.

(i) by way of monthly, quarterly or annual payment with the approval of the Central Government: or

(ii) by way of commission if the Company by a special resolution authorises such payments.

(3) The fees payable to Director (including a Managing or whole-time Director, if any) for attending a meeting of the Board or Committee shall be decided by the Board of Directors from time to time, however the amount thereof shall not exceed limit provided in the Companies Act, 1956 and rules, if any, framed there under.

(4) if any Director be called upon to perform extra services or special exertion or efforts (which expression shall include work done by a Director as member of any committee formed by the Directors), the Board may arrange with such Directors for such special remuneration for such extra services or special exertions or either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided.

#### **Travelling Expenses incurred by a Director not a bonafide resident or by Director going out on Company's Business**

**131.** The Board may allow and pay to any Director who is not a bonafide resident of the place where the meetings of the Board or committee thereof are ordinarily held and who shall come to a such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation or for traveling, boarding, lodging and other expenses, in addition to his fee for attending such meeting as above specified and if any Director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed any travelling or other expenses, incurred in connection with business of the Company.

#### **Directors may act notwithstanding any vacancy**

**132.** The continuing Directors may act notwithstanding any vacancy in the Board, but if and so long as the number is reduced below the quorum fixed by the Act or by these Articles for a meeting of the Board, the continuing Directors or Director may act for the purpose of increasing the number of Directors to that fixed for the quorum or for summoning a General Meeting of the Company but for no other purpose.

#### **Disclosure of interest of Directors**

**133.** (1) Every Director of the Company who is in any way, whether directly or indirectly concerned or interested in any 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 Directors.

(2) (a) In case of a proposed contract or 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 a 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 becomes so concerned or interested.

(b) In the 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) hereof, 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 concerned or 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 a further period of one financial year at a time by a fresh notice in the last month of the financial year in which would it otherwise have expired.

(c) No such general notice and no renewal thereof shall be effective unless either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

(d) Nothing in this Article shall apply to any contract or arrangement entered into or to be entered into between two companies when any of the Directors of the Company or two of them together holds or hold not more than two per cent of the paid up share capital in the other company.

#### **Interested Director not to participate or vote on Board's proceedings**

**134.** No Director of the Company shall, as Director, take any part in the discussion of or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company if he is in any way whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote and if he does vote his vote shall be void, provided however that Directors may vote on any contract of indemnity against any loss which the Directors or any one or more of them may suffer by reason of becoming or being sureties or surety for the Company.

#### **Board's sanction to be required for certain contracts in which particular Director is interested**

**135.** A Director of the Company or his relative, a firm in which such Director or relative is partner, any other partner in such firm or a private company of which the Director is a member of Director shall not enter into any contract with the Company, except to the extent and subject to the provisions of Section 297 of the Act.

#### **135A. Special Director**

In connection with any collaboration arrangement with any company or corporation or any firm or person for supply of technical know-how and/or machinery or technical advice the directors may authorize such company, corporation, firm or person herein-after in this clause referred to as "collaboration" to appoint from time to time any person as director of the company (hereinafter referred to as "special director") and may agree that such special director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for office of such director, so however that such special director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such collaborator under the collaboration arrangements or at any time thereafter.

The collaborators may at any time and from time to time remove any such special director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time appoint any other person as special director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the Company at its registered office.

It is clarified that every collaborator entitled to appoint a director under this article may appoint one such person as a director and so that if more than one collaborator is so entitled there may be at any time as many special directors as the collaborators eligible to make the appointment.

#### **135B. 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 when the Original Director returns to the State in which the meetings of the Board are ordinarily held and if the term of office of the Original Director is determined before he returns to as aforesaid, any provisions in the Act or in these Articles for automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director.

**135C. Limit on number of retaining Directors**

The provisions of Articles 146, 147, 148 and 149 are subject to the provisions of of Section 256 of the Act and number of such Directors appointed under Article 147 shall not exceed in the aggregate one third of the total number of Directors for the time being in office.

**135D. Directors' sitting fees**

The fees payable to a Director for attending each Board meeting shall be such sum as may be fixed by the Board of Directors not exceeding such as may be prescribed by the Central Government for each of the meetings of the Board or A committee thereof and adjournments thereto attended by him. The directors, Subject to the sanction of the Central Government (if any required) may be paid such higher fees as the Company in General Meeting shall from time to time determine.

**135E. Directors and Managing Director may contract with Company**

Subject to the provisions of the Act the Directors (including a Managing Director And whole time Director) shall not be disqualified by reason of his or their office as such from holding office under the Company or from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or lessee or Otherwise, nor shall any such contract or any contracts or arrangement entered Into by or on behalf of the Company with any Director or with any company or Partnership of or in which any Director shall be a member or otherwise interested be avoided nor shall any Director so contracting be liable to account to the Company for any profit realized by such contract or arrangement by reason only Of such director holding that office or of the fiduciary relation thereby Established, but it is declared that the nature of his interest shall be disclosed as Provided by Section 299 of the Act and in this respect all the provisions of Section 300 and 301 of the Act shall be duly observed and complied with.

**135F. Disqualification of the Director**

A person shall not be capable of being appointed Director of the Company if:-

- (b) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force;
- b) he is an undischarged insolvent;
- c) he has applied to be adjudged an insolvent and his application is pending;
- d) he has been convicted by a Court of any offence involving moral turpitude sentenced in respect thereof to imprisonment for not less than six months and a period of five months and a period of five years has not elapsed form the date of expiry of the sentences;
- e) he has not paid any call in respect of shares of the Company held by him
- f) whether alone or jointly with others and six months have lapsed from the last day fixed for the payment of the call; or
- g) 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.

**135G. Director may be director of companies promoted by the Company**

A Director may be or become a director of any company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise and no such Director shall be accountable for any benefit received as director or Shareholder of such company except in so far Section 309(6) or Section 314 of the Act may be applicable.

**135H. Appointment of Sole Selling Agents**

- a) The appointment, re-appointment and extension of the sole selling agent, shall be regulated in accordance with the provisions of Section 294 of the act and any rules or Notifications issued by the competent authority in accordance with that section and the Directors and/or the Company in General Meeting may make the appointment, re-appointment or Section and such rules or notifications, if any, as may be applicable.
- b) The payment of any compensation to a sole selling agent shall be subject to the provisions of Section 294A of the Act.

**RETIREMENT AND ROTATION OF DIRECTORS****Retirement of Directors by rotation**

136. (1) At every Annual General Meeting, 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, then the number to one third shall

retire from office. The Debenture Directors and Nominee Directors, if any, shall not be subject to retirement under clause and shall not be taken into account in determining the retirement by rotation or the number of Directors to retire.

(2) The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who became Directors on the same day those who are to retire shall in default of and subject to any agreement among themselves, be determined by lot.

(3) At the Annual General Meeting at which a Director retires as aforesaid, the Company may fill up the vacancy by appointing the retiring Director who shall be eligible for reappointment or some other person thereto.

(4) If the place of the retiring Director is not 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 is a public holiday, till the next succeeding day which is not a public holiday at the same time and place. If at the adjourned meeting also, the place of the retiring Director is not filled up and that 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 the meeting or at the previous meeting, a resolution for the re-appointment of such Director has been put to the vote 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;
- (iv) a resolution, whether special or ordinary, is required for his appointment or re-appointment by virtue of any of the provisions of the Act.

#### **Appointment of Director to be vote individually**

137. (1) 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.

(2) A resolution moved in contravention of clause (1) shall be void whether or not objection was taken at the time of its being so moved; provided that where a resolution so moved is passed, no provision for the automatic re-appointment shall apply.

(3) For the purpose of this clause, a motion for approving a person's appointment or for nominating a person for appointment shall be treated as motion for his appointment.

138. (1) A person who is not a retiring Director shall, subject to the provisions of the Act, be eligible for appointment to the office of Director at any General Meeting if he or some member intending to propose him has not less than fourteen days before the meeting, left at the office of the Company a notice in writing under his hand signifying candidature for the office of Director or the intention of such member to propose him as a candidate 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 member of the candidature of a 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 notice 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 Gujarati language.

(3) Every person proposed as a Candidate for the office of Director shall sign and file with the Company his consent to act as a Director.

#### **Resignation of Director**

139. A Director may at any time give notice in writing of his intention to resign by addressing it to the Board of Directors of the Company and delivering such notice to the Secretary or leaving the same at the Registered Office of the Company and thereupon his office shall be vacated.

#### **Register of Directors and notification of changes to registrar**

140. The Company shall keep at its registered office, a Register of Director, Managing Director, Manager and Secretary containing the particulars as required by Section 303 of the Act and shall send to the Registrar

a return in the prescribed form containing the particulars specified in the said register and shall notify to the Registrar any change among its Directors, Managing Directors, Manager and Secretary or any of the particulars contained in the register as required by Section 303 of the Act.

#### **140A. Appointment of Technical or Executive Directors**

- a) The Board of Directors shall have the right from time to time to appoint any person or persons as Technical Director or Executive Director/s and remove any such persons from time to time without assigning any reason whatsoever. A Technical Director or Executive Director shall not be required to hold any qualification shares and shall not be entitled to vote at any meeting of the Board of Directors.
- b) Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in General Meeting vacated before his term of office will expire in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if had not been vacated as aforesaid.

### **REMOVAL OF DIRECTORS**

#### **Removal of Directors**

**141.** (1) The Company may, by ordinary resolution, remove a Director not being a Nominee Director appointed under Article 128 or a Debenture Director appointed under Article 129 and not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiry of this period of office.

(2) Special notice shall be required of any resolution to remove a Director under this Article or to appoint somebody instead of a Director so removed at the meeting at which he is removed.

(3) On receipt of notice of a resolution to remove a Director under this Article the Company shall forthwith send a copy thereof to the Director concerned and the Director shall be entitled to be heard on the resolution at the meeting.

(4) Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representation in writing to the Company (not exceeding a reasonable length) and request its notification to members of the Company and shall unless the representations are received by it too late for it to do so.

- a) in any notice of resolution given to the members of the Company, state the fact of the representations having been made; and
  - b) send a copy of the representation to every member of the Company to whom notice of the meeting is sent (whether before or after receipt of the representations by the Company) and if a copy of the representation is not sent as aforesaid because it was received too late or because of the Company's default, the Director may (without prejudice to his right to be heard orally) require that the representation shall be read out at the meeting' provided that copies of the representation need not be sent out and the representation need not be read out at the meeting if on the application either of the Company or of any other person who claims to be aggrieved, a court of competent jurisdiction is satisfied that the rights conferred by this sub-clause are being abused to secure needless publicity for defamatory matter.
- (5) A vacancy created by the removal of a Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board under Article 127 hereof, be filled by the appointment of another Director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.
- (6) If the vacancy is not filled up under the clause (5) hereof, it may be filled as a casual vacancy in accordance with the provisions, so far as they may be applicable to Article 127 hereof and all the provisions of that Article, shall apply accordingly. Provided that the Director who is removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.
- (7) Nothing in this Article shall be taken:
- a) as depriving a person removed there under of any compensation or damages payable to him in respect of any appointment terminating with that as Director; or
  - b) as derogating from any power to remove a Director which may exist apart from this Article.

**Eligibility for re-election.**

**142. A retiring Director shall be eligible for re-election.**

**PROCEEDINGS OF DIRECTORS**

**Proceeding of Directors**

**143.** (a) The Board of Directors may meet together for the dispatch of business, adjourn or otherwise regulate its meetings and proceedings as it may think fit.

(b) A meeting of the Board of Directors shall be held at least once in every three months and at least four such meetings shall be held in every year.

(c) The Chairman, if any, of the Board of Directors may at any time and the Managing Director, if any or the Secretary on the requisition of a Director shall summon a meeting of the Board.

(d) Notice of every meeting of the Board of Directors of the Company shall be given in writing to every Director for the time being in India and at his usual address in India to every other Director.

**Quorum**

**144.** (a) Subject to the provisions of Section 287 of the Act, the quorum for a meeting of the Board shall be one third of the total strength of the Board (any fraction contained in the one-third being rounded off as one) or two Directors whichever is higher, provided that where at any meeting the number of interested Directors exceed or is equal to two thirds of the total strength, the number of the remaining Directors, that is to say, the number of the Directors who are not interested and are present at the meeting, being not less than two, shall be quorum during such time.

(b) for the purpose of clause (a) -

1. Total Strength means that total strength of the Board of Directors of the Company as determined in pursuance of the Act, after deducting therefrom the number of Directors, if any, whose places may be vacant at the time; and
2. Interested Director means any Director whose presence can not by reason of Article 137 hereof or any other provision in the Act, count for the purpose of forming a quorum at a meeting of the Board at the time of discussion or vote on any matter.

**Decision of Questions**

**145.** Subject to the provisions of Section 316, 372, 386 of the Act, question arising at any meeting of the Board shall be decided by a majority of votes and in case of an equality of votes, the Chairman shall have a second or casting vote.

**Board may appoint Chairman, Co-Chairman and Vice Chairman**

**146.** The Board may elect a Chairman, a Co-Chairman and a Vice Chairman of their Meetings and of the Company and determine the period for which he is to hold office. The Chairman or in his absence the Co-Chairman or the Vice Chairman shall be entitled to take the Chair at every General Meeting, whether Annual or Extraordinary, or if there be no such Chairman or Co-Chairman or Vice Chairman of the Board of Directors, or if at any Meeting neither of these shall be present within ten minutes of the time appointed for holding such Meeting, the Directors present may choose one of their members to be the Chairman of the Meeting of their meetings and determine the period for which he is to hold office, but if no such Chairman is elected or if at any meeting the Chairman is not present within ten minutes after the time appointed for holding the meeting, the Directors present may choose one of their members to be the Chairman of the Meeting.

**Power of Board Meeting**

**147.** A meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or the Articles are for the time being vested in or exercisable by the Board generally.

**148.** Subject to the restrictions contained in Section 292 of the Act, the Board may delegate any of its power to a Committee of the Board consisting of such member or members of its body or any other person as it thinks fit and it may from time to time revoke and discharge any such committee of the Board so formed, shall in the exercise of the power so delegated confirm to any regulations that may from time to time be imposed on it by the Board. All acts done by such Committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board.

**Meeting of the Committee how to be Governed**

**149.** The meeting and proceedings of any such Committee of the Board consisting of two or more persons shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board, so far as the same are applicable thereto and are not superseded by any regulations made by the Board under the last preceding Article.

**Act of Board or Committee valid notwithstanding defective Appointment**

**150.** All acts done by any meeting of the Board or by a Committee of the Board or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Directors or Committee or person acting as aforesaid or that they or any of them were or was disqualified or had vacated office or that the appointment or any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director and had not vacated office or his appointment had not been terminated. Provided that nothing in this Article shall be deemed to give validity to acts done by Director after his appointment has been shown to the Company to be invalid or to have terminated.

**151.** (1) No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or to all the members of the committee, than in India (not being less in number than the quorum fixed for a meeting of the Board or a Committee thereof as the case may be) and to all other Directors or members at their usual address in India or by a majority of such of them as are entitled to vote on the resolution.

(2) A resolution passed by circular without a meeting of the Board or a Committee of the Board shall, subject to the provisions of sub-clause (1) hereof and the acts, be as valid and effectual as resolution duly passed at meeting of the Board or of the Committee duly called and held.

**General powers of the Board**

**152.** (1) Subject to the provisions of the Act and these Articles, the Board of Directors of the Company shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorized to exercise and do.

Provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the act or any other act or by the Memorandum of Association of the Company or these Articles or otherwise to be exercised or done by the Company in General Meeting.

Provided further than exercising any power or doing any such act or thing, the Board shall be subject to provisions contained in this behalf in act or in any other act or in the Memorandum of Association or in any regulations not inconsistent therewith and duly made thereunder including regulations made by the Company in General Meeting.

(2) No regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

**152A. Certain powers to be exercised by the Board only at Meetings.**

(1) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at the meeting of the Board;

- (a) the power to make calls, on shareholders in respect of money unpaid on their Shares,
- (b) the power to issue Debentures,
- (c) the power to borrow moneys otherwise than on Debentures,
- (d) the power to invest the funds of the Company, and
- (e) the power to make loans

Provided that the Board may, by resolution passed at a Meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company, the powers specified in sub-clause (c) (d) and (e) to the extent specified below:

(2) Every resolution delegating the power referred to in sub-clause (1) (c) above shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.

(3) Every resolution delegating the power referred to in sub-clause (1) (d) above shall specify the total amount upto which the funds of the Company may be invested, and the nature of the investments which may be made by the delegate.

(4) Every resolution delegating the power referred to in sub-clause (1) (e) above shall specify the total amount upto which loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

153. The Board may exercise all such powers of the Company and do all such acts and things as are not by the Act or any other act or by the memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act or any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting but no regulation made by the company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meeting.

- (a) Sell, lease or otherwise dispose off whole or substantially the whole of the undertaking of the company or where the Company owns more than one undertaking of the whole or substantially the whole of any such undertaking.
- (b) Remit, or give time for the repayment of, any debt due by the Director.
- (c) Invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertakings and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time.
- (d) Borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the company, and its free reserves that is to say reserves not set apart for any specific purpose as specified in Section 292 of the Act, shall subject to these Articles, be exercised only at meeting of the Board unless the same be delegated to the extent therein stated or
- (e) Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts the aggregate of which will in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding whichever greater.

#### **Power to Borrow**

154. Subject to the provisions of Sections 292 and 293 of the Act, the Board may, from time to time at its discretion and by means of resolutions passed at its meeting accept deposits from members either in advance of calls or otherwise and generally, raise or borrow or secure the payment or any sum or sums of money for the purposes of the Company.

154A. All the provisions applicable to nomination facility available to shareholder(s) and debentureholder(s) enumerated in Article 67A of these Articles shall equally apply to depositholder(s).

#### **154B. The payment or repayment of moneys borrowed**

The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board of Directors may think fit, and in particular in pursuance of a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of bonds, debentures or debentures stock of the Company, charged upon all or any part of the property of the Company, (both present and future), including its un-called capital for the time being and the debentures and the debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

#### **154C. Bonds, Debentures, etc. to be subject to control of Directors**

Any bonds, debentures, debenture-stock or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and condition and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

#### **Condition on which money may be borrowed**

155. The Board may raise or secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of bonds, perpetual or redeemable debenture-stock or any mortgage, charge or other security on the undertaking of the whole or any part of the Company (both present and future) including its uncalled capital for the time being. The Board shall exercise such power only by means of resolutions passed at its meetings and not by circular resolutions.



**156. Terms of issue of Debentures**

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

**156A. Debentures with voting rights not be issued.**

- (a) The Company shall not issue any debentures carrying voting rights at any Meeting of the Company whether generally or in respect of particular classes of business.
- (b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.
- (c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.
- (d) Certain charges (which expression includes mortgage) mentioned in Section 125 of the Act, shall be void against the Liquidator or creditor unless registered as provided in Section 125 of the Act.
- (e) A contract with the Company to take up and pay debentures of the Company may be enforced by a decree for specific performance.
- (f) Unless the conditions of issue thereof otherwise provide, the Company shall (subject to the provisions of Section 113 of the Act) within three months after the allotment of it debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debenture-stock allotted or transferred.
- (g) The Company shall comply with the provision of Section 118 of the Act, as regards supply of copies of debenture Trust Deed and inspection thereof.
- (h) The Company shall comply with the provisions of Section 124 to 145 (inclusive) of the Act as regards registration of charges.

**Execution of indemnity**

**157.** If the Directors or any of them or any other persons shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity against any loss which the Directors or any one or more of them may suffer by reason of becoming or being sureties or surety for the company.

**Certain powers of the Board**

**158.** Without prejudice to the general powers conferred by Articles 155 and the other powers conferred by these Articles and Section 191 of the Act, so as not in any way to limit or restrict those powers, but subject however to the provisions of the Act, it is hereby expressly declared that the Board shall have the following powers:

- 1) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment, and registration of the Company.
- 2) Subject to Sections 292 and 297 and other applicable provisions of the Act, to purchase or otherwise acquire for the Company any property, movable or immovable, rights or privileges which the Company is authorized to acquire at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Board may believe or may be advised to be reasonably satisfactory.
- 3) At its discretion and subject to the provisions of the Act, to pay for any property, rights, privileges acquired by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, mortgages or other securities of the Company and any such shares may be issued either as fully paid up or with such amount credited as fully paid up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company including its uncalled capital or not so charged.
- 4) To secure the fulfillment of any contracts, agreements or engagements entered into by the Company by mortgage of charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.

- 5) To appoint and at its discretion, remove or suspend, such managers, secretaries, officers, clerks, agents and employees for permanent, temporary or special services as it may from time to time think fit and to determine their power and duties and fix their salaries, emoluments remuneration and to require security in such instances and of such amounts as it may think fit.
- 6) To accept from any member subject to the provisions of the Act, a surrender of his share or any part thereof on such terms and condition as shall be agreed.
- 7) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company any property belonging to the Company or in which it is interested or for any other purpose and to execute and do all such deeds and things as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.
- 8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due or any claims or demands by or against the Company and to refer any difference to arbitration and observe and perform the terms of any awards made therein either according to Indian Law or according to Foreign Law and either in India or abroad and observe and perform or challenge any award made therein.
- 9) To refer any claims or demands by or against the Company or any difference to arbitration and observe and perform the awards.
- 10) To act on behalf of the Company in all matters relating to bankruptcy and insolvency.
- 11) To make and give receipts, releases and other discharges for money payable to the Company and for the claims and demands of the Company.
- 12) To open and operate Bank Accounts, to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purposes.
- 13) Subject to the provisions of the Act and these Articles from time to time to provide for the management of the affairs of the Company in or outside India in such manner as it may think fit and in particular to appoint any person to be the attorneys or agents of the Company with such person (including the power to sub-delegate) and upon such terms as may be thought fit.
- 14) Subject to the provisions of Sections 291, 292, 293, 295, 370, 373 and other applicable provisions of the Act and these Articles, to invest and deal with the moneys of the Company not immediately required for the purpose thereof in or upon such security (not being shares in this Company) or without security and in such manner as it may think fit and from time to time to vary or realize such investments save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
- 15) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur, any personal liability for the benefit of the Company, such mortgages of the Company's property (present and future) as it thinks fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed upon.
- 16) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and to give to any Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as a part of working expenses of the Company.
- 17) To provide for the welfare of employees or ex-employees of the Company and the wives and families or the dependents or connections of such persons by building or contributing to the building of houses, dwellings or chawls or by grants of money, pension, gratuity, annuities, allowances, bonuses or other payments or by creating and from time to time subscribing or contributing to, provident fund and other associations institutions, funds or trusts and by providing or subscribing or contributing towards places of instruction or recreations, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit.
- 18) To subscribe, incur expenditure or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or any other institutions or objects which shall have any moral or other claim to support or aid by the Company either by reason of locality of operation or of public and general utility or otherwise.
- 19) Before recommending any dividend, to set aside, out of the profits of the Company, such sums as it may think proper for depreciation or to a depreciation fund or to an insurance fund or as a reserve fund or sinking fund or any special fund to meet contingencies to repay debentures or for debenture-stock or for special dividends or for equalizing dividends or for

repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purposes referred to in the last two preceding clauses) as the Board of Directors, may in its absolute discretion think conducive to the interest of the Company and subject to Section 292 of the Act to invest the several sums so set aside or so much thereof as is required to be invested, upon such investments (other than shares of this Company) as it may think fit and from time to time deal with and vary such investments and dispose off and apply and expend all or any part thereof for the benefit of the Company, in such manner & for such purposes as the Board of Directors in its absolute discretion think conducive to the interest of the Company notwithstanding that the matters to which the Board of Directors applies or upon which it expends the same or any part thereof may be matters to or upon which the capital moneys of the Company might rightly be applied or expended and to divide the general reserve fund into such special funds as the Board of Directors may think fit with full power to transfer the whole or any portion of a reserve fund or division of reserve fund to another reserve fund and with full power to employ the asset constituting all or any of the above funds including the depreciation fund in the business of the Company or in the purchase or repayment of debentures or debenture-stock and that without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however to the Board of Directors at its discretion to pay or allow to the credit of such funds, interest at such rate as the Board of Directors may think proper.

- 20) To pay and charge to the capital account of the Company any commission or interest lawfully payable thereout under the provisions of Sections 76 and 208 of the Act, and of the provision contained in these presents.
- 21) From time to time make, vary and repeal by-laws for regulation of the business of the Company, its officers and servants.
- 22) To redeem redeemable preference shares.
- 23) Subject to Section 294 and 297 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company to enter in to all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.
- 24) To undertake any branch or kind of business which the company is expressly or by implication authorized to undertake at such time or times as it shall think fit and to keep in abeyance any such branch or kind of business even though it may have been actually commenced or not, so long as the Board may deem it expedient not to commence or proceed with such branch or kind of business.

## **MANAGING DIRECTORS**

### **Board may appoint Managing Director or Whole Time Director**

**159.** Subject to the provisions of Sections 267, 268, 269, 309, 310, 311, 316, 317 and other applicable provisions, if any of the Act, the Board of Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors or Whole-time Director or Whole-time Directors of the Company on a term not exceeding five years at a time for which he or they is or are to hold such office and may from time to time remove or dismiss him or them from office and appoint another or others in his or their place or places.

### **Remuneration of Managing Directors or whole time Director**

**160.** The remuneration of a Managing Director or whole time Director shall from time to time, be fixed by the Board and may be by way of salary or commission or participation in profits or by any or all of these modes or in any other form and shall be subject to the limitations prescribed in Sections 198 and 309 of the Act.

### **Directors may confer power on Managing Director**

**161.** Subject to the provisions of the Act and to the restrictions contained in these Articles, Board may from time to time entrust to and confer upon a Managing Director for the time being such of the powers exercisable by the Board under these Articles as it may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as it thinks expedient.

**Managing Director not to exercise certain powers**

**162.** The Managing Director or Managing Directors shall not exercise the powers to:

- (a) make calls on share holders in respect of money unpaid on the share of the Company
- (b) issue of debentures and
- (c) except delegated by the Board under Section 292 of the Act, invest the funds of the Company or make loans or borrow moneys.

**Certain persons not to be appointed as Managing Directors**

**163.** The Company shall not appoint or employ or continue the employment of any persons as its Managing Director or Whole-time Director who:

- (a) is an undischarged, insolvent or has at time been adjudged an insolvent;
- (b) suspends or has at any time suspended, payment to his creditors or makes or has at any time made composition with them; or
- (c) is or has at any time being, convicted by a Court of an offence involving moral turpitude.

**163A.** Special to any contract between him and the Company, a Managing or Wholetime Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but (subject to the provision of any contract between him and the Company), he shall be subject to the same provisions as to resignation and removal as the Directors of the Company and shall, ipso facto and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause.

**163B.** Prohibition of simultaneous appointment of different categories of managerial personnel

The Company shall not appoint or employ at the same time more than one of the following categories of managerial personnel namely:-

- a) Managing Director and
- b) Manager.

**THE SECRETARY**

**164.** The Board may, from time to time, appoint and at its discretion, remove any individual (hereinafter called the Secretary) to perform any function 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 Board. The Board may also at any time appoint some persons (who need not be the Secretary) to keep the registers required to be kept by the Company. The appointment of Secretary shall conform to the provisions of Section 383A of the Act.

**The Seal, its Custody and use**

**165.** 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 shall provide for the safe custody of the Seal for time being and the Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors and except in the presence of at least one Director or such other person as the Directors may appoint for the purpose and the Directors or other persons aforesaid shall sign every instrument to which the Seal of the Company is so affixed in his presence.

**Foreign Seal**

**166.** The Company may, subject to the provisions of Section 50 of the Act, have for use in any territory, district or place not situate in the Union of India, an official seal which shall be a facsimile of the Common Seal of the Company with the addition on its face of the name of the territory, district or place where it is to be used.

**Provisions applicable to Foreign Seal**

**167.** The following provisions shall apply on the Company having a foreign seal under the preceding Article:

- (i) The Company shall, by a document under its Common Seal, authorise any person appointed for the purpose in that territory, district or place, to affix the official seal to any deed or other document to which the Company is a party in that territory, district or place.
- (ii) The authority of any agent under the preceding clause shall, as between the Company and any person dealing with the agent, continue during the period if any, mentioned in the document

conferring the authority or if no period is herein mentioned, until notice of the revocation or determine of the agent's authority has been given to the person dealing with him.

- (iii) The person affixing any such official seal shall certify on the deed or Document to which such a seal is affixed, the date on which and the place at which, such seal affixed.
- (iv) A deed or other document to which an official seal is duly affixed shall bind the Company as if it had been sealed with the common seal of the Company.

## **MINUTES**

### **Minutes**

**168** (1) The Company shall cause minutes of all proceedings of every General Meeting and all proceedings of every meeting of its Board of /directors or of every Committee of the Board to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that, their pages consecutively numbered.

(2) Each page of every such book shall be initialed or signed and the last Page of the record of proceedings of each meeting in such books shall be dated and signed.

- (a) in the case of minutes of proceedings of a meeting of the Board or of a committee thereof, by the Chairman of the next succeeding meeting.
- (b) In the case of minutes of proceedings of a General Meeting, by the chairman of the same meeting within the aforesaid period of thirty Days or in the event of the death or inability of that Chairman within That period, by a Director duly authorized by the Board for the purpose.

**169.** Minutes of proceedings of every General Meeting and of the proceedings of every meeting of the Board kept in accordance with the provisions of Article 172 above, shall be evidence of the proceedings recorded therein.

**170.** Where minutes of the proceedings of every General Meeting of the Company or of any meeting of the Board or of a Committee of the Board have been kept in accordance with the provisions of article 173 above then, until the contrary is proved the meeting shall be deemed to have been duly called and held and all proceedings thereat to have duly taken place and in particular all appointments of Directors or liquidators made at the meeting shall be deemed to be Valid.

**171.** (1) The books containing the minutes of the proceedings of any General Meeting of the Company shall be kept at the registered office of the Company and shall be open for inspection of members without charge between the hours 2 p.m. and 5 p.m. during business hours on each working day except Saturday

(2) Any member of the Company shall be entitled to be furnished, within seven days after he has made a request in writing in that behalf to the Company, with a copy of any minutes referred to in clause (8) above on payment of Thirty paise for every one hundred words or fractional part thereof required to be copied.

(3) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.

(4) The minutes of different meetings shall contain a fair and correct summary of proceedings thereat.

(5) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.

(6) In the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes shall also contain:

- (a) the names of the Directors present at the meeting; and
- (b) in the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting 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 proceedings or
- (c) is detrimental to the interests of the Company.

The Chairman shall exercise and absolute discretion in regard to the inclusion or non-inclusion of any matters in the minutes on the grounds specified in this clause.

## **DIVIDENDS**

**172.** The profits of the Company which it shall from time to time determine, subject to the provisions of Section 205 of the Act, to divide in respect of any year or other period, shall be applied first in paying the fixed, preferential dividend on the capital paid up on the preference shares if any and secondly in paying a dividend declared for such year or other period on the capital paid upon the equity shares.

### **172A. Division of profits**

(a) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid but if any so long as nothing is paid upon any of Share in the Company, dividends may be declared and paid according to the amounts of the Shares.

(b) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Shares.

### **172B. Dividend to joint holders**

Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares.

### **Amounts paid in advance of calls not to be treated as paid up capital**

**173.** No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of Article 176 as paid up on the share.

### **Apportionment of Dividends**

**174.** All dividends shall be apportioned and paid proportionate to the amounts paid or credited as paid on the shares, during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

### **Declaration of Dividends**

**175.** The Company in General Meeting may, subject to the provisions of Section 205 of the Act, declared a dividend to be paid to the members according to their right and interests in the profits and may fix the time for payment.

### **Restriction on amount of dividend**

**176.** No larger dividend shall be declared than is recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

### **Dividend out of profits only and not to carry interest**

**177.** (1) No dividend shall be payable except out of the profits of the Company arrived at as stated in Section 205 of the Act.

What is to be deemed net profits

(2) The declaration of the Board as to the amount of the net profits of the Company shall be conclusive.

### **Interim Dividends**

**178.** The Board of Directors may from time to time pay the members such interim dividends as in its judgement the position of the Company justifies.

### **Debts may be deducted**

**179.** The Board may retain any dividends payable on shares 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 lien exists.

### **Dividend and call together**

**180.** Any General Meeting declaring an dividend may make a call on the members of such amount as the meeting fixes but so that the call on each members shall not exceed the dividend payable on him and so that the call may be made payable at the same time as the dividend and dividend may; if so arranged between the Company and the member, be set off against the call.

**Effect of transfer**

**181.** Right to dividend, right shares and bonus shares shall be held in abeyance pending registration of transfer of shares in conformity with the provision of Section 206A of the Act.

**Retention in certain cases**

**182.** The Board may retain the dividends payable upon share in respect of which any person is under Article 76 entitled to become a member of which any person under that Article is entitled to transfer until such person shall become a member in respect of such shares or shall duly transfer the same.

**No member to receive interest or dividend whilst indebted to the Company and Company's right to reimbursement thereof**

**183.** No member shall be entitled to receive payment of an interest or dividend in respect of his own share or shares whilst any money may be due or owing from him to the Company in respect of such share or shares otherwise howsoever either alone or jointly with any other person or persons and the Board may deduct from the interest or dividend payable to any shareholder all sums or money so due from him to the Company.

**Payment by post**

**184.** Any dividend payable in cash may be paid by cheque or warrant sent through the post directly to the registered address of the shareholder entitled to the payment of the dividend or in the case of joint shareholders to the registered address of that one whose name stands first on the Register of Members in respect of the joint shareholding or to such persons and to such address as the shareholders of the joint shareholders may in writing direct and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent and the Company shall not be responsible or liable for any cheque or warrant lost in transit or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant of the fraudulent recovery thereof by any other means. The Company may, if it thinks fit, call upon the shareholders when applying for dividends or bonus to produce their share certificates at the registered office or other place where the payment of dividend is to be made.

**Dividend to be paid within Thirty days**

**185.** The Company shall pay dividend or send the warrant in respect thereof to the shareholder entitled to the payment of the dividend within Thirty days from the date of the declaration of the dividend unless:

- (a) the dividend could not be paid by reason of the operation of any law or
- (b) a shareholder has given directions to the Company regarding the payment of dividend and these directions can not be complied with or
- (c) there is dispute, regarding the right to receive the dividend or
- (d) the dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder or
- (e) for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

**186. Unpaid or Unclaimed Dividend**

Where the Company has declared a dividend but which has not been paid or claimed within 30 from the date of declaration to any shareholder entitled to the payment of dividend, the Company shall, within 7 days of the date from expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Comfort Securities Limited Unpaid Dividend Account" and transfer to the said account, the total amount of dividend which remains unpaid or unclaimed. Any money transferred to the unpaid dividend account of the Company which remain unpaid or unclaimed for a period of Seven years from the date of such transfer, shall be transferred by the Company to the Fund established under Section 205C of the Act. No unclaimed or unpaid dividend shall be forfeited by the Board before the claim becomes barred by law.

**Capitalisation of reserves**

**187.** (a) Any General Meeting may, upon the recommendation of the Board resolve that any moneys, investments or other assets forming part of the undistributed profits of the Company standing to the credit of any of the profit and loss account or any capital redemption reserve fund or in hands of the Company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund shall not be paid in

cash but shall be applied subject to the provisions contained in clause (b) hereof on behalf of such shareholders in full or towards:

(1) Paying either at par or at such premium as the resolution may provide any unissued shares or debentures or debenture-stock of the Company which shall be allotted, distributed and credited as fully paid up to and amongst such members in the proportions aforesaid; or

(2) Paying up any amounts for the time being remaining unpaid on any shares or debentures or debenture-stock held by such members respectively; or

(3) Paying up partly in the way specified in sub-clause (1) and partly in that specified in sub-clause (2) and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum.

(b) (1) Any moneys, investments or other assets representing premium received on the issue of shares and standing to the credit of share premium account; and

(2) If the Company shall have redeemed any redeemable preference shares, all or any part of any capital redemption fund arising from the redemption of such shares may, by resolution of the Company be applied only in paying up in full or any shares then remaining unissued to be issued to such members of the Company as the General Meeting may resolve upto an amount equal to the nominal amount of the shares so issued.

(c) Any General Meeting may resolve that any surplus moneys arising from the realization of any capital assets of the Company or any investments representing the same or any other undistributed profits of the Company not subject to charge for income-tax be distributed amongst the members on the footing that they receive the same as capital.

(d) For the purpose of giving effect to any such resolution, the Board may settle any difficulty which may arise in regard to the distribution of payment as aforesaid as it thinks expedient and in particular it may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, share, debentures, debenture-stock, bonds or other obligation in trustees upon such trust for the persons entitled thereto as may seem expedient to the Board and generally may make such arrangement for acceptance, allotment and sale of such shares, debentures, debenture-stock, bonds or other obligations and fractional certificates or otherwise as it may think fit.

(e) If and whenever any share becomes held by any member in fraction, the Board may subject to the provisions of the Act and these Articles and to the directions of the Company in General Meeting, if any, sell the shares which members hold in fractions for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion the net proceeds of the sale thereof, for the purpose of giving effect to any such sale, the Board may authorize any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and he shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or of invalidity in the proceedings with reference to the sale.

(f) Where required; a proper contract shall be delivered to the Registrar for registration in accordance with section 75 of the Companies Act and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalized fund and such appointment shall be effective.

#### **187A. Set-off of calls against dividends**

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.

#### **187B. 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 capitalized 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 authorize 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 capitalization or (as the case may require) for the payment by the Company on their behalf by the application thereof of the 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 Shares and fractional certificates as they think fit.

**187C. Dividend in Cash.**

No dividends shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalization of the profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by Members of the Company.

**187D. Board to give effect.**

The Board shall give effect to the resolution passed by the Company in pursuance of all the above Articles.

## **ACCOUNTS**

**Books of Accounts to be kept**

**188.** The Company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the Company and the matters in respect of which receipts and expenditure take place;
- (b) all sales and liabilities of the Company; and
- (c) the assets and liabilities of the Company.

**189. Books where to be kept and inspection**

(1) 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 transactions 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 takes 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 utilization of material or labour or to other items of cost as may be prescribed the 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.

(2) 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 transaction 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 other place referred to in sub-clause (1). The books of accounts and other books and papers shall be open to inspection by any Director during business hours.

**Inspection by members**

**190.** The Board of Directors shall, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations accounts the and books and the documents of the Company or any of them shall be open to the inspection of the members and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred statute or authorised by the Board of Directors or by a resolution of the Company in General Meeting.

**Statement of Accounts to be laid in General Meeting**

**191.** The Board of Directors shall from time to time, in accordance with Sections 210, 211, 212, 215, 216 and 217 of the Act, cause to be prepared and to be laid before the Company in General Meeting, such Balance Sheets, Profits & Loss Accounts and reports as are required by these Sections.

**Balance Sheet and Profit and Loss Account to be sent to each member**

**192.** A copy of Balance Sheet (including the profit and loss account, the auditors report and every other documents 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 and to all persons other than such members or trustees, being persons so entitled, provided that this Article shall not require a copy of the documents aforesaid to be sent:

- (a) to a member or holder of debentures of the Company who is not entitled to have notices of General Meeting of the Company to be sent to him and whose address the Company is unaware;
- (b) to more than one of the joint-holders of the any shares or debentures, some of whom are entitled to have such notices sent to them;
- (c) in the case of joint holders of any shares or debentures, some of whom entitled to have such notices sent, to those who are not so entitled; or
- (d) the Board of Directors may, in their absolute discretion, if they deem fit, instead send statement containing the salient features of such documents in the prescribed form to every member of the Company and to every trustee for the holders of any debentures issued by the Company in accordance with the provision contained in Section 219 of the Act.

#### **Accounts to be Audited**

**193.** (1) Once at least in every year the accounts of the Company shall be examined by one or more Auditors who shall report to the shareholders as to whether the Balance Sheet reflects a true and fair view of the state of affairs of the Company as at that date and the Profit and Loss Account discloses a true and fair view of the profit and loss incurred by the Company during the year under review.

(2) The appointment, remuneration, rights, powers & duties of the Company's Auditor shall be regulated in accordance with the provision of the Act.

#### **193A. Appointment of Auditors.**

(1) Auditors shall be appointed and their qualifications, rights and duties regulated in accordance with Section 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 reappointed 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 some body 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 any 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 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.

#### **Power of Board to modify Final Accounts**

**194.** Every Balance Sheet and Profit and Loss Account of the Company when audited and adopted by the Company in General Meeting shall be conclusive.

**194A.** Right of Members or others to copies of balance sheet and Auditors' report and statement under Section 219

(1) The Company shall comply with the requirements of Section 219 of the Act.

(2) The copies of every balance sheet including the Profit & Loss Account, the Auditors' Report and every other document required to be laid before the Company in General Meeting shall be made available for

inspection at the Registered Office of the Company during working hours for a period 21 days before the Annual General Meeting.

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 will be sent to every Member of the Company and to every trustee of the holders of any Debentures issued by the Company not less than 21 days before the date of the Meeting.

**194B. Accounts 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 the next three months after the approval thereof. Whenever any such error is discovered within that period, the account shall be corrected, and amendments effected by the Directors in pursuance of this Article shall be placed before the Members in General Meeting for their consideration and approval and, on such approval, shall be conclusive.

## **DOCUMENTS AND NOTICE**

### **Services of documents on member by Company**

**195.**(1) A document or notice may be served by the Company on any member thereof either personally or by sending it by post to him to his registered address or he has no registered address in India, to the address if any, within India supplied by him to the Company for the giving of notice to him.

(2) Where a document or notice is sent by post:

(a) Service thereof shall be deemed to be effected by properly addressing prepaying and posting a letter containing the document or the notice provided that where a member has intimated to the Company in advance that documents or notices should be sent to him under the certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document or notice shall not be deemed to be effected unless it is sent in the manner intimated by the member; and

(b) Such service shall be deemed to have been effected:

(i) in case of a meeting at the expiration of forty eight hours after the letter containing the same is posted; and

(ii) in any other case, at the time at which the letter would be delivered in the ordinary course of post.

(3) A document or notice may be served by the Company on the joint holders of a share by serving it on the holder named first in the Register of Members in respect of the share.

(4) A document or notice may be served by the Company on the persons entitled to a share in consequence of 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 representatives of the deceased or assignees of the insolvent, by any 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 serving the document or notice in any manner in which it might have been served if the death or insolvency had not occurred.

(5) A certificate in writing signed by the manager, secretary or other officer or employee of the Company that the notice was properly addressed, prepaid and posted shall be conclusive evidence thereof.

(6) The signature to any document or notice so given by the Company may be written or printed or lithographed.

### **Service of documents on Company**

**196.** A document may be served on the Company or an officer thereof by sending it to the Company or the 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.

### **196A. "Service of documents on the Company"**

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 disks.

### **Authentication of documents and proceedings**

**197.** Save as otherwise expressly provided in the Act, a document or proceeding requiring authentication by the Company may be signed by a Director, Managing Director, Manager, Secretary or other authorised officer of the Company and need not be under the Common seal of the Company.

## REGISTERS AND DOCUMENTS

### **197A.** 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 Member and debenture holders as required by Section 150, 151 and 152 of the Act.
- (d) Foreign register, if so though 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 Secretaries etc. 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 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 the other companies under the same management as required by Section 370 of the Act.

### **197B. 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 there from 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 the 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.

## INDEMNITY

### **Company may indemnify**

**198.** Subject to the provisions of Section 201 of the Act, every Director, Manager and other officer or any person (whether officer of the Company or not) employed by the Company or as an auditor or servant of the Company shall be indemnified by the Company and it shall be the duty of the Board to pay, out of the funds of the Company, all costs, charges, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered in to or act or thing done by him as such officer or servant or in any way in the discharge of his duties including expenses and in particular and so as not to limit the generality of the foregoing provision, against all liabilities incurred by him as such Director, Manager, officer or servant in defending any proceedings, whether civil or criminal, in which judgement 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 by the Court.

**199.** subject to the provisions of Sections 201 of the Act; no Director, Manager or other officer of the Company shall be liable for the acts, receipts or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Board 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 damage arising from the bankruptcy or insolvency or tortuous act of any person with whom any moneys, securities or effects shall be deposited or for any loss occasioned by an error of judgement, omission, default or oversight, on his part or for any other loss, damage or, misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own dishonesty.

## **WINDING UP**

### **Distribution of Assets**

**200.** If the Company shall be wound up and the assets available for distribution among the members are such as 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 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 a 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 winding up the excess shall be distributed amongst the members in 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. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

### **200A. 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 contributions (except where 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.

### **200B. 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 rights conferred by the said sanction.

### **200C. Directors and others right to indemnity**

Subject to the provisions of Section 201 of the Act, every Director of 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 pay 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 expense, 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 office 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.

### **200D. 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 conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of the title to any property acquired by order of the Directors for 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 for any loss or damages arising from the insolvency or tortuous 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 happen through his own dishonesty.

#### **SECRECY CLAUSE**

##### **SECRECY**

**201.** No member or other person (not being a Director) shall be entitled to visit or inspect any property or premises or works of the Company without the permission of the Board or to require discovery of or any information respecting any detail 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 may relate to the conduct of the business of the Company and which in the opinion of the Board, it would be inexpedient in the interest of the Company to disclose Secrecy undertaking.

**202.** Every Director, Manager, Auditor, Treasurer, Trustee, Member of a Committee agents, officer, servant, accountant or other person employed in the business of the Company shall, when required, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the Company with the customers and the state of accounts with individual and in matters relating thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties, except when required so to do by the Board or by any meeting of the shareholders, if any or by a Court of Law the person to whom matters relate and except so far as may be necessary in order to comply with any of the provision in these presents contained.

##### **Knowledge implied**

**203.** Each member of the Company, present and future, is to be deemed to join the Company with full knowledge of all the contents of these presents.

## **SECTION IX: OTHER INFORMATION**

### **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts and agreements (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by our Company or contracts entered into more than two years before this DRHP), which are or may be deemed material have been entered or to be entered into by our Company. Copies of these contracts together with copies of documents referred under Material Documents below, all of which have been attached to the copy of this DRHP, may be inspected at the registered office of our Company from 10:00 am to 5:00 pm on any working day except Saturday, Sunday and Public holidays from the date of this DRHP until the Bid/ Issue Closing Date.

#### **Material contracts to the Issue**

1. Memorandum of Understanding dated December 31, 2010 entered into between our Company and Dalmia Securities Private Limited, Book Runner Lead Manager to the Issue.
2. Memorandum of Understanding dated December 10, 2010 entered into between our Company and Bigshare Services Limited, Registrar to the Issue.
3. Copy of tripartite agreement dated [●] entered into between our Company, CDSL and Registrar to the Issue.
4. Copy of tripartite agreement dated [●] entered into between our Company, NSDL and Registrar to the Issue.
5. Syndicate agreement dated [●] among our Company, Book Running Lead Manager and the members of the Syndicate.
6. Escrow agreement dated [●] among our Company, the Registrar to the Issue, the Escrow Collections Banks, Book Running Lead Manager and the members of the Syndicate.

#### **Material Documents**

1. Copy of Memorandum of Association and Articles of Association of our Company, as amended from time to time.
2. Copy of Certificate of Incorporation and Copy of Fresh Certificate of Incorporation Consequent upon Change of Name of Comfort Securities Limited.
3. Copy of Special Resolution passed under section 81(1A) of the Companies Act, 1956, at their EGM held on December 8, 2010 authorizing present issue of Equity Shares.
4. Copy of the minutes of the Board meeting held on November 16, 2010 approving the Issue.
5. Copy of Board meeting resolution and General Meeting resolution dated March 6, 2007 and June 8, 2007 respectively for appointment of Mrs. Annu Agrawal as Whole Time Director. Copy of Board meeting resolution and General Meeting resolution dated August 7, 2008 and September 13, 2008 respectively for appointment of Mr. Amit Khemka as Whole Time Director.
6. Audited Balance sheets and Profit and Loss Accounts of our Company for the financial year ended August 31, 2010 and financial years ended March 31 2009, 2008, 2007 and 2006.
7. Consents of Auditors, Bankers to the Company, Book Running Lead Manager, Registrar to the Issue, Legal Advisor to the Issue, Directors of our Company, Company Secretary and Compliance Officer, Escrow Collection Bankers, Bankers to the Issue, as referred to, in their respective capacities.
8. Copy of certificate dated December 13, 2010 issued by M/s Ramanand and Associates, Chartered Accountants and Statutory Auditors of our Company in terms of Part II Schedule II of the Companies Act 1956, including capitalisation statement, taxation statement and accounting ratio for the financial year ended August 31, 2010 and financial years ended March 31 2009, 2008, 2007 and 2006.
9. Copy of certificate dated December 13, 2010 issued by M/s Ramanand and Associates, Chartered Accountants and Statutory Auditors of our Company regarding tax benefits accruing to our Company and its shareholders.

10. Copy of certificate dated December 13, 2010 received from M/s Ramanand and Associates, Chartered Accountants and Statutory Auditors of our Company regarding sources and deployment of funds.
11. Due Diligence Certificate January 5, 2011 to SEBI from the Book Running Lead Manager.
12. Copy of In-principle listing approval received from BSE and NSE *vide* its letter nos. [●] dated [●]
13. IPO Grading Report of [●] along with their rationale dated [●]
14. SEBI Observation Letter No. [●] dated [●] issued by the Securities and Exchange Board of India.

Any of the contracts mentioned in the DRHP 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 any reference to the shareholders subject to compliance of the provisions of the Companies Act and other relevant statutes.



## **DECLARATION**

We certify that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the regulations 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 DRHP is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or regulations issued, as the case may be. We further certify that all statements in this DRHP are true and correct.

### **SIGNED BY THE DIRECTORS OF COMFORT SECURITIES LIMITED**

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**Chandrakala J. Purohit, Chairman and Independent Director**

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**Shiv Ratan Agarwal, Independent Director**

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**Sushil K Jain, Independent Director**

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**Anil B. Agrawal, Director**

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**Jugal C. Thacker, Director**

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**Bharat N Shiroya, Director**

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**Annu A Agrawal, Whole Time Director**

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**Amit Kumar N. Khemka, Whole Time Director**

### **SIGNED BY THE COMPANY SECRETARY & COMPLIANCE OFFICER**

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Ms. Mayuri B. Thakkar

**Place: Mumbai**

**Date: January 5, 2011**