Red Herring Prospectus
Dated August 24, 2006
Please read Section 60B of the Companies Act, 1956
100% Book Building Issue

HOV SERVICES LIMITED

Registered Office: 3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune 411 037, Maharashtra, India
Tel: (+91-20) 24221460; Fax: (+91-20) 24221470.
Contact person: Mr. Bhuvanesh Sharma; E-mail: investor.relations@hovservices.com; Website: www.hovservices.com
(We were incorporated as a private limited company under the Companies Act, 1956 on January 10, 1989 under the name Codec Communications Private Limited. For changes in the name and registered office of the Company, please see the section entitled "History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus)

PUBLIC ISSUE OF 4,050,000 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 RS. [●] MILLION, BY HOV SERVICES LIMITED ("COMPANY" OR "ISSUER"), REFERRED TO HEREIN AS THE "ISSUE". THE ISSUE WOULD CONSTITUTE 32.3 % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: Rs. 200 TO Rs. 240 PER EQUITY SHARE OF FACE VALUE Rs. 10

THE FACE VALUE OF THE SHARE IS Rs. 10 AND THE FLOOR PRICE IS 20.0 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 24.0 TIMES OF THE FACE VALUE.

The Issue is being made through the 100% book building process where at least 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid bids being received at or above the Issue Price. Further, up to 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 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. We have not opted for grading of this Issue.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. **The face value of the shares is Rs. 10 and the Floor Price is 20.0 times of the face value and the Cap Price is 24.0 times of the face value**. The Price Band (as determined by the Company in consultation with the Book Running Lead Manager ("BRLM") and the Co-Book Running Lead Manager ("CBRLM") on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited. We have received 'in-principle' approval from the National Stock Exchange of India Limited pursuant to letters dated May 12, 2006 and August 24, 2006 and the Bombay Stock Exchange Limited pursuant to letter dated May 4, 2006 respectively, for the listing of the Equity Shares. For the purpose of the Issue, the National Stock Exchange of India Limited shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	CO-BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor Nariman Point, Mumbai 400 021 **Tel:** 91-22-6632 8000 **Fax:** 91-22-2204 8518 **Email:** hovs_ipo@ml.com **Contact Person:** Mr. N.S. Shekhar **Website:** www.dspml.com	**JM Morgan Stanley Pvt. Limited** 141, Maker Chambers III Nariman Point, Mumbai 400 021 **Tel:** 91-22-6630 3030 **Fax:** 91-22-2204 7185 **Email:** hovsipo@jmmorganstanley.com **Contact Person:** Mr. Utkarsh Katkoria **Website:** www.jmmorganstanley.com	**Karvy Computershare Private Limited** Karvy House, 46 Avenue 4 Street No. 1, Banjara Hills Hyderabad 500 034, India **Tel:** (91 40) 2332 3031 **Fax:** (91 40) 2330 4703 **Email:** hov.ipo@karvy.com **Contact Person:** Mr. Murali Krishna **Website:** www.karvy.com

ISSUE PROGRAMME	
BID/ ISSUE OPENS ON : MONDAY, SEPTEMBER 04, 2006	**BID/ ISSUE CLOSES ON : THURSDAY, SEPTEMBER 07, 2006**

TABLE OF CONTENTS

DEFINITIONS AND ABBREVIATIONS

Term	Description
The "Company" or "our Company" or "HOVS" or "HOV Services Limited" or "we" or "our" or "us"	Unless the context otherwise requires, refers to HOV Services Limited a company incorporated under the Companies Act
"our Group" or "our Companies" or "Group Companies"	Unless the context otherwise requires, refers to the Company on a consolidated basis and the subsidiary companies comprising HOV Services, LLC and its Subsidiaries and Bay Area Credit Services (I) Pvt. Ltd.
Subsidiaries	The subsidiary companies of HOV Services LLC namely BACS, Meridian, Savant, ICS and CPAC.

Company Related Terms

Term	Description
ARM	Accounts receivable management
Articles/ Articles of Association	The Articles of Association of HOV Services Limited
Auditors	The statutory auditors of the Company M/s Lodha & Co., Chartered Accountants
BACS	Bay Area Credit Service, LLC a wholly owned subsidiary of HOV Services, LLC.
BACS India	Bay Area Credit Service (India) Private Limited
CPAC	Complex Property Advisors Corporation, a wholly owned subsidiary of HOV Services, LLC.
Board of Directors/ Board	The board of directors of our Company or a committee constituted thereof
Dba	Doing business as
Director(s)	Director(s) of HOV Services Limited, unless otherwise specified
EMTS	Enterprise Management Tools and Service
HandsOn	HandsOn Ventures, LLC a private equity group based in the US, 100% of the membership interest of which is owned by Parvinder S. Chadha and his family members and managed by a seven member management team of which four members are our Promoters.
ICS/Imperial Collection Service	Glen Daniels Corporation (dba Imperial Collection Service), a wholly owned subsidiary of HOV Services, LLC
ITS	Insurance and tax services
Limited Liability Company/LLC	A business entity formed by one or more Members, managed by one or more Managers and governed by a limited liability company agreement; whereby, like shareholders in a corporation, the Members are shielded from the company's debts unless they affirmatively undertake responsibility for such debts
Memorandum/ Memorandum of Association	The Memorandum of Association of HOV Services Limited
Meridian	Meridian Consulting Group a wholly owned subsidiary of Savant
Plan	The employee stock option plan of the Company

Term	Description
Registered Office	The registered office of the Company being, 3rd Floor Sharda Arcade, Pune Satara Road, Bibwewadi, Pune - 411 037, Maharashtra, India
Savant	Savant Consulting Group, Inc., a wholly owned subsidiary of HOV Services, LLC.

Issue Related Terms

Term	Description
Allotment/ Allotted	Unless the context otherwise requires, the issue or transfer of Equity Shares pursuant to the Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being/have been Allotted.
Banker(s) to the Issue	HDFC Bank Limited, The Hongkong and Shanghai Banking Corporation Limited and ICICI Bank Limited
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form
Bid Closing Date /Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a regional newspaper with wide circulation
Bid Opening Date/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a regional newspaper with wide circulation
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to or purchase the Equity Shares of our Company and which will be considered as the application for issue of the Equity Shares pursuant to the terms of this Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form
Bidding Period / Issue Period	The period between the Bid Opening Date/Issue Opening Date and the Bid Closing Date/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLM/ Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being DSP Merrill Lynch Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted

Term	Description
CBRLM/ Co–Book Running Lead Manager	Co - Book Running Lead Manager to the Issue, in this case being JM Morgan Stanley Private Limited
Cut-off Price	Any price within the Price Band finalised by the Company in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Issue Account after the Prospectus is filed with the RoC, following which the Board shall allot Equity Shares to successful Bidders
Designated Stock Exchange	National Stock Exchange of India Limited
Draft Red Herring Prospectus	The Draft Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
DSPML	DSP Merrill Lynch Limited a company incorporated under the Companies Act and having their registered office at 10th floor, Mafatlal Centre, Nariman Point, Mumbai 400 021
Equity Shares	Equity shares of the Company of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s), the BRLM and the CBRLM for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker(s) to the Issue, at which the Escrow Account will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
IFSC	Indian Financial System Code
Issue	The issue of 4,050,000 Equity Shares at the Issue Price by the Company pursuant to this Red Herring Prospectus
IPO	Initial Public Offering
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date
Issue Price	The final price at which Equity Shares will be Allotted in terms of the Prospectus, as determined by the Company in consultation with the BRLM and the CBRLM, on the Pricing Date
JMMS	JM Morgan Stanley Private Limited a company incorporated under the Companies Act and having its registered office at 141, Maker Chambers III, Nariman Point, Mumbai 400 021

Term	Description
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 10% to 100% of the Bid Amount
Manager	A person who manages a limited liability company and has the right to act on behalf of the limited liability company pursuant to the formation documents of the limited liability company. A manager may be a person or a company. A manager may be a member but does not have to be a member. A manager is appointed by the members of a limited liability company to manage the company according to an agreement often referred to as an operating agreement.
Members	A person or entities who form or are admitted to the membership of a limited liability company and hold Units in the limited liability company.
MICR	Magnetic Ink Character Recognition
NEFT	National Electronic Funds Transfer
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non-Institutional Portion	The portion of the Issue being up to 607,500 Equity Shares of Rs. 10 each available for allocation to Non-Institutional Bidders
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date
Price Band	The price band with a minimum price (Floor Price) of Rs. 200 and the maximum price (Cap Price) of Rs. 240, including any revisions thereof
Pricing Date	The date on which the Company in consultation with the BRLM and the CBRLM finalizes the Issue Price
Promoter Group Companies	Unless the context otherwise requires, refers to those companies mentioned in the section entitled "Promoter Group" on page 78 of this Red Herring Prospectus
Promoter	Parvinder S Chadha, Sanjay Chitale, Sunil Rajadhyaksha, Surinder Rametra, HOF 2, LLC, Chitale, LLC and Stern Capital Partners, LLC.
Prospectus	The Prospectus, filed with the RoC containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 250 million, pension funds with a minimum corpus of Rs. 250 million, and multilateral and bilateral development financial institutions
QIB Portion	The portion of the Issue being not less than 2,025,000 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs on a proportionate basis

Term	Description
QIB Margin	An amount representing 10% of the Bid Amount
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited a company incorporated under the Companies Act and having its registered office at 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad 500 034
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000
Retail Portion	The portion of the Issue to the public of up to 1,417,500 Equity Shares of Rs. 10 each 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 Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	Means this offer document issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC at least 3 days before the Bid Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation.
RTGS	Real Time Gross Settlement
Stock Exchanges	NSE and BSE
Syndicate	The BRLM, the CBRLM and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the Company and the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	JM Morgan Stanley Financial Services Private Limited, Apeejay House, No. 3 Dinshaw Waccha Road, Churchgate, Mumbai 400 021
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLM, the CBRLM and the Syndicate Members
Underwriting Agreement	The agreement among the members of the Syndicate, the Registrar and the Company to be entered into on or after the Pricing Date
Unit	Ownership interest in a LLC.

Technical and Industry Terms

Term	Description
ABC criteria	Ability to pay, Bias toward payment and can be Contacted
BFSI	Banking Financial Services Industry
BPO	Business Process Outsourcing
KPO	Knowledge Process Outsourcing
CQM	Call Quality Monitoring
CRM	Customer-Relationship Management
Early Outs or Pre Charge-Off	Debt in this stage has not yet been submitted to a collection agency and is 91 days to six months past due

Term	Description
F&A	Finance and accounting
FTE	Full time equivalent
HR	Human Resources
ISP	Internet Service Provider
IT	Information Technology
ITES	Information Technology Enabled Services
Pre Charge-Off or Early Outs	Debt in this stage has not yet been submitted to a collection agency and is 91 days to six months past due
Primary	Debt in this stage has been submitted to a collection agency and is six to twelve months past due
Secondary	Debt in this stage has been submitted to two collection agencies and is 12 to 24 months past due
Tertiary	Debt in this stage has been submitted to three collection agencies and is more than two years past due

Conventional/General Term

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BIFR	Board for Industrial and Financial Reconstruction
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
EGM	Extraordinary General Meeting
EPS	Earnings per share
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India

Term	Description
Financial Year /fiscal year/ FY/ fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated
Government/ GOI	The Government of India
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally accepted accounting principles in India
MAT	Minimum Alternate Tax
NAV	Net asset value
NOC	No Objection Certificate
Non Residents	Non-Resident is a Person who is not a NRI nor a FII and is not a person resident in India.
NRE Account	Non Resident External Account
NRI/Non-Resident Indian	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB/ Overseas Corporate Body	Means and includes an entity defined in clause (vi) of Regulation 2 of the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003
p.a. / P.A.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000
RBI	The Reserve Bank of India
Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
RoC	The Registrar of Companies, Maharashtra at Pune located at Office of Registrar of Companies, PMT Building, IIIrd floor, P.O. Box No. 819, Deccan Gymkhana, Pune 411 004.

Term	Description
SAB	Staff Accounting Bulletin
SFAS	Statement of Financial Accounting Standard
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
SICA	Sick Industrial Companies (Special Provisions) Act, 1995
STPI	Software Technology Parks of India
U.S. GAAP	Generally accepted accounting principles in the United States of America

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and proforma statements and included in this Red Herring Prospectus. For our US based Subsidiaries, their financial statements are prepared in accordance with U.S. GAAP. Our fiscal year commences on April 1 and ends on March 31 every year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on our financial data.

For definitions, please see the section entitled "Definitions and Abbreviations" on page i of this Red Herring Prospectus.

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from industry publications. 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 the Company believes that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified.

FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus, that contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions that are "forward-looking statements".

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

- Trends in the collection industry which may result in declining commission rates;
- Protectionist legislation in the United States of America;
- Current clients terminating contracts at short notice;
- general economic and business conditions in India and other countries;
- our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;
- changes in the value of the Rupee and other currencies;
- potential mergers, acquisitions or restructurings and increased competition;
- changes in laws and regulations;
- changes in political conditions in India;
- changes in the foreign exchange control regulations in India; and
- changes in the laws and regulations that apply to the BPO industry, including tax laws.

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

RISK FACTORS

An investment in our Equity Shares involves risk. You should carefully consider all the information in this Red Herring Prospectus, including but not limited to the risks and uncertainties described below, before making an investment in our Equity Shares. These risks could adversely impact our business prospects, financial condition or results of operations, could cause the trading price of our Equity Shares to decline, and may result in your losing all or part of your investment.

Internal Risks

Redemption of Class B Units of HOV Services, LLC.

The Company intends to infuse Rs. 655.3 million out of the net proceeds of the Issue as capital into our subsidiary HOV Services, LLC so that it may redeem the non-interest bearing redeemable Class B Units issued to one of our Promoters, HOF 2, LLC and HOF 3, LLC, an entity that is either controlled or managed by amongst others our Promoters. The units were issued as consideration for the transfer of shares of DBW, BACS, CPAC and ICS from HOF 2, LLC and HOF 3, LLC to HOV Services, LLC which was a part of the restructuring of our business. Dividends from the investment may not be assured. For more details on the restructuring and the Objects of the Issue please see the sections entitled "History and Certain Corporate Matters" and "Objects of the Issue" on pages 57 and 24 in this Red Herring Prospectus, respectively.

Our management will have significant flexibility in applying the proceeds of the Issue.

Apart from the redemption of the Class B Units issued by HOV Services, LLC, we intend to use the proceeds of the Issue for planned capital expenditures and acquisitions as described in the section entitled "Objects of the Issue" in this Red Herring Prospectus. We have earmarked a portion of the net proceeds of the Issue for our planned capital expenditure. The surplus, if any, shall be utilised for further acquisitions.

We have not yet entered into any definitive agreements to utilize the net proceeds of the Issue for capital expenditures or further acquisitions. Further, we have not placed orders in relation to the equipment for Phase 1, Phase 2 and Phase 3 of our proposed expansion. Our internal estimates and the quotations received for Phase 1 in Pune and Dallas form the basis for estimating our planned expenditure for the expansion of our facilities in Pune during Phase 2 and in Dallas during Phase 3.

There can be no assurance that we will be able to conclude definitive agreements for such expenditures on terms anticipated by us. As of the date of this Red Herring Prospectus, we have not yet identified specific acquisition targets or internal growth opportunities. As a result, our management will have considerable discretion in the expenditure of the net proceeds from the Issue. Pending utilization of the net proceeds of the Issue as described in the section entitled "Objects of the Issue" on page 24 of this Red Herring Prospectus, we intend to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration. The utilization of the net proceeds will be monitored by our management and our Board of Directors and will not be subject to any monitoring by any independent agency.

We derive a significant portion of our revenues from a limited number of clients. The loss of, or a significant reduction in the revenues we receive from, one or more of these clients, may adversely affect our business.

We derive a significant portion of our revenues from a limited number of large corporate clients, especially in our ARM segment. In the fiscal years ended March 31, 2004, 2005 and 2006, our 10 largest clients accounted for 63.4%, 71.5% and 70.0%, respectively, of our revenues. In particular, our ARM segment's 5 largest clients accounted for 23.9%, 38.7% and 42.9%, respectively, of our ARM revenues in the fiscal years ended March 31, 2004, 2005 and 2006. Since there is significant competition for the services we provide and we are typically not an exclusive service provider to our large clients, the level of revenues from our largest clients could vary from year to year. Our clients typically retain us under master services agreements that do not provide for specific amounts of guaranteed business from these clients. These agreements are typically terminable by our clients with 30 to 90 days notice and without significant termination penalties. In addition, our clients can choose to reduce the percentage of commissions paid on the debts we collect under these agreements. Accordingly, we cannot guarantee that existing clients will continue to use our services at historical levels and commissions, if at all. Our clients may also decide to reduce spending on outsourcing services because of economic pressures and other factors, both internal and external, relating to their business. The loss of, or a significant reduction in the revenues that we receive from one or more of our major clients, may adversely affect our business and profitability.

We derive most of our revenues from clients in the financial services, telecommunications, health care and insurance industries. Therefore, factors that adversely affect the economic health of, or demand for outsourcing services in, these industries, may adversely affect our business.

We derive most of our revenues from clients in the financial services, telecommunications, health care and insurance industries. Consequently, factors that adversely affect the economic health of, or demand for outsourcing services in these industries, may lead to lower demand for our services and adversely affect our business and profitability.

If we do not effectively manage our capacity, our results of operations could be adversely affected.

Our ability to profit from the global trend toward outsourcing depends largely on how effectively we manage the utilization of our facilities. There are several factors and trends that have intensified the challenge of capacity management. In order to create the additional capacity necessary to accommodate new or expanded outsourcing projects, we must consider opening new contact centres. The opening or expansion of a facility may result, at least in the short term, in idle capacity until any new or expanded program is implemented fully. We periodically assess the expected long-term capacity utilization of our facilities. As a result, we may, if deemed necessary, consolidate, close or partially close under-performing facilities in order to maintain or improve targeted utilization and margins. There can be no assurance that we will be able to achieve or maintain optimal utilization of our capacity.

We are in the process of expanding and adding capacity for 1500 FTEs by March 2007. We do not have client contracts in place to utilize some of this expanded capacity. If we are unsuccessful in increasing the demand for our services to match our increased capacity, our expenses will increase as a percentage of our revenues, which may have an adverse effect on our results of operations and cash flows.

Any disruption in communications and other utilities could harm our ability to provide our services.

Our outsourcing operations are dependent upon our ability to protect our proprietary software and client information maintained in our facilities against damage that may be caused by fire, natural disasters, power failure, telecommunications failures, computer viruses, acts of sabotage or terror and other emergencies. In the event we experience a temporary or permanent interruption at one or more of our facilities, through casualty, operating malfunction or other acts, we may be unable to provide the customer management and collections services we are contractually obligated to deliver. This could result in us being required to pay contractual damages to some clients or allow some clients to terminate or renegotiate their contracts. Notwithstanding contingency plans and precautions taken to protect us and our clients from events that could interrupt delivery of services, there can be no assurance that such interruptions would not result in a prolonged interruption in our ability to provide support services to our clients. Additionally, we maintain property and business interruption insurance; however, such insurance may not adequately compensate us for any losses we may incur.

Our selling cycle in relation to certain services offered to clients may require significant investments of management time and capital resources in addition to significant commitments during the implementation cycle.

The services we offer to our clients require significant investment of capital, resources and time by both our clients and us. Our potential clients may require us to provide pilot studies to assess the feasibility of integrating with our systems. Thereafter, they may choose to evaluate the quality of our services before deciding whether to engage us. Due to these processes, our selling cycle, which averages six to twelve months, is subject to many risks and delays over which we have little or no control, including our clients' decision to choose our competitors over us or the timing of our clients' budget cycles and approval processes.

In addition, implementing our services involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients (including future clients) may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Implementation processes, including integration of the client's systems with ours, are subject to a number of potential delays similar to those affecting our selling cycle. Revenues are recognized only upon actual provision of services and the financial benefit of a client acquisition may be delayed in case of any delay in implementation or ramp up of services.

Our success depends in large part upon our senior management and our ability to retain them.

We are dependent on the experience and the continued efforts of the senior members of our management team, many of whom have been with us for a significant part of their careers. The loss of one or more members of our senior management team would impact the relationships with our longstanding clients, our ability to obtain, retain and execute important engagements and our ability to maintain and grow our revenues. Competition for senior management in our industry is intense, and we may not be able to recruit and retain suitable persons to replace the loss of any of our senior managers in a timely manner. The loss of the services of our Promoters could seriously impair our ability to continue to manage and expand our business. We do not maintain "key man" life insurance for the senior members of our management team or other key personnel.

Our success and ability to execute our business plan is dependent on our ability to attract, retain and manage the growth of the qualified personnel we need to sustain and grow our business.

At times, we have experienced difficulties in hiring personnel with the right training or experience. Additionally, particularly with regards to our ARM business where the business is very labour-intensive, quality service depends on our ability to control personnel turnover. The attrition rate of employees on the payroll of the ARM division has historically averaged approximately 45%. We define attrition as the ratio of the number of employees that have left us during a defined period to the total number of employees that are on our pay-roll at the end of such period. Any significant increase in our attrition rate could increase recruiting and training costs and decrease operating effectiveness and productivity. Also, if we were to obtain several significant new clients or implement several new, large-scale programs, we may need to recruit, hire and train qualified personnel at an accelerated rate. Because a significant portion of our operating costs relate to labour costs, an increase in wages, costs of employee benefits or employment taxes could have a materially adverse effect on our business, results of operations or financial condition. In our EMTS division, our ability to execute client engagements is highly dependent on our ability to attract, develop, motivate and retain our highly skilled professionals, particularly project managers, software developers and other mid-level professionals. The employment market for IT services professionals is highly competitive, particularly in India, and we may not be able to successfully attract and retain the professionals that we require to sustain and grow our operations.

We have experienced rapid growth and significantly expanded our operations in Pune. We presently have four facilities in Pune, including our headquarters. We plan to add additional employees in Pune, and in the U.S. in the next six months. Our inability to manage such rapid expansion effectively or to ensure the continued adequacy of our current systems could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We may undertake strategic acquisitions, which may prove to be difficult to integrate and manage or may not be successful.

We have, in the recent past, pursued acquisitions as the most significant part of our growth strategy. For a complete description of our past acquisitions, please see the section entitled "History and Certain Corporate Matters" on page 57 in this Red Herring Prospectus. We may make further acquisitions or investments to expand our access to large clients, acquire new service offerings, or enhance our technical or research capabilities. Our acquisitions may not contribute to our profitability, and we may be required to incur or assume debt, or assume contingent liabilities, as part of any acquisition. We may also make acquisitions in new business lines in which we do not have prior experience. We could have difficulty in assimilating the personnel, operations, technology and software assets of the acquired company. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. As part of our business operations, we are evaluating and from time to time, may continue to evaluate acquisition or divestment opportunities; however, as of the date of this Red Herring Prospectus we do not have any material acquisition or strategic investment or divestment.

We have recently completed a corporate restructuring and have initiated an institutional rebranding exercise, which may lead to administrative difficulties and/or alienate existing clients.

We have recently completed a corporate reorganization, as described in the section entitled "History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus. While we have not yet experienced administrative difficulties relating to the reorganization, we may experience difficulties and management pre-occupation in the future. As part of our restructuring, we have begun to initiate a corporate rebranding exercise. Most of our longstanding customer relationships are associated with one of our particular subsidiaries' management and name. We are seeking to migrate these relationships to the HOV Services brand name in the future. As BPO client relationships are particularly dependent on history and trust, this rebranding initiative may be unsuccessful. As a result of our reorganization and rebranding, our client relationships may suffer and our results of operations may be adversely affected.

Some of the entities acquired by us have not been independently valued.

We have acquired enitities including LLCs as part of a corporate reorganization, in the U.S. These entities are now our direct and indirect subsidiaries. These entities were not valued by an independent third party at the time of acquisition and therefore, the valuation considered by us may not be an accurate reflection of the market value of these entities. For a complete description of corporate reorganization by us, please see the section entitled "History and Certain Corporate Matters" in this Red Herring Prospectus.

Our revenues and profitability are dependent on a number of factors, and may vary significantly from quarter to quarter. Therefore, our historical financial results may not be an accurate indicator of our future performance.

Our revenues and profitability have fluctuated in recent years and may vary significantly in the future from quarter to quarter. Factors that could cause quarterly fluctuations include, among other things, the following:

- the timing, amount of and commissions paid under our clients' accounts receivable management and collection programs and the commencement of new contracts and termination of existing contracts;
- customer contracts that require us to incur costs in periods prior to recognizing revenue under those contracts;

- the effects of a change of business mix on profit margins;
- the timing of additional selling, general and administrative expenses to support new business;
- the costs and timing of completion and integration of acquisitions; and
- the tendency for our business to be slower in the third and fourth quarters of the calendar year due to the summer and holiday seasons in the United States.

Our revenues and profitability are dependent on a number of factors, such as:

- pressures on our clients' budgets and the proportion of their F&A requirements that they outsource;
- introduction of new pricing policies, services or products by us or our competitors;
- our ability to respond to adverse changes in laws impacting outsourcing, particularly in the United States;
- currency exchange rate fluctuations, particularly of the Indian Rupee against the U.S. Dollar;
- the possible impact of different accounting treatment of non-cash adjustments, such as goodwill amortization, under US GAAP purchase accounting as compared to Indian GAAP;
- the proportion of projects that we perform at our clients' sites to the work we perform at our facilities in India; and
- general economic and political conditions.

Our profitability is also a function of our ability to control our costs and improve our efficiency. Our cost management initiatives, which focus primarily on managing project costs and operating expenses and optimising the allocation of our employees, may not be sufficient to negate pressures on our pricing and utilisation rates. As we diversify our Indian operations, increase the number of our professionals and execute our strategies for growth, we face additional challenges in controlling our costs and improving our efficiency.

As a result of the foregoing uncertainties, the period-to-period comparisons of our historical results of operations may not be an accurate or meaningful indicator of our future performance.

Our Promoters could potentially compete, or come into conflict, with us in India.

Our Promoters manage HandsOn Ventures, LLC, which was established as a private equity company. However, nothing in the HandsOn Ventures, LLC constitutive documents prevents them from investing or operating BPO businesses in India and no non-compete agreement exists that would preclude these Promoters from directly competing with us in India. Our Promoters could route future investments through other companies within the Promoter Group. This could result in a conflict of interest between us and HandsOn Ventures, LLC and if the Promoters decide to use companies other than us to develop its BPO businesses in India, our business strategy and competitive positioning could be adversely affected.

Our Promoters have significant control over us pursuant to the terms of our Articles of Association and have the ability to direct our business and affairs; their interests may conflict with your interests as a shareholder.

Our Articles of Association confer certain rights on our Promoters relating to the governance of the Company. Our Articles provide that a nominee of HOF 2, LLC, one of our Promoter Companies shall be the non-retiring Chairman of the Board so long as he is willing to be a Director and Chairman of the Company and shall not be liable to retire by rotation. The Chairman shall preside at all meetings of the Board and the General Meeting of the Company. In the absence of the Chairman at any meeting of the Board, one of the nominees of HOF 2, LLC shall preside at such meeting as the Chairman. If for any reason the Chairman is unable to continue as the Chairman, the members of the Board of Directors shall appoint one of the nominees of HOF 2, LLC as the Chairman.

HOF 2, LLC shall be entitled to appoint one third of the members of the Board (minimum 2 nominees) who shall be Non-Retiring Directors and who shall hold office at the pleasure of HOF 2, LLC. As and when there is a vacancy on the Board of the Company out of the Directors nominated by HOF 2, LLC , such vacancy shall be filled by HOF 2, LLC.

HOF 2, LLC shall have the right to designate and or remove one or more of its nominees as the Managing Director(s) or Manager or Executive/ Wholetime Director(s) of the Company. The Managing Director(s) or Manager or Executive/ Wholetime Director(s), as the case may be, so appointed, shall be responsible for and in charge of the day to day management and affairs of the Company.

Accordingly, our Promoters have the ability to exercise significant influence over matters requiring shareholders' or directors' approval, even if their ownership interest in our equity capital should be reduced significantly. This control could delay, defer or prevent a change of control of us, impede a merger, consolidation, take-over or other business combination involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us. For further details, see the section entitled "Main Provisions of the Articles of Association" in this Red Herring Prospectus.

Our business is subject to regulations by certain authorities.

The collections industry is regulated under various U.S. federal and state laws and regulations. Many U.S. states require that we be licensed as a debt collection company. The U.S. Federal Trade Commission has the authority to investigate consumer complaints against debt collection companies and to recommend enforcement actions and seek monetary penalties. If we fail to comply with applicable laws and regulations, it could result in the suspension or termination of our licenses and our ability to conduct collections, which would materially adversely affect us. In addition, new U.S. federal or state laws or regulations, or changes in the ways these rules or laws are interpreted or enforced, could limit our activities in the future or significantly increase the cost of regulatory compliance. If we expand our international operations outside of the U.S., we may become subject to additional government controls and regulations in other countries, which may be stricter or more burdensome than those in the United States. For more information on U.S. government regulations, please refer to the section entitled "Regulations and Policies— Regulatory Regime in USA" in this Red Herring Prospectus.

Several of the industries we serve are also subject to varying degrees of government regulation. Although our clients are generally responsible for complying with these regulations, we could be subject to various enforcement or private actions for our failure, or the failure of our clients, to comply with these regulations.

Our business is subject to regulations by certain authorities which could have an adverse effect on our business. We have applied for certain licenses and approvals for carrying on our business. We cannot assure you that we will be able to obtain, retain or comply with all the necessary licenses, permits and approvals required for carrying on our business. Under applicable laws, in the event of default by us, certain adverse consequences such as imposition of penalties, revocation or termination of a license or suspension of a license may occur. Our business might suffer in case there are adverse changes to the regulatory framework, which would include new regulations that we are unable to comply with or those that allow our competitors an advantage over us. For more information on the government regulations, please refer to the section entitled "Regulations and Policies" in this Red Herring Prospectus.

Unauthorized disclosure of sensitive or confidential client and client's customer data, whether through a breach of our computer systems or otherwise, could expose us to protracted and/or costly litigation and cause us to lose clients.

We are typically required to collect and store sensitive data in connection with our services. We take precautions to protect confidential client and client's customer data. However, if any person, including any of our employees or subcontractors, penetrates our network security or otherwise misappropriates sensitive data, we could be subject to significant liability claims from our clients or their own customers for breaching contractual confidentiality provisions or privacy laws. Further, penetration of the network security of our data centres could have a negative impact on our reputation, which could harm our business.

If the software and systems that we implement for our clients contain defects or experience failures or if we are unable to meet our contractual obligations, we may face legal liabilities and damage to our professional reputation.

Our collections, billing and EMTS software products are highly complex and may, from time to time, contain design defects or software errors that may be difficult to detect and/or correct. Since our software products are used by us and our clients to perform critical business functions, design defects, software errors or other potential problems within or outside of our control may arise from the use of our software. It may also result in financial or other damages to our clients, for which we may be held responsible.

The terms of our client engagements are typically designed to limit our exposure to legal claims and damages relating to our services. However, these limitations may not be enforceable under the laws of certain jurisdictions. In addition, if our clients' proprietary rights are infringed by our employees in violation of any applicable confidentiality agreements, our customers may consider us liable for that act and seek damages and compensation from us. While we maintain insurance cover for errors and omissions, we may not be covered for all such claims or damages. Assertion of one or more legal claims against us could have an adverse effect on our business and our professional reputation.

We may be subject to certain intellectual property infringement and/or unauthorized parties may infringe upon or misappropriate our intellectual property.

We rely on a combination of trade secrets, copyrights, trademarks, confidentiality procedures and contractual provisions to protect the proprietary rights in our know-how, technology, products and brand identity. We have developed proprietary software for our businesses, such as Dashboard and eLadin, for which we have not applied for the intellectual property protection. We regard the software products developed with our investment as proprietary intellectual property and rely on a combination of copyright laws, confidentiality agreements with employees, non-disclosure and other contractual confidentiality requirements with our customers.

We require our employees to enter into non-disclosure and confidentiality arrangements to limit access to and distribution of our customer's proprietary/confidential information as well as our own. We can give no assurance that the steps taken by us in this regard will be adequate to enforce our intellectual property rights. If our customer's proprietary rights are misappropriated by our employees in violation of any applicable confidentiality agreements, our customers may consider us liable for those acts and seek damages and compensation from us.

Although we believe that our intellectual property rights do not infringe on the intellectual property rights of any other party, infringement claims may be asserted against us in the future. There are currently no pending or threatened intellectual property claims against us. However, if we become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damages and be forced to develop non-infringing technology or obtain a license to the intellectual property that is the subject of the asserted infringement, which licenses, if available, could be on unreasonable terms. This could have a material adverse effect on our business, financial condition and results of operations. In addition, our efforts to protect our intellectual property (whether formally registered or otherwise, including proprietary information) from being infringed upon or misappropriated may be inadequate.

We have no trademark protection for the "HOV Services - Exceed Expectations" logo.

We have applied for a trademark on our "HOV Services – Exceed Expectations" logo in India and are in the process of applying for trademark protection for our logo in the U.S., which applications are still pending as of the date of this Red Herring Prospectus. We operate in a competitive environment where generating brand recognition will be a significant element of our business strategy. If we fail to successfully obtain or enforce our trademark on our logo, we may need to change our logo. Any such change could require us to incur additional costs and have a material adverse impact on our business, financial condition and results of operations.

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

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

Our business and profitability may be negatively affected if we are not able to anticipate rapid changes in technology, or innovate and diversify our product offerings in response to market challenges.

Our business depends on the continued growth in the use of information technology and outsourcing services in business by our clients and prospective clients and their customers and suppliers. The growth in the use of information technology and outsourcing services and consequently the demand for, and the prices of, our services may decline in challenging economic environments, which we have experienced in the recent past. Our success depends on our continued ability to innovate and to develop and implement information technology and outsourcing services and solutions that anticipate and keep pace with rapid and continuing changes in technology, industry standards and client preferences. Our success also depends on our ability to proactively manage our portfolio of technology alliances. We have made a significant investment in technology to remain competitive and we anticipate that it will be necessary to continue to do so in the future. Telecommunications and computer technologies are changing rapidly and are characterized by short product life cycles, so we must anticipate technological developments. While we believe that our performance in the past has been influenced by our ability to successfully respond to these challenges, we cannot be certain that we will successfully anticipate or respond to future market developments on a timely basis. Any one of these circumstances could have a material adverse effect on our ability to obtain and successfully complete client engagements.

We derive all of our revenues from clients in the United States. Therefore, factors that adversely affect the economic health of, or our ability to do business in the United States, may adversely affect our business.

We have historically derived, and believe that we will continue to derive, all of our revenues from clients primarily located in the United States. Economic slowdowns in the United States, declines in the value of the U.S. Dollar, changes in U.S. laws including those relating to data security and privacy, laws that impose restrictions on outsourcing and other restrictions or factors that adversely affect the economic health of, or our ability to do business in, the United States may adversely affect our business and profitability.

The outsourcing services market is highly competitive, and if we are not able to compete effectively, our revenues and profitability will be adversely affected.

The outsourcing services markets that our businesses operate in are highly competitive. Our competitors include large and mid-sized U.S.-based, Indian and international outsourcing, software development and consulting companies such as Convergys Corporation, ICICI OneSource, Siebel, Peoplesoft, Cognos, Oracle, Microsoft, Ernst & Young, Deloitte & Touche, Accenture, Navigant Consulting, CRA International, Delta Consulting Group, PA

Consulting Group and Genpact. Some of our Indian and international competitors have significantly greater financial, marketing and technical resources, generate higher revenues, and therefore may be able to respond to certain types of client requirements more effectively than we can. We cannot be certain that we will be able to compete effectively with these competitors, some of whom have greater international brand recognition than we do, or that we will not lose clients to these competitors. The global outsourcing services industry has also experienced consolidation, resulting in the emergence of competitors that are able to offer clients diverse service portfolios and the advantages of scale. Further, consolidation in the outsourcing services industries, whether within India or internationally, could create large, well capitalised outsourcing services companies with enhanced abilities to attract and retain clients and employees, which could result in reduced demand for, and additional pricing pressures on, our services.

Competition from other economic and business consulting firms could hurt our ITS business.

The market for accounting and business consulting services is intensely competitive, highly fragmented, and subject to rapid change. We may be unable to compete successfully with our existing competitors or with any new competitors. In general, there are few barriers to entry into our markets, and we expect to face additional competition from new entrants into the accounting and business consulting industries. In the tax consulting market, we compete primarily with other accounting and financial consulting firms and individuals. In the construction business consulting market, we compete primarily with other business and management consulting firms, specialized or industry-specific consulting firms, the consulting practices of large accounting firms, and the internal professional resources of existing and potential clients. Many of our competitors have national or international reputations as well as significantly greater personnel, financial, managerial, technical, and marketing resources than we do, which could enhance their ability to respond more quickly to technological changes, to finance acquisitions, and to fund internal growth. Some of our competitors also have a significantly broader geographic presence than we do.

Our clients may seek to reduce their dependence on India for outsourcing and services or take advantage of the services provided in countries with labour costs similar to or lower than India.

Clients who presently outsource a significant proportion of their BPO services requirements to vendors in India may, for various reasons, including to diversify geographic risk, seek to reduce their dependence on one country. We expect that future competition will increasingly include firms with operations in other countries, especially those countries with labour costs similar to or lower than India, such as China, the Philippines and countries in Eastern Europe. Since wage costs in our industry in India are increasing, our ability to compete effectively will become increasingly dependent on our reputation, the quality of our services and our expertise in specific industries.

Our Subsidiaries are involved in certain legal proceedings and claims.

From time to time, certain civil litigation is initiated by and against our Subsidiaries. Our Subsidiaries operate in a regulated environment and in future may be subject to regulatory proceedings. If significant claims are determined against them and they are required to pay all or a portion of the disputed amounts, this may have a material adverse effect on their business and profitability and consequently on our business and profitability.

The Issuer Company is currently not involved in any pending litigation. Three of our group companies are involved in pending litigation.

Bay Area Credit Service, Inc. is a defendant in 14 civil suits filed in various States of the United States of America arising from its debt collections business. The damages claimed by the plaintiffs in each of these cases range from US$1,500 to US$3,750.

Meridian Consulting Group is a co-defendant in a civil case filed in the Commonwealth of Kentucky, USA by plaintiff Milner Electric Company on October 7, 2005, regarding alleged delays in a construction project which caused it to incur losses. Damages of US$ 55,707 have been claimed.

Imperial Collection Services is a defendant in a civil case filed in the State of California, USA by a former employee of Imperial on August 18, 2005. Damages in excess of US$25,000 have been claimed.

For more detail on litigation please refer to the section entitled "Outstanding Litigation and Material Developments" in this Red Herring Prospectus.

We may not be able to obtain licenses if the current laws change.

We have all the licenses for all our current businesses and the operational activities. However, changes in laws and/or licensing requirements may require us to re-license or get new approvals in various relevant jurisdictions. These approvals are for potential future business and are not required for our current operations. For more details, please refer to the section entitled "Government Approvals" in this Red Herring Prospectus.

We are subject to various Indian taxes and avail of certain tax benefits offered by the Government of India and the State of Maharashtra. Our profitability would decrease due to any adverse change in general tax policies or if the tax benefits were reduced or withdrawn.

Taxes and other levies imposed by the Government of India and/or the State of Maharashtra that may affect the BPO industry include: customs duties; excise duty; central and state sales tax and other levies; income tax; value added tax; entry tax imposed by various municipalities throughout India; turnover tax; service tax; and other new or special taxes and surcharges introduced on a permanent or temporary basis from time to time. For more details on the direct taxes, please refer to the section entitled "Statement of Tax Benefits" in this Red Herring Prospectus.

U.S. and Indian transfer-pricing regulations require that any international transaction involving associated enterprises be at an arm's length price. Transactions with our U.S. subsidiary may need to be at an arm's length price. If the applicable income tax authorities review any of our tax returns and determines that the transfer price we applied for was not appropriate, we may incur increased tax liability, including accrued interest and penalties, which would cause our expenses to increase, possibly materially, thereby reducing our profitability and cash flows.

Currently, we benefit from certain tax incentives under Section 10A of the Income Tax Act for the IT services that we provide from specially designated "Software Technology Parks," or STPs. As a result of these incentives, our operations in India have been subject to relatively low tax liabilities. Under current laws, the tax incentives available to these units terminate on the earlier of the ten year anniversary of the commencement of operations of the unit or March 31, 2009. When our tax incentives expire or terminate, our tax expense will materially increase, reducing our profitability. Further, the Government of India could enact laws in the future that may adversely impact our tax incentives and consequently, our tax liabilities and profits. For example, in 2004, the Government of India reduced the tax shelter incentive from 100% to 90%. Although the shelter was restored to 100% in 2005 and 2006, there can be no assurance that the Government of India will not reduce our tax benefit again in the future.

We and certain of our Promoter Group companies have incurred losses and had negative cash flows in prior periods.

We incurred a loss of Rs. 0.31 million for the 12 months ended March 31, 2003. We cannot assure you that such losses will not occur in the future and any such losses may affect our business and results of operations. For the 12 months ended March 31, 2003, we had a negative cash flow of Rs. 0.61 million arising from the utilization of cash flows for long term investments. For the 12 months ended March 31, 2005, we had a negative cash flow of Rs. 0.39 million, arising from a significant increase in accounts receivable due to higher sales in the last quarter of fiscal 2005. BACS, LLC had incurred a loss of Rs. 48.10 million for the 12 months ended March 31, 2006. Any losses and negative cash flows in the future could adversely affect our results of operations and financial condition.

The financial statements of certain of our Promoter Group entities are unaudited.

The financial statements of certain entities forming a part of our Promoter Groups are unaudited and hence the same are not independently verified. Moreover, there is no requirement under the relevant statutes under which these entities have been organised to have financial statements audited. For further details, please see the section entitled "Promoter Group" in this Red Herring Prospectus.

Some of our Promoters have disassociated themselves from certain companies in the past.

Some of our Promoters, namely Parvinder S. Chadha, Surinder Rametra and Sunil Rajadhyaksha have had ownership interests in or have served as directors or officers of certain companies in the past which are now no longer doing business and from which these Promoters have disassociated themselves. These companies are Microsystem Leasing and Rental Inc. (New York), ITES, LLC (Nevada), Ramsaq Realty Partnership (New York) and Sun Investment Partners (New York). For more details please refer to the section entitled "Promoter Group" on page 88 of this Red Herring Prospectus.

Certain government approvals required by HOV Services Limited have expired.

Certain government approvals required by HOV Services Limited in the course of its business have expired. If we are unable to renew or obtain these approvals, our business could be adversely affected. For more details, see the section entitled, "Licenses and Approvals- HOV Services Limited". We have made applications for renewal of the following approvals and "Licenses and Approvals" on page 185 of this Red Herring Prospectus.

Equity Shares of the Company issued within the last 12 months at a price less that the Issue Price.

On January 3, 2006, 2,910,825 Equity Shares were allotted by way of a bonus issue. These shares were issued to the existing shareholders prorata to their shareholding prior to the bonus issue. These shares were issued out of general reserves and were not issued out of revaluation of reserves or from reserves without accrual of cash resources. On January 3, 2006, 5,500,000 Equity Shares were allotted at par to HOF 3, LLC, one of our Promoter Group Companies on a preferential basis. Further, our Promoters and our Promoter Group Companies have sold or purchased Equity Shares of the Company at a price lower than the Issue Price within the last 12 months from the date of filing the Red Herring Prospectus. For further details please refer to the section entitled "Capital Structure" on page 14 of this Red Herring Prospectus.

External Risks

Decreases in the collections of our ARM business due to the economic condition in the United States may have an adverse effect on our results of operations, revenue and stock price.

Due to the economic condition in the United States, which has led to high rates of unemployment and personal bankruptcy filings, the ability of consumers to pay their debts has significantly decreased. Defaulted consumer loans that we service or purchase are generally unsecured, and we may be unable to collect these loans in case of the personal bankruptcy of a consumer. Because of higher unemployment rates and bankruptcy filings, our collections may significantly decline, which may adversely impact our results of operations, revenue and equity share price.

Because a significant percentage of our revenues are denominated in U.S. Dollars and a significant percentage of our costs are denominated in Indian Rupees, we face currency exchange risks.

The exchange rate between the Rupee and the U.S. Dollar has changed substantially in recent years and may continue to fluctuate significantly in the future. During the fiscal years ended March 31, 2003 and 2004, the value of the Rupee against the U.S. Dollar increased by approximately 2.66% and 8.54%, respectively. During the fiscal year ended March 31, 2005 and 2006, the value of the Rupee against the U.S. Dollar decreased by approximately 0.51% and 1.97%, respectively. We derive most of our revenues from our U.S.-based clients. Substantially all of these revenues are denominated in U.S. Dollars. At the same time, a substantial proportion of our costs are denominated in Rupees. We expect that a majority of our revenues will continue to be generated in U.S. dollars and that a significant portion of our expenses will continue to be denominated in Rupees. Accordingly, our operating results have been and will continue to be impacted by fluctuations in the exchange rate between the Rupee and the U.S. Dollar. Any strengthening of the Rupee against the U.S. Dollar could adversely affect our profitability.

Political opposition to offshore outsourcing in the United States could adversely affect our business.

Recently, offshore outsourcing has been the subject of intense political debate and has come under increased government scrutiny within the United States due to its perceived association with loss of jobs in the United States. Several U.S. state governments have recently implemented or are actively considering implementing restrictions on outsourcing by U.S. state government entities to offshore IT services providers. We currently do not provide any significant back-office services to U.S. federal or state government entities, and do not have any significant contracts with such entities.

In addition, private companies in the U.S. have been experiencing attention and pressure from their employees and customers regarding their outsourcing practices. Some companies have bowed to this social and political pressure and have modified, reduced or eliminated their use of outsourcing services as part of their public relations efforts. Any changes in the United States to public opinion, existing laws or the enactment of new legislation restricting offshore outsourcing, particularly by private companies, may adversely impact our business and profitability.

Wage levels in India are rising, which could adversely impact our business and profitability.

As an offshore IT and outsourcing services provider, we rely substantially on IT and other professionals based in India to provide IT and outsourcing services to our U.S.-based clients. Since the wage costs of IT and other professionals in India are significantly lower than those for similarly skilled professionals in the United States, Europe and other markets, this model provides us with significant cost advantages. However, due to the growing demand for IT and other professionals in India, we may have to increase the levels of employee compensation in order to retain our employees and remain competitive in the employment market. Such wage increases may negatively affect our competitive advantage and our business and profitability.

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

Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a wide variety of factors, including our results of operations and the performance of our business, competitive conditions and general economic, political and social factors, volatility in the Indian and global securities markets, the overall market for IT and outsourcing services, the performance of the Indian and global economy and significant developments in India's fiscal regime. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

Valuations in industries related to information technology may be high and not sustained in the future.

The valuations in the IT industry are presently high and may not be sustained in future and may also not be reflective of future valuations for the industry.

Notes to Risk Factors:

- Issue of 4,050,000 Equity Shares of Rs.10 each for cash at a price of Rs.[•] per Equity Share aggregating Rs.[•] million. The face value of the Equity Shares is Rs.10 and the Issue Price is [•] times the face value. The Issue will constitute 32.3% of the fully diluted post Issue paid-up capital of the Company.
- The net worth of the Company was Rs. 111.15 million as of March 31, 2006 and the Book value per Equity Share of the Company is Rs. 13.07, as per the restated unconsolidated financial statements of the Company prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines.
- The Issue is being made through a 100% Book Building Process wherein at least 50% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”). Further up to 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders (“NIB”) and up to 35% of the Net 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.
- The cost of acquisition of our Equity Shares by Digital Boardwalk Incorporated (DBI) is Rs. 1,045.59 per Equity Share as on January 31, 2002 (Face Value Rs. 100). After January 31, 2002 one share was allotted to a nominee of DBI at Rs. 100 (Rs. 100 face value), 5.5 million shares were allotted to HOF 3, LLC at Rs. 10 (face value Rs. 10) and bonus shares were issued out of general reserves. No direct allotment was made to any of our Promoters. All the transfers and distributions to our Promoters, on account of restructuring or otherwise, were at no direct cost. For further details on the restructuring please refer to the section entitled “History and Certain Corporate Matters” on page 57 of this Red Herring Prospectus.
- For related party transactions, see the section entitled “Related Party Transactions” in this Red Herring Prospectus.
- The Company was incorporated on January 10, 1989 as Codec Communications Private Limited as a private limited company under the Companies Act. The name of the Company was changed to HOV Services Private Limited on February 27, 2006. The Company became a public company on January 5, 2006 and the name of the Company was changed to HOV Services Limited on March 9, 2006.
- Investors may note that in case of over-subscription in the Issue, allotment to Non-Institutional Bidders and Retail Individual Bidders shall be on a proportionate basis. For more information, see the section entitled “Basis of Allotment” in this Red Herring Prospectus.
- For any clarification or information relating to the Issue, investors are free to contact the BRLM and the CBRLM, who will be obliged to provide such clarification or information to the investors.
- Investors may contact the BRLM, the CBRLM and the Syndicate Members for any complaints pertaining to the Issue.
- Investors are advised to see the section entitled “Basis for Issue Price” in this Red Herring Prospectus.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and the financial statements of the Company that appear in the "Business" and "Industry" chapters in this Red Herring Prospectus.

HOV Services Limited ("HOVS"), a company incorporated under the laws of the Republic of India, provides business process outsourcing ("BPO") services to the finance and accounting business sector with operations in India and the U.S. We have strategically positioned ourselves to service our clients by developing and acquiring skills common across many industries. This has enabled us to transform our business and service a broad array of customers. We provide a variety of finance and accounting services to our U.S.-based corporate clients through our three main operating business divisions: Accounts Receivable Management ("ARM"), Enterprise Management Tools and Services ("EMTS") and Insurance and Tax Services ("ITS"). Our clients include some of the largest companies in the healthcare, telecommunications, banking and finance, and insurance industries. Our senior management along with the head of each of our three business divisions directs our combined group strategy, direction and administration.

The following chart shows HOVS and its six major subsidiaries arranged by business line that form a part of our operating business divisions:

HOV Services Limited		
Accounts Receivable Management	**Enterprise Management Tools and Services**	**Insurance and Tax Services**
Bay Area Credit Service, LLC	Savant Consulting Group, Inc.	Meridian Consulting Group, LLC
Bay Area Credit Service (I) Pvt. Ltd.		Complex Property Advisors Corporation
Imperial Collection Service		

The ARM division provides accounts receivable management services to clients in the telecommunications, health care and financial services industries. We provide three basic services to our credit grantor clients: customer care outsourcing, early and late stage bad debt collections and insurance eligibility verification, billing and follow-up.

The EMTS division develops proprietary software products for use by its clients and by our other operating business divisions. EMTS directs the deployment of a suite of web-based enterprise management and productivity software tools to compile, report, analyze and manage accounts placed for collection or claims in the insurance sector. To date, EMTS has deployed three major software products which assign and manage accounts placed for outside debt collection, compare the progress of competing outside debt collectors, and verify and enhance customer data collection.

The ITS division provides consulting and project management services to the surety industry focused primarily in the construction sector and property tax assessment management and consulting to the health care and other industries. ITS provides the following services to its large insurance company clients: contract payment and performance bond claim investigations, property and casualty damage claim evaluations, technical support of construction-related litigation and construction project management. ITS also provides analysis, appraisal, expert testimony and appeals management of property tax assessments for our health care and entertainment corporate clients.

We have focused our business in the finance and accounting ("F&A") sector, which involves providing services associated with a client's need to manage the flow of money into and out of their organization. This includes segments such as transaction management, general accounting, finance, treasury and risk management and tax management. HOV Services has positioned itself in the F&A community by providing practical solutions to core-level business management functions. By developing core-competencies to serve the needs of FORTUNE 500® companies and deploying our unique skill set via a global service base, we provide a unified strategy to meet any basic business financial requirement.

Our established presence across our service offerings uniquely positions us to bid for large projects from clients and service significant parts of their F&A functions. Presently, we perform services in one or more of our three business lines for large FORTUNE 500® clients. Our goal is to leverage our existing customer relationships to cross sell our other service offerings.

We have achieved improved financial performance over the past several years. Based on the proforma combined summarised income statement, our revenues have grown from Rs. 947.87 million in the fiscal year ended March 31, 2003 to Rs. 1,638.42 million in the fiscal year ended March 31, 2006. Our profit before interest, depreciation and taxation has also grown from Rs. 20.59 million in the fiscal year ended March 31, 2003 to a profit of Rs. 209.98 million in the fiscal year ended March 31, 2006.

Competitive Strengths

We believe that the following are our principal competitive strengths, which differentiate us from other BPO service providers:

- Premier customer base
- Experienced management team
- Strong relationships with our clients
- Customized technology solutions
- Current Position in the large and growing BPO market with limited competitors

Business Strategy

Our goal is to be a premier company in the F&A BPO market and for the customers we serve by building a brand that will attract the top talent available and enable us to deliver the most compelling value proposition to our customers and our stakeholders. A significant portion of our growth stems from the expansion of existing client relationships. These relationships and the resulting opportunities continue to grow in scale, complexity and profit potential. Over time, we believe that these relationships should transition from the operational delivery of services to the strategic development of long-term, goal-oriented partnerships where we share in the improved profitability and operational efficiencies created for our clients. Additionally, we believe that tremendous growth opportunities exist within each of our business lines and the domain expertise we have obtained will enable us to compete effectively for this business.

To successfully execute our strategy and achieve our goal, management believes we must continue to be proactive by concentrating on the following factors:

- Business process improvements
- Leverage our Indian operations
- Strengthening our financial position
- Maintain domain focus and expertise management
- Pursue acquisitions
- Continue to foster talent development and retention

THE ISSUE

Shares offered by the Company	4,050,000 Equity Shares
of which:	
QIB Portion[1]	at least 2,025,000 Equity Shares (allocation on a proportionate basis)
Mutual Funds	101,250 Equity Shares (allocation on a proportionate basis)
Balance for all QIBs including Mutual Funds	1,923,750 Equity Shares (allocation on a proportionate basis)
Non-Institutional Portion	up to 607,500 Equity Shares (allocation on proportionate basis)
Retail Portion	up to 1,417,500 Equity Shares (allocation on proportionate basis)
Equity Shares outstanding prior to the Issue	8,504,045 Equity Shares
Equity Shares outstanding after the Issue	12,554,045 Equity Shares
Use of proceeds by the Company	See the section entitled "Objects of the Issue" on page 24 of this Red Herring Prospectus.

1 As per the recent amendments to the SEBI Guidelines, allocation to QIBs is proportionate as per the terms of this Draft Red Herring Prospectus. 5% of the QIB Portion will be available for allocation to mutual funds registered with SEBI. Mutual funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

SELECTED FINANCIAL INFORMATION

The following table sets forth our selected financial information derived from our restated standalone financial statements as of and for the fiscal years ended March 31, 2002, 2003, 2004, 2005 and 2006, all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the auditors' report of Lodha & Co. included in the section entitled "Financial Statements" on page 98 of this Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

HOV Services Limited (Formerly Codec Communications (P) Limited)

Standalone Summarised Restated Income Statement

(Rs. in Million)

Particulars	For the year ended March 31,				
	2002	**2003**	**2004**	**2005**	**2006**
INCOME					
Income from Operations	10.01	7.16	19.52	48.46	44.71
Other Income	0.10	0.12	0.11	0.18	1.81
	10.11	**7.28**	**19.64**	**48.64**	**46.52**
EXPENDITURE					
Staff Cost	5.34	5.07	12.06	13.86	9.97
General and Administration Expenses	3.41	2.55	4.93	7.72	9.08
	8.75	**7.61**	**16.99**	**21.58**	**19.05**
Profit/(Loss) before Interest, Depreciation and Tax	**1.36**	**(0.33)**	**2.65**	**27.06**	**27.47**
Less: Interest	0.09	-	-	0.01	0.17
Less: Depreciation	0.14	0.17	0.16	0.84	1.12
Profit/(Loss) before tax	**1.13**	**(0.50)**	**2.49**	**26.21**	**26.18**
Tax pertaining to earlier years	0.02	-	-	0.03	(0.005)
Less: Provisions for taxes					
Current Tax	0.26	-	0.17	0.07	0.005
Deferred Tax	-	(0.19)	0.12	0.38	(0.04)
Fringe Benefit Tax	-	-	-	-	0.11
Profit/(Loss) after tax	**0.85**	**(0.31)**	**2.20**	**25.73**	**26.11**

HOV Services Limited (Formerly Codec Communications (P) Limited)

Standalone Summarised Restated Statement of Assets and Liabilities

(Rs. in Million)

Particulars	For the year ended March 31,				
	2002	2003	2004	2005	2006
Fixed Assets					
Gross Block	0.89	0.90	1.80	4.97	7.79
Less: Accumulated Depreciation	0.33	0.50	0.65	1.37	2.47
Net Block	**0.56**	**0.41**	**1.15**	**3.60**	**5.32**
Add: Capital W.I.P.	-	-	-	-	8.74
	0.56	**0.41**	**1.15**	**3.60**	**14.06**
Investments (in subsidiaries)	-	-	-	-	54.24
Deferred Tax Asset/(Liability)	-	0.11	(0.12)	(0.50)	(0.46)
Current Assets, Loans and Advances					
Cash and Bank Balances	2.13	1.58	5.09	3.24	2.91
Sundry Debtors	0.56	0.27	1.41	24.65	22.28
Other Current Assets	-	-	-	-	3.66
Due from affiliates	-	-	-	-	36.42
Loans and Advances	0.76	0.69	1.84	4.26	-
	3.45	**2.54**	**8.35**	**32.15**	**65.27**
Less: Current Liabilities and Provisions	1.41	0.83	3.60	2.03	8.30
Net Current Assets	**2.04**	**1.70**	**4.75**	**30.12**	**56.97**
Loan Funds	-	-	-	-	-
Secured Loans	-	-	-	2.08	0.88
Unsecured Loans	-	0.02	1.47	1.10	12.77
	-	**0.02**	**1.47**	**3.18**	**13.65**
Networth	**2.60**	**2.20**	**4.30**	**30.03**	**111.15**
Networth represented by:					
Share Capital	0.17	0.17	0.17	0.93	85.04
Reserves and Surplus	2.44	2.04	1.14	29.11	26.11
Less: Miscellaneous Expenses (to the extent not written off or adjusted)	0.01	0.01	0.01	0.01	0.00
Networth	**2.60**	**2.20**	**4.30**	**30.03**	**111.15**

HOV Services Limited (Formerly Codec Communications (P) Limited)

Standalone Summarised Restated Cash Flow Statement

(Rs. in Million)

Particulars	For the year ended March 31,				
	2002	2003	2004	2005	2006
Net Profit/(Loss) before tax	**1.13**	**(0.50)**	**2.49**	**26.21**	**26.18**
Adjustments for:					
Depreciation	0.14	0.17	0.16	0.84	1.12
Interest Expense	0.09	-	-	0.01	0.17
Interest Income	(0.04)	(0.07)	(0.08)	(0.10)	(0.01)
Write back of Excess provision	-	(0.01)	(0.00)	-	(0.01)
Unrealized Foreign Exchange (Gain)/Loss, net	-	-	-	0.30	(1.80)
Preliminary Expenditure W/off	0.00	0.00	0.00	0.00	0.005
Operating Profit before Working Capital changes	**1.32**	**(0.42)**	**2.56**	**27.26**	**25.65**
Adjustments for changes in Working Capital :					
Increase/(Decrease) in Sundry Debtors	(0.22)	(0.29)	1.14	23.54	4.16
Increase/(Decrease) in Other Receivables	(1.18)	(0.09)	1.17	2.45	(35.82)
Increase/(Decrease) in Trade and Other Payables	(1.05)	(0.57)	2.77	(1.57)	6.22
Cash generated from Operations	**1.68**	**(0.61)**	**3.02**	**(0.29)**	**0.21**
Taxes Paid	(0.28)	-	(0.17)	(0.10)	(0.07)
Net cash from/(used in) Operating Activities	**1.40**	**(0.61)**	**2.85**	**(0.39)**	**0.15**
Purchase of Fixed Assets	(0.20)	(0.01)	(0.89)	(3.29)	(11.56)
Investment in subsidiaries	-	-	-	-	(54.24)
Interest Received	0.04	0.07	0.08	0.10	0.02
Net Cash from/(used in) Investing Activities	**(0.16)**	**0.06**	**(0.81)**	**(3.19)**	**(65.78)**
Proceeds from issue of Share Capital	0.14	-	0.00	-	55.00
Proceeds/(Repayments) from/to loans, net	(0.14)	0.02	1.46	1.71	10.47
Interest Paid	(0.09)	(0.07)	(0.08)	(0.10)	(0.17)
Net cash from/(used in) Financing Activities	**(0.09)**	**0.01**	**1.46**	**1.70**	**65.30**
Net Increase/(Decrease) in Cash and Cash Equivalents	1.15	(0.53)	3.49	(1.88)	(0.34)
Opening Cash and Cash Equivalents	0.96	2.11	1.57	5.07	3.19
Closing Cash and Cash Equivalents	2.11	1.57	5.07	3.19	2.85

Notes:

1. **The above cash flow has been prepared under the 'indirect method' as set out in Accounting Standard – 3, Cash Flow Statements issued by the Institute of Chartered Accountants of India.**
2. **Pledged FDRs have been excluded from cash & cash equivalents and included in other receivables.**

GENERAL INFORMATION

Registered Office of our Company

HOV Services Limited
3rd Floor, Sharda Arcade, Pune Satara Road,
Bibwewadi, Pune 411 037
Maharashtra,
India
Registration No.: 25-14448

Address of Registrar of Companies

PMT Building, IIIrd Floor, P.O. Box No. 819, Deccan Gymkhana, Pune 411 004.

Our Board comprises of:

Sr. No.	Name, Designation, Occupation
1.	**Surinder Rametra,** Chairman, *Business*
2.	**Parvinder S Chadha,** Executive Director, *Business*
3.	**Sunil Rajadhyaksha**, Executive Director, *Business*
4.	**B.R. Gupta,** Non-Executive Independent Director, *Consultant*
5.	**Ajay Madan,** Non-Executive Independent Director, *Business*
6.	**Rajeev Gupta,** Non-Executive Independent Director, *Business*

For further details in relation to our Board and Directors see the section entitled "Our Management" on page 64 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Mr. Bhuvanesh Sharma, Company Secretary
3rd Floor, Sharda Arcade,
Pune Satara Road,
Bibwewadi, Pune 411 037
Maharashtra, India
Tel: (91 20) 2422 1460
Fax: (91 20) 2422 1470
E-mail: investor.relations@hovservices.com

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

Legal Advisors to the Issue

Domestic Legal Counsel to the Company

Amarchand & Mangaldas & Suresh A. Shroff & Co.
5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013
India
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

International Legal Counsel to the Underwriters

Jones Day
31/F Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong
Tel: 852 2526 6895
Fax: 852 2868 5871

Domestic Legal Counsel to the Underwriters

J. Sagar Associates
Vakils House, 18 Sprott Road
Ballard Estate
Mumbai – 400 001
India
Tel: (91 22) 66561500
Fax: (91 22) 66561515/16
Email: mumbai@jsalaw.com

Book Running Lead Manager

DSP Merrill Lynch Limited
Mafatlal Centre, 10th Floor
Nariman Point, Mumbai 400 021
Tel: (91 22) 6632 8000
Fax: (91 22) 2204 8518
Email: hovs_ipo@ml.com
Contact Person: N.S. Shekhar

Co-Book Running Lead Manager

JM Morgan Stanley Private Limited
141, Maker Chambers III
Nariman Point, Mumbai 400 021
Tel: (91 22) 6630 3030
Fax: (91 22) 2204 7185
Email: hovsipo@jmmorganstanley.com
Contact Person: Mr. Utkarsh Katkoria

Syndicate Members

JM Morgan Stanley Financial Services Private Limited
Apeejay House, No. 3 Dinshaw Waccha Road,
Churchgate, Mumbai 400 021
Tel: (91 22) 6704 3184/3185
Fax: (91 22) 6654 1511
Email: hovsipo@jmmorganstanley.com
Contact Person: Mr. Deepak Vaidya/Mr. T. N. Kumar

Registrar to the Issue

Karvy Computershare Private Limited
Karvy House, 46 Avenue 4
Street No. 1, Banjara Hills
Hyderabad 500 034, India
Tel: (91 40) 2332 3031
Fax: (91 40) 2330 4703
Contact Person: Mr. Murali Krishna
Email: hov.ipo@karvy.com
Website: www.karvy.com

Auditors

Lodha & Co.
6 Karim Chambers
40 Ambalal Doshi Marg
Mumbai 400 023
India
Tel: (91 22) 2265 1140
Fax: (91 22) 2269 1414
Contact Person: Mr. Raju Baradia
Email: mumbaibdo@lodha.com

Bankers to the Issue and Escrow Collection Banks

HDFC Bank Ltd.
HDFC Bank House,
Senapati Bapat Marg,
Lower Parel,
Mumbai 400 013
Tel: (91 22) 2269 3329
Fax: (91 22) 2267 1661
Contact Person: Mr Sunil Kolenchery
Email :- sunil.kolenchery@hdfcbank.com

The Hongkong and Shanghai Banking Corporation Limited (HSBC)
52/60 Mahatma Gandhi Road,
Mumbai 400 001
Tel: (91 22) 2268 1673
Fax: (91 22) 2273 4388
Contact Person: Dhiraj Bajaj
Email: dhirajbajaj@hsbc.co.in

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai - 400 001
Tel: (91 22) 2265 5207
Fax: (91 22) 2261 1138
Contact Person: Mr. Sidhartha Sankar Routray
Email: sidhatha.routray@icicibank.com

Refund Banker to the Issue

The Hongkong and Shanghai Banking Corporation Limited (HSBC)
52/60 Mahatma Gandhi Road,
Mumbai 400 001
Tel: (91 22) 2268 1673
Fax: (91 22) 2273 4388
Contact Person: Dhiraj Bajaj
Email: dhirajbajaj@hsbc.co.in

Banker(s) to the Company

ICICI Bank
Subhadra Bhavan,
Apte Road,
Shivaji Nagar, Pune 411 004
Tel: (91 20) 2551 2832
Fax: (91 20) 2551 2831
Email: vijay.kulkarni@icicibank.com

IDBI Bank Limited
F.C. Road,
Shivaji Nagar,
Pune 411 002
Tel: (91 20) 5622 2566
Fax: (91 20) 2567 2193
Email:k_sankar@idbibank.com

Statement of *Inter Se* Allocation of Responsibilities for the Issue

The following table sets forth the responsibility and coordination for various activities of the BRLM and the CBRLM:

Inter Se Allocation of Responsibilities			
No.	**Activities**	**Responsibility**	**Co-ordinator**
1	Capital structuring with relative components and formalities.	DSPML, JMMS	DSPML
2	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM and the CBRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	DSPML, JMMS	DSPML
3	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	DSPML, JMMS	JMMS
4	Appointment of the Registrar, Printers, Advertisement agency and Bankers	DSPML, JMMS	DSPML
5	Non-institutional marketing strategy which will cover, *inter alia*, • Finalizing centres for holding conferences for brokers, etc • Formulating media, marketing and, Public Relations strategy; • Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material; and • Finalize collection centres.	DSPML, JMMS	JMMS

Inter Se Allocation of Responsibilities			
No	Activities	Responsibility	Co-ordinator
6	Institutional marketing of the Issue, which will cover, *inter alia*, • Finalising the list and division of investors for one to one meetings; and • Finalising road show schedule and investor meeting schedules. • Finalisation of Roadshow Presentation	DSPML, JMMS	DSPML
7	Finalisation of pricing in consultation with Company.	DSPML, JMMS	JMMS
8	Managing the Book, coordination with the Stock Exchanges, Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc. The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. BRLM and the CBRLM shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the Company.	DSPML, JMMS	DSPML

CREDIT RATING

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

IPO GRADING

We have not opted for grading for this Issue.

TRUSTEES

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

BOOK BUILDING PROCESS

Book building refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid Closing Date/Issue Closing Date.

The principal parties involved in the Book Building Process are:

- The Company;
- Book Running Lead Manager and the Co-Book Running Lead Manager;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLM and the CBRLM;
- Escrow Collection Bank(s); and
- Registrar to the Issue.

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein not less than 50% of the Issue shall be allocated on a proportionate basis to QIBs. Further, up to 15% of the Issue shall be available for Allotment on a proportionate basis to Non-Institutional Bidders and up to 35% of the Issue shall be available for Allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. We will comply with the SEBI Guidelines for this Issue. In this regard, the Company has appointed the BRLM and the CBRLM to manage the Issue and to procure subscriptions to the Issue.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid Closing Date/ Issue Closing Date. **In addition, as per the recent amendments to the SEBI Guidelines, QIBs are required to pay 10% Margin Amount upon submission of the Bid cum Application Form during the Bidding Period and allocation to QIBs will be on a proportionate basis.** For further details see the section entitled "Terms of the Issue" on page 204 of this Red Herring Prospectus.

The process of Book Building under SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

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 as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1000	23	1500	50.0%
1500	22	3000	100.0%
2000	21	5000	166.67%
2500	20	7500	250%

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

Steps to be taken for bidding:

- Check eligibility for bidding, see the section entitled "Issue Procedure-Who Can Bid?" on page 208 of this Red Herring Prospectus;
- Ensure that the Bidder has an active demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

UNDERWRITING AGREEMENT

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

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:*(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC)*

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor Nariman Point, Mumbai 400 021	[●]	[●]
JM Morgan Stanley Private Limited 141, Maker Chambers III Nariman Point, Mumbai 400 021	[●]	[●]
JM Morgan Stanley Financial Services Private Limited Apeejay House, No. 3 Dinshaw Waccha Road, Churchgate, Mumbai 400 021	[●]	[●]

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

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s). Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure/subscribe to the extent of the defaulted amount.

As per recent amendments to the SEBI Guidelines, allocation to QIBs is proportionate as per the terms of this Red Herring Prospectus. 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% share of the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

For further details about Allotment please refer to "Issue Procedure" on page 223 of this Red Herring Prospectus.

CAPITAL STRUCTURE

Financial data presented in this Section is derived from our unconsolidated financial statements restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines.

Our share capital as of the date of filing of this Red Herring Prospectus with SEBI is set forth below:

(Rs. in million)

	Aggregate Value at nominal value	Aggregate Value at Issue Price
A) AUTHORISED SHARE CAPITAL		
15,000,000 Equity Shares of Rs. 10 each	150.0	
B) ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL BEFORE THE ISSUE		
8,504,045 Equity Shares of Rs. 10 each	85.0	
C) PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS*		
4,050,000 Equity Shares of Rs. 10 each fully paid up	40.5	[●]
D) EQUITY CAPITAL AFTER THE ISSUE		
12,554,045 Equity Shares of Rs. 10 each fully paid up shares	125.5	[●]
E) SHARE PREMIUM ACCOUNT		
Before the Issue	Nil	
After the Issue	[●]	

* The Issue in terms of this Red Herring Prospectus has been authorized pursuant to a resolution passed at the general meeting of our shareholders on March 10, 2006

a) The initial authorised share capital of Rs. 1,000,000 was enhanced to Rs. 150,000,000 pursuant to the resolution of the shareholders of our Company at the EGM dated January 3, 2006.

For more details on bonus issues undertaken by the Company, please see note 1(b) and 1(c) below.

b) On January 3, 2006, the shareholders of the Company approved the subdivision of the Equity Shares of the Company from Rs. 100 per Equity Share to Rs. 10 per Equity Share.

Notes to Capital Structure

1. Share Capital history of the Company

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for Allotment	Cumulative Paid-up Capital (Rs.)	Cumulative Share Premium (Rs.)	Individuals/ entities to whom shares allotted
January 10, 1989	100	100	100	Cash	Subscribers to the memorandum	10,000	0.00	Anil Rajadhyaksha Sunil Rajadhyaksha
June 11, 1998	50	100	100	Cash	Further allotment	15,000	0.00	Anil Rajadhyaksha

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for Allotment	Cumulative Paid-up Capital (Rs.)	Cumulative Share Premium (Rs.)	Individuals/ entities to whom shares allotted
June 25, 1998	50	100	100	Cash	Further allotment	20,000	0.00	Sunil Rajadhyaksha
October 1, 2000	94	100	100	Cash	Further allotment	29,400	0.00	Sunil Rajadhyaksha
November 30, 2001	1,400	100	100	Cash	Further Allotment	169,400	0.00	Sunil Rajadhyaksha
November 24, 2003	1	100	100	Cash	Further allotment	169,500	0.00	Anil Rajadhyaksha
September 30, 2004	7,627	100	100	Bonus through capitalization of general reserve	Further issue of equity shares	932,200	0.00	Nine fully paid up bonus shares for every two Equity Shares held
January 3, 2006	93,220	10	-	-	Subdivision of the face value of the Equity Shares from Rs. 100 to Rs. 10	932,200	0.00	-
January 3, 2006	2,910,825	10	10	Bonus through capitalisation of General Reserve	Further issue of equity shares	30,040,450	0.00	Please refer to Note (c) below
January 3, 2006	5,500,000	10	10	Cash	Preferential Allotment	85,040,450	0.00	Allotted to HOF 3, LLC
Total	**8,504,045**	**10**	**10**			**85,040,450**	**Nil**	

a) All allotted shares have been fully paid-up.

b) On September 30, 2004, 7,627 Equity Shares were allotted by way of a bonus issue in the ratio of nine fully paid up Equity Shares for every two Equity Shares held as on September 30, 2004. These shares were issued out of general reserves and were not issued out of revaluation of reserves or from reserves without accrual of cash resources.

c) On January 3, 2006, 2,910,825 Equity Shares were allotted by way of a bonus issue by capitalisation of Rs. 29.11 million out of the general reserves. These shares were issued to the existing shareholders holding 93,220 equity shares of face value Rs. 10, prorata to their shareholding prior to the bonus issue. The bonus ratio works out to be approximately 31.2253:1. These shares were issued out of general reserves and were not issued out of revaluation of reserves or from reserves without accrual of cash resources.

2. Promoters Contributions and Lock-In

The Promoters of the Company earlier held the Equity Shares in the Company through HOF 2, LLC a Limited Liability Company incorporated in November 5, 2005 under the laws of the State of Nevada. HOF 2, LLC is controlled by HandsOn Ventures, LLC a private equity group based in the US. 100% of the membership interest of HandsOn Ventures, LLC is owned by Parvinder S. Chadha and his family members and is managed by a seven member management team of which four members are our Promoters. HOF 2, LLC had acquired the shares of the Company from Digital Boardwalk Incorporated (a company created as an acquisition vehicle) as of January 2, 2006. Digital Boardwalk Incorporated had acquired 100% of the issued and outstanding shares of the Company from Anil Rajadhyaksha and Sunil Rajadhyaksha on January 31, 2002 for a consideration of USD 36,460. Digital Boardwalk Incorporated was also controlled by HandsOn Ventures, LLC. HOF 2, LLC subsequently distributed the shares of the Issuer Company amongst its members (excluding Parvinder S. Chadha) in proportion to their partnership interests. For more details on the acquisition of the Equity Share capital of the Company please see the section entitled "History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus.

All Equity Shares which are being locked in are eligible for computation of Promoters' contribution and lock-in under clause 4.6 of the SEBI Guidelines. Parvinder S. Chadha, Sanjay Chitale and Surinder Rametra hold 100% of the interests of HOF 2, LLC, Chitale, LLC and Stern Capital Partners, LLC respectively, each of which hold shares in the Company.

S. No.	Name	Date on which the Equity Shares were allotted/ acquired	Nature of payment of consideration	Number of Equity Shares	Par value Rs.	Issue Price	% of post-Issue paid-up equity capital	Lock In period
A.	***Details of Promoters contributions locked-in for three years***							
1.	HOF 2, LLC	January 2, 2006	-	9,317	100	Nil		
		January 3, 2006	Split	93,170	10	Nil		
		January 3, 2006	Bonus	2,909,264	10	Nil		
		January 5, 2006	Distributed	(1,574,367)	10	Nil		
		March 20, 2006	-	1,613	10	Nil		
			SUB – TOTAL	**1,429,680**	10		11.4	Three years
2.	Chitale, LLC	January 5, 2006	-	**441,558**	10	Nil	3.5	Three years
3.	Sunil Rajadhyaksha	January 5, 2006	-	**290,764**	10	Nil	2.3	Three years
4.	Stern Capital Partners, LLC	January 5, 2006	-	**348,807**	10	Nil	2.8	Three years
			GRAND TOTAL	**2,510,809**			**20.0%**	**Three years**
B.	***Details of Promoter's contribution locked in for one year***							
1.	HOF 2, LLC through eIndia Venture Fund Limited*	March 20, 2006	-	**238,253**	10		1.9	One year
2.	Chitale, LLC	January 5, 2006	-	198,410	10	-	1.6	One year
		March 20, 2006	-	238,884	10	-	1.9	One year
			SUB – TOTAL	**437,294**				One year
3.	Sunil Rajadhyaksha	January 5, 2006	-	138,092	10	-	1.1	One year
		March 20, 2006	-	159,864	10	-	1.3	One year
			SUB – TOTAL	**297,956**				One year
4.	Stern Capital Partners, LLC	January 5, 2006	-	156,734	10	-	1.2	One year
		March 20, 2006	-	188,705	10	-	1.5	One year
			SUB TOTAL	**345,439**				One year
			GRAND TOTAL	**1,318,942**			**10.5**	

* HOF 2, LLC holds the legal and beneficial ownership of these shares that are held by eIndia Venture Fund.

A total of 2,510,809 Equity Shares comprising 20% of the post Issue paid up capital of the Company as specified above will be locked-in for a period of three years as promoters minimum contribution. The lock-in shall commence from the date of allotment of Equity Shares in this Issue and have been identified as shares issued last are locked-in first.

Locked-in Equity Shares held by the promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16.1 (b) of the SEBI Guidelines, Equity Shares held by the promoters may be transferred to and amongst the promoters/ promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Further, in terms of clause 4.16.1 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

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

The cost of acquisition of our Equity Shares by Digital Boardwalk Incorporated (DBI) is Rs. 1,045.59 per Equity Share (face value Rs. 100 each) as on January 31, 2002. After January 31, 2002 one share was allotted to a nominee of DBI at Rs. 100 (Rs. 100 face value), 5.5 million shares were allotted to HOF 3, LLC at Rs. 10 (face value Rs. 10) and bonus shares were issued out of general reserves. No direct allotment was made to any of our Promoters. All the transfers and distributions to our Promoters, on account of restructuring or otherwise, were at no direct cost. For further details on the restructuring please refer to the section entitled "History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus.

3. **Details of transactions in Equity Shares have been sold or purchased by our Promoters and our Promoter Group Companies, during the last six months**

The following Equity Shares have been sold or purchased by our Promoters and our Promoter Group Companies, during the period of six months preceding, the date on which the Red Herring Prospectus is filed with SEBI. Parvinder S. Chadha, Sanjay Chitale and Surinder Rametra hold 100% of the interests of HOF 2, LLC, Chitale, LLC and Stern Capital Partners, LLC respectively, each of which hold shares in the Company.

Transferee	Transferor	Date on which Shares purchased or sold	Number of Shares	Par value	Consideration	Purchase/ Sale Price
HOF 2, LLC	Digital Boardwalk Incorporated	January 2, 2006	9,317	100	Nil	Nil
Karan Negi	Anil Rajadhyaksha	January 2, 2006	5	100	Nil	Nil
Chitale, LLC	HOF 2, LLC	January 5, 2006	639,968	10	Nil	Nil
Sunil Rajadhyaksha	HOF 2, LLC	January 5, 2006	428,856	10	Nil	Nil
Stern Capital Partners, LLC	HOF 2, LLC	January 5, 2006	505,541	10	Nil	Nil
Sun Investment Partners, LLC	HOF 2, LLC	January 5, 2006	1	10	Nil	Nil
Vikram Negi	HOF 2, LLC	January 5, 2006	1	10	Nil	Nil
Adesi 234, LLC	HOF 3, LLC	March 20, 2006	3,000,985	10	Nil	Nil
Sunil Rajadhyaksha	HOF 3, LLC	March 20, 2006	159,864	10	Nil	Nil
Chitale, LLC	HOF 3, LLC	March 20, 2006	238,884	10	Nil	Nil
Stern Capital Partners, LLC	HOF 3, LLC	March 20, 2006	188,705	10	Nil	Nil

Transferee	Transferor	Date on which Shares purchased or sold	Number of Shares	Par value	Consideration	Purchase/ Sale Price
eIndia Venture Fund Limited	HOF 3, LLC	March 20, 2006	476,506	10	Nil	Nil
HOF 2, LLC through eIndia Venture Fund Limited*	HOF 3, LLC	March 20, 2006	238,253	10	Nil	Nil
Merrill Lynch Capital Holdings, Inc, USA	HOF 3, LLC	March 20, 2006	238,253	10	Nil	Nil
Sun Investment Partners, LLC	HOF 3, LLC	March 20, 2006	91,773	10	Nil	Nil
Dr Xin Cheng	HOF 3, LLC	March 20, 2006	223,950	10	Nil	Nil
William Beazley III	HOF 3, LLC	March 20, 2006	67,588	10	Nil	Nil
Mark Bedford	HOF 3, LLC	March 20, 2006	50,908	10	Nil	Nil
Greg Kallas	HOF 3, LLC	March 20, 2006	13,580	10	Nil	Nil
Ron Cogburn	HOF 3, LLC	March 20, 2006	88,978	10	Nil	Nil
Vikram Negi	HOF 3, LLC	March 20, 2006	63,556	10	Nil	Nil
Karan Negi	HOF 3, LLC	March 20, 2006	63,556	10	Nil	Nil
John Mason	HOF 3, LLC	March 20, 2006	25,422	10	Nil	Nil
Anil Rajadhyaksha	HOF 3, LLC	March 20, 2006	25,422	10	Nil	Nil
Richard B. Hunter	HOF 3, LLC	March 20, 2006	148,817	10	Nil	Nil
HOF 4 Limited	HOF 3, LLC	March 20, 2006	95,000	10	Nil	Nil
HOF 2, LLC	Sun Investments Partners, LLC	March 20, 2006	1	10	Nil	Nil
HOF 2, LLC	Vikram Negi	March 20, 2006	1	10	Nil	Nil
HOF 2, LLC	Karan Negi	March 20, 2006	1,611	10	Nil	Nil
Santosh Gadia	HOF 4, Limited	March 20, 2006	42,500	10	Nil	Nil
Rajeev Gupta	HOF 4, Limited	March 20, 2006	10,000	10	Nil	Nil
Asha M Agarwal	HOF 4, Limited	March 20, 2006	42,500	10	Nil	Nil

* HOF 2, LLC holds the legal and beneficial ownership of these shares that are held by eIndia Venture Fund.

4. **The following Directors hold Equity Shares of the Company as of the date of filing this Red Herring Prospectus:**

Name of Director	Number of Equity Shares held
Parvinder S. Chadha	
(held through HOF 2, LLC)	1,429,680
(through HOF 2, LLC. HOF 2, LLC holds the legal and the beneficial interest of these shares that are held by eIndia Venture Fund Limited)	238,253
Sub Total	**1,667,933**
Sunil Rajadhyaksha	588,720
Surinder Rametra (held through Stern Capital Partners, LLC)	694,246
Rajeev Gupta	10,000
Total	**2,960,899**

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

Our top ten shareholders and the Equity Shares held by them on the date of filing the Red Herring Prospectus and ten days prior to the date of filing the Red Herring Prospectus with ROC are as follows:

Sr. No.	Name	Number of Shares	Percentage of pre-Issue paid-up capital
1.	Adesi 234, LLC	3,000,985	35.3
2.	HOF 2, LLC	1,429,680	16.8
	HOF 2, LLC through eIndia Venture Fund Limited*	238,253	2.8
	Total	**1,667,933**	**19.6**
3.	Chitale, LLC	878,852	10.3
4.	Stern Capital Partners, LLC	694,246	8.2
5.	Sunil Rajadhyaksha	588,720	6.9
6.	eIndia Venture Fund Limited	476,506	5.6
7.	Merrill Lynch LP Holdings, Inc. USA	238,253	2.8
8.	Dr. Xin Cheng	223,950	2.6
9.	Richard B. Hunter	148,817	1.7
10.	Sun Investment Partners, LLC	91,773	1.1
	Total	**8,010,035**	**94.1**

* HOF 2, LLC holds the legal and beneficial ownership of these shares that are held by eIndia Venture Fund Limited.

Our top ten shareholders and the Equity Shares held by them two years prior to the date of filing this Red Herring Prospectus are as follows:

Sr. No.	Name	No. of Equity Shares*
1.	Digital Boardwalk Incorporated	1,694
2.	Anil Rajadhyaksha	1
	Total	**1,695**

* Face Value Rs. 100/- each

6. As of the date of the Red Herring Prospectus, except the Options issued pursuant to the Employee Stock Option Scheme, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.

7. Shareholding pattern as of June 30, 2006

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue

	Equity Shares owned prior to the Issue		Equity Shares owned after the Issue	
Shareholder Category	**Number**	**%**	**Number**	**%**
Promoters				
HOF 2, LLC	1,429,680	16.8	1,429,680	11.4
HOF 2, LLC through eIndia Venture Fund Limited*	238,253	2.8	238,253	1.9
Chitale, LLC	878,852	10.3	878,852	7.0
Stern Capital Partners, LLC	694,246	8.2	694,246	5.5
Sunil Rajadhyaksha	588,720	6.9	588,720	4.7
Sub Total (A)	**3,829,751**	**45.0**	**3,829,751**	**30.5**
Promoter Group				
Relatives of the Promoters				
Anil Rajadhyaksha	25,422	0.3	25,422	0.2
Sub Total (B)	**25,422**	**0.3**	**25,422**	**0.2**
Other Promoter Group Entities				
Adesi 234, LLC	3,000,985	35.3	3,000,985	23.9
Sun Investment Partners, LLC	91,773	1.1	91,773	0.7
Sub Total (C)	**3,092,758**	**36.4**	**3,092,758**	**24.6**
Total Promoter Group (D=B+C)	**3,118,180**	**36.7**	**3,118,180**	**24.8**
Total Promoter and Promoter Group holdings (E=A+D)	**6,947,931**	**81.7**	**6,947,931**	**55.3**

Shareholder Category	Equity Shares owned prior to the Issue		Equity Shares owned after the Issue	
	Number	%	Number	%
Key Employees of our Company and our Group Companies				
Ron Cogburn	88,978	1.1	88,978	0.7
William Beazley III	67,588	0.8	67,588	0.6
Karan Negi	63,556	0.7	63,556	0.5
Vikram Negi	63,556	0.7	63,556	0.5
Sub Total (F)	**283,678**	**3.3**	**283,678**	**2.3**
Other Investors				
eIndia Venture Fund Limited**	476,506	5.6	476,506	3.8
Merrill Lynch LP Holdings, Inc. USA	238,253	2.8	238,253	1.9
Dr. Xin Cheng	223,950	2.6	223,950	1.8
Mark Bedford	50,908	0.6	50,908	0.4
Greg Kallas	13,580	0.2	13,580	0.1
John Mason	25,422	0.3	25,422	0.2
Richard B. Hunter	148,817	1.8	148,817	1.2
Asha M Agarwal	42,500	0.5	42,500	0.3
Rajeev Gupta	10,000	0.1	10,000	0.1
Santosh Gadia	42,500	0.5	42,500	0.3
Sub Total (G)	**1,272,436**	**15.0**	**1,272,436**	**10.1**
Total pre Issue share capital (H= E+F+G)	**8,504,045**	**100**	**8,504,045**	**67.7**
Public Issue (I)			**4,050,000**	**32.3**
Total post issue share capital (H+I)			**12,554,045**	**100**

* HOF 2, LLC holds the legal and beneficial ownership of these shares that are held by eIndia Venture Fund Limited.

** eIndia Venture Fund Limited is a fund registered under the laws of Mauritius and is not registered with SEBI.

8. Employee Stock Option Plan ("Plan")

We have instituted a stock option plan to reward and help retain our employees and to enable them to participate in our future growth and financial success. The Plan has 500,000 shares allocated for the grant of options to employees of HOV Services Limited by our Remuneration Committee. We have not granted stock options to employees pursuant to the Plan.

A. **Options outstanding**	Nil
B. **Options granted**	Nil
C. **Exercise Price**	The exercise price will be the closing price on the preceding day of the grant if the Company's shares are listed on an exchange; in case the shares are not listed

		on an exchange then the exercise price will be ascertained as per an independent fair valuation of the Company as on March 31 of each year and will be valid for one year. The Remuneration Committee can grant options at an exercise price less than the Closing Price or the Fair Market Price subject to approval of the full board.
D.	**Options vested**	Nil
E.	**Options exercised**	Nil
F.	**Total number of Equity Shares arising as a result of exercise of options**	500,000
G.	**Options forfeited / lapsed**	Nil
H.	**Extinguishment or modification of options**	Nil
I.	**Money realised by exercise of options**	Nil
J	**Dilution in EPS (on a pre-Issue basis)**	Nil
K.	**Vesting schedule**	There will be a minimum period of one year between the grant and vesting of options. The proportion of vesting will be 10%, 10%, 10%, 10% and 60% for a vesting period of one, two, three, four or five years from the grant date.
L.	**Lock-in**	The equity shares issued on the exercise of the options are not subject to any lock-in requirements.

Person-wise details of options granted to key managerial persons:

There are no options that have been granted to our key managerial persons as of the date of this Red Herring Prospectus

(i) No employee has received a grant in a year of options amounting to 5.0% or more of options granted during that year.

(ii) No employee has been granted options, during any one-year equal to or exceeding 1.0% of our issued capital (excluding outstanding warrants and conversions) at the time of grant.

9. Details of shares allotted to the Promoter Group in the last one year

Name of Promoter Group Company	Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment
A. Preferential Allotment						
HOF 3, LLC*	January 3, 2006	5,500,000	10	10	Cash	Preferential Allotment
B. Bonus Issue						
HOF 2, LLC**	January 3, 2006	2,910,825	10	-	-	Bonus Issue out of general reserve

* HOF 3, LLC has subsequently transferred these shares to its members in proportion to the interest in HOF 3, LLC. For more details on these transfers please refer to the table under 3 above

** HOF 2, LLC has subsequently transferred these shares to its members in proportion to the interest in HOF 2, LLC except for Parvinder S. Chadha. For more details on these transfers please refer to the table under 3 above

10. Buyback and Standby Arrangements

Neither we nor our Directors nor the Promoters nor the Promoter Group Companies, their respective directors nor the BRLM and CBRLM have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.

11. We have not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see the section entitled "Objects of the Issue" on page 24 of this Red Herring Prospectus.

12. 50% of the Issue shall be mandatorily allotted to QIBs on a proportionate basis failing which the entire subscription money shall be refunded. 5% of the QIB Portion shall be available to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. Further, up to 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 35% of the Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the discretion of the Company, the BRLM and the CBRLM.

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

14. Refer to our financial statements relating to related party transactions in the section entitled "Related Party Transactions" on page 95 of this Red Herring Prospectus for related party transactions.

15. 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 the Red Herring Prospectus with SEBI until the equity shares offered hereby have been listed.

16. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may issue Equity Shares pursuant to the Plan or issue equity shares or securities linked to equity shares to 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.

17. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for bonus issues out of general reserves.

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

19. We have 22 members as of June 30, 2006.

OBJECTS OF THE ISSUE

The objectives of the Issue are:

- Planned capital expenditure
- To infuse funds into our Subsidiary for redemption of Class B Units issued by the Subsidiary
- To meet Issue expenses
- Acquisitions

The net proceeds of the Issue, after deducting all Issue related expenses, are estimated to be Rs. [•] million.

The total fund requirements of Rs. [•] million for the objects of the Issue after deducting all Issue related expenses as estimated by our management is proposed to be funded out of the Net proceeds of the Issue.

As of December 31, 2005, we and certain of our Subsidiaries had incurred Rs. 73 million out for adding a 100 seat facility at Pune Centre 2 and 140 seat facility at Antioch. This expenditure has been funded through internal accruals as certified by Lodha & Co., Chartered Accountants vide their letter dated April 12, 2006.

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 funds are being raised by us through this Issue.

The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. The fund requirement below is based on our current business plan. In view of the highly competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our fund requirement may also change. This may include rescheduling of our capital expenditure programmes and increase or decrease the capital expenditure for a particular purpose vis-à-vis current plans at the discretion of our management. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity will be met from our internal accruals. The balance proceeds of the Issue, if any, will be used for growth opportunities and general corporate purposes.

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

	Rs. Million
Gross proceeds of the Issue	[●]
Issue related expenses	[●]
Net proceeds of the Issue	[●]

The net proceeds of the issue shall be utilised first towards the Planned Capital expenditures and then towards redemption of Class B units of our Subsidiary HOV Services, LLC. Surplus, if any shall be utilised for acquisitions which will be in accordance with our business strategy.The following table summarizes the intended use of proceeds:

Use	**Estimated Use (in Rs. Million)**
Planned capital expenditure	210.8
To infuse funds into our Subsidiary for redemption of Class B Units issued by the Subsidiary	655.3
Acquisitions	[●]
Issue expenses	[●]
Total	[●]

The requirement of funds as estimated by our Management shall be utilised by our management by March 31, 2007.

Details of Use of Proceeds

Planned capital expenditure

Currently, we have 410 seats located in Pune and the US. The details of these locations are:

Location	Area in Sq. Ft.	Total number of seats
Pune, Headquarter	12,695	120
Pune, Centre 2*	10,000	100
San Jose	18,600	50
Antioch	15,863	140

* location sub-leased by HOV Services Limited to Bay Area Credit Service (I) Pvt. Limited

For more details, please refer to the section entitled "Business – Employees and Facilities" on page 50 of this Red Herring Prospectus.

We intend to set up and fill the 750 seats in the new facilities by March 31, 2007 in 3 phases to meet our planned business requirements.

Item	Phase 1	Phase 2	Phase 3
Number of Seats	250	400	100
Leasing of Facilities	1.2	0	0.2
Interior work	22.2	32.0	8.0
Installed Equipment	27.2	41.0	7.0
Other Capital Expenditure	NA	72.0	NA
Proposed Expenditure (Rs. in Million)	50.6	145.0	15.2

The specifications of the new facilities are given below:

Phase 1 - Pune Headquarter expansion

We have obtained quotations in relation to certain capital expenditure items from suppliers. The details of the same are as follows:

Item	Units	Supplier/Model	Date of available quotations/ agreements	Amount
Area	Square Feet			11,598
Number of seats	Number			140
Interior Furnishing, Furniture and Fixtures (including modular furniture and seating systems, interior designing, project management, air conditioning works, flooring, electrical works, etc.)	Rs. Million	Della Tecnica	December 22, 2005	11.2
Lease Deposit	Rs. Million			1.2

Item	Units	Supplier/Model	Date of available quotations/ agreements	Amount
Equipment and software	Rs. Million			14.0
a. *Office Computer Equipment*	Rs. Million	IT House/ Intel	March 6, 2006	2.2
b. *IT Computing Hardware*	Rs. Million	Dell/AS PE 2850 SAN	March 14, 2006	5.1
c. *IT Computing Software*	Rs. Million	Dell/Microsoft Office	May 3, 2006	1.0
d. *Networking and Security Equipment*	Rs. Million	Verizon / Cisco 3845	May 16, 2006	5.0
e. *UPS*	Rs. Million	CDW/APC Symmetra	May 14, 2006	0.7
Total	**Rs. Million**			**26.4**

Phase 1 - Dallas facility

We have obtained quotations from various vendors for the planned 110 seat facility in Dallas. The details of the same are as follows:

Item	Units	Supplier/Model	Date of available quotations/ agreements	Amount
Area	Square Feet			10,000
Number of seats	Number			110
Interior Furnishing and Furniture and Fixtures	Rs. Million	D Young, Inc.	October 7, 2005	11.0
Equipment and software	Rs. Million			13.2
a. *Office Computer Equipment*	Rs. Million	DW/ Thin Client	December 21, 2005	1.7
b. *IT Computing Hardware*	Rs. Million	Dell/Poweredge 2800	March 14, 2006	1.3
c. *IT Computing Software*	Rs. Million	Dell/ Office	May 3, 2006	1.6
d. *Networking and Security Equipment*	Rs. Million	ATT(SBC)/Nortel	December 27, 2005	8.1
e. *UPS*	Rs. Million	CDW/APC Symmetra	May 14, 2006	0.5
Total	**Rs. Million**			**24.2**

Phase 2 and Phase 3

We have not placed orders in relation to the equipment for Phase 2 and Phase 3. Our internal estimates and the quotations received for Phase 1 in Pune and Dallas form the basis for estimating our planned expenditure for the expansion of our facilities in Pune during Phase 2 and in Dallas during Phase 3.

Phase 2 - Additional new Pune facility and Other Capital expenditure

Item	Units	
Area	Square Feet	40,000
Number of seats	Number	400
Interior and Furnishing cost	Rs. Million	32.0
Equipment and software	Rs. Million	41.0
Capital Expenditure	Rs. Million	72.0*
Total	**Rs. Million**	**145.0**

* This expenditure has been estimated based on an option the Company had to purchase the land located at Sharda Arcade facility up to December 1, 2005 which was at a rate of Rs. 2,100 per sq. ft. The Company's current estimate has been made at a rate of Rs. 1,800 per sq. ft.

Phase 3 - Expansion of Dallas facility

Item	Units	
Area	Square Feet	10,000
Number of seats	Number	100
Interior and Furnishing cost	Rs. Million	8.0
Lease Deposit	Rs. Million	0.2
Equipment and software	Rs. Million	7.0
Total	**Rs. Million**	**15.2**

Capacity Utilization

The installed and utilization capacity is provided below:

(Number of seats)

Location	Installed	Utilized
Pune Headquarter	120	120
Pune Centre 2	100	100
San Jose	50	50
Antioch	140	120

Accordingly, we intend to use a part of the proceeds received by us from the Issue for investment in the above manner by setting up the new facilities.

To infuse funds into our subsidiary HOV Services, LLC for repayment of Class B Units issued as consideration for acquisition of Subsidiaries

Our subsidiary, HOV Services, LLC has issued 8,504,045 non interests bearing redeemable Class B Units of USD 1.7, each fully paid up aggregating to USD 14.45 million (approximately Rs. 655 million at an exchange rate of Rs. 45.33 per USD) on January 1, 2006 to HOF 2, LLC one of our Promoters and HOF 3, LLC, an entity that is either controlled or managed by amongst others our Promoters.

Class B Units means units of ownership interest in the company without voting rights. Additionally, these Class B Units are fully paid and are non-interest bearing same are redeemable at par at any time for a period of one year from the date of the issue. The units were issued as consideration for the transfer of shares of DBW, BACS, CPAC and ICS from HOF 2, LLC and HOF 3, LLC to HOV Services, LLC which was a part of the restructuring of our business. For more details on the restructuring please see " History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus.

We intend to infuse Rs. 655.3 million as capital into HOV Services, LLC so that it may redeem the Class B Units issued to HOF 2, LLC and HOF 3, LLC. The capital infused in HOV Services, LLC would be in the form of subscription to its Class A Units. Class A units are ownership interest in the company with voting rights. Dividends from the investment may not be assured. We shall invest the funds in HOV Services, LLC in compliance with the requirements for overseas direct investment as prescribed by the RBI.

Acquisitions

The net proceeds from the issue are proposed to be utilised first towards meeting the planned capital expenditure and then towards redemption of Class B Units of HOV Services LLC. Surplus, if any, shall be utilised for acquisitions. We have in the past, grown our business and operations through both organic and inorganic routes. Going forward, we believe that strategic investments and acquisitions may continue to act as an enabler to growing our business. While this is a component of our strategy, presently we do not have any legally binding commitments to enter into any such arrangements.

Issue 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	Expense (in Rs. million)
Lead management fee and underwriting commissions*	[●]
Advertising and Marketing expenses	[●]
Printing and stationery	[●]
Others (Registrars fee, legal fee, etc.)	[●]
Total estimated Issue expenses	**[●]**

***** will be incorporated after finalisation of Issue Price

The lead management fees and the underwriting commissions shall be paid by the Company. In addition to the above, listing fees will be paid by the Company.

Interim use of funds

Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing short term or long term liquid instruments including money market mutual funds, deposit with banks for necessary duration, as may be approved by the Board of Directors or a Committee thereof. Such transactions would be at the prevailing commercial rates at the time of investment.

Working Capital

We believe that our internal accruals are sufficient for the working capital requirements of our existing business.

Shortfall of funds

The shortfall in funds, if any, shall be met by internal accruals.

BASIS FOR ISSUE PRICE

The Price Band for the Issue shall be decided prior to the filing of the Red Herring Prospectus with the ROC. The Issue Price will be determined by the Company in consultation with the BRLM and the CBRLM on the basis of the assessment of market demand for the offered Equity Shares by the book building process. The face value of the Equity Shares of the Company is Rs. 10 each and the Issue Price is [●] times of the face value. The financials used is this section are based on our standalone financials.

Qualitative Factors

Factors External to the Company

- The outsourcing of business processes ("BPO") to third-party providers has become a sizable and growing industry.
- Companies use BPO services to garner higher profits by managing growth at reduced risk levels, while retaining competitiveness.
- BPO clients' are looking to focus on core competencies and reduce their involvement in administrative tasks and daily operational technicalities.
- Growing competitive markets and the increasing demands for cost savings have made U.S. businesses more amenable to consider BPO solutions that utilize strategic offshore resources.

Factors Internal to the Company

- Premier customer base
- Experienced management team
- Strong relationships with clients
- Customised technology solutions
- Current position in the large and growing BPO market with limited competitors

For a detailed discussion of these factors, see section entitled "Business" beginning on page 39 of this Red Herring Prospectus.

Quantitative Factors

1) Adjusted Earnings Per Share

Period Ended	EPS[1]	Weight
12 months ended March 31, 2006	5.96	3
12 months ended March 31, 2005	8.57	2
12 months ended March 31, 2004	0.73	1
Weighted Average EPS	**5.96**	

(1) Basic and Diluted Earnings per Share has been calculated as per the following formula:
(Net profit as restated, attributable to equity shareholders)/ (Weighted average number of equity shares outstanding during the year or period)

2) Price to Earnings Ratio (P/E) in Relation to Issue Price of Rs. [●]

I) Based on 12 months ended March 31, 2006 EPS of Rs. 5.96, the P/E ratio is [●]

II) Based on weighted average EPS of Rs. 5.96 above, the P/E ratio is [●]

III) Industry P/E#

a) Highest : 103.8

b) Lowest : 1.1

c) Average (composite) : 18.8

 # Source: "Capital Market" Volume XXI/11 dated July 31 – August 13, 2006, for the Category titled "Computer –

Software – Medium / Small". The Issuer is in the Business Process Outsourcing ("BPO") Industry and there is no direct comparable listed company in this industry. Though Allsec Tech. and Datamatics Tech. offer BPO services, they differ from the Issuer in either product offering or sector focus within BPO or mode of delivery (voice / non voice). For the sake of comparison, the industry close to BPO, Software (mid tier) industry is considered.

3) Return on Net Worth

Period	Net Worth (Rs. in Millions)	Net Profit (Rs. in Millions)	RoNW (%)	Weight
12 months ended March 31, 2006	111.15	26.11	23.49	3
12 month ended March 31, 2005	30.03	25.73	85.68	2
12 month ended March 31, 2004	4.30	2.20	51.18	1
Weighted Average RoNW			48.84	

(I) Net worth is defined as share capital + reserves and surplus – miscellaneous expenses. RoNW has been calculated as per the following formula:

(Net profit after tax as restated/Net worth at the end of the year or period).

Minimum Return on total Net Worth after the Issue required to maintain pre-Issue EPS of Rs. 5.96 is [●]%.

4) Net Asset Value (NAV) per Equity Share

I) As of March 31, 2006: Rs. 13.07

II) After the Issue: Rs. [●]

NAV has been calculated as per the following formula:

(Net Assets at the end of the year or period/Total Number of equity shares outstanding at the end of the year or period)

5) Comparison with Industry Peers : Based on the nature of activities of the Company, the comparison of its accounting ratios with its closest comparable competitors in India is given below:

Companies	Price per share^ (Rs)	EPS (FY '06)	P/E (times)	RONW (%) FY '06
Allsec Technologies	230	16.5	13.94	48.2
Datamatics	45	4.8	9.38	9.7

 # Source: "Capital Market" Volume XXI/11 dated July 31 – August 13, 2006, for the Category titled "Computer – Software – Medium / Small"

^ Price as on August 23, 2006

STATEMENT OF TAX BENEFITS

For details of possible tax benefits available under the current tax laws in India to the Company and its shareholders, please refer to Annexure IX to the section entitled “Financial Statements” on page 115 of this Red Herring Prospectus.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The financial statements of HOVS are prepared in accordance with Indian GAAP, which in certain material respects differs from U.S. GAAP. For U.S. based subsidiaries, their financial statements are prepared in accordance with U.S. GAAP. The following is a summary of the material differences between Indian GAAP and U.S. GAAP insofar as they are relevant to the financial statements presented in this Red Herring Prospectus.

Subject	Indian GAAP	U.S. GAAP
Group Accounts	Consolidation is not required. Investments in subsidiaries are carried at cost.	Consolidation of all subsidiaries is required.
Equity Method	Equity method need not be used for associated companies. Investments are carried at cost.	Investments in associated companies are accounted for under the equity method.
Interest Capitalization	Capitalization of interest is optional	Capitalization of interest on borrowed funds attributable to construction or acquisition of fixed assets for the period up to completion of construction or installation is compulsory. Interest cost to be capitalized for qualifying assets is the portion of the interest cost incurred during the asset's acquisition period that theoretically could have been avoided.
Foreign Currency Translation	Unrealized and realized gains and losses arising on translation of foreign currency liabilities incurred to finance the purchase of fixed assets are adjusted against the carrying cost of the relevant assets and depreciation is provided thereon.	Unrealized and realized gains and losses arising on foreign currency liabilities must be taken to the Profit and Loss Account.
Depreciation	Minimum Depreciation rates are prescribed by the Companies Act.	Depreciation rates are derived on the basis of the useful economic life of the asset.
Investments	All Long-term investments are carried at cost (with provision for permanent diminution in value) but aggregate market value of quoted investments is disclosed.	Fixed asset investments are carried at cost subject to adjustment for impairment. Current asset investments are recorded at lower of aggregate costs or market value. Market value of total investments as disclosed.
Disclosure of Unsecured Debt	Unsecured debt, which is due for payment for not more than one year as at the date of the balance sheet, is only disclosed.	Obligations for repayment of long-term debts, which fall due for repayment within one year, are included in current liabilities. A classified (current/non-current) balance sheet is required.
Extraordinary Items	Extraordinary items are disclosed separately or by way of note without adjustment for tax effect thereof.	Extraordinary items are separately disclosed with income tax effect thereon.
Goodwill	Goodwill is capitalised and amortised to income over useful life, normally not exceeding five years.	Goodwill is to be tested for impairment at least annually at reporting unit level

INDUSTRY

Global Business Process Outsourcing

The outsourcing of business processes ("BPO") to third-party providers has become a sizable and growing industry. Companies use BPO services to garner higher profits by managing growth at reduced risk levels, while retaining competitiveness. BPO provides the means to service an enterprise's critical yet non-core functions at lower operating costs than would be incurred by performing the functions in-house.

We view the BPO industry along the following horizontal functional processes:

Business Process Outsourcing	
Cross Industry Functional Processes	
Logistics	**Finance & Accounting**
Procurement	Customer Care
Training	Sales and Marketing
Product Engineering	Human Resources

According to IDC, worldwide spending on BPO services totalled $382.5 billion in 2004. IDC projects that total BPO spending will increase to $641.2 billion in 2009 for a five-year compound annual growth rate ("CAGR") of 10.9% *(Source: IDC, "Worldwide BPO Market Steadily Expands, with Buyer Demand Molding Vendor Strategies, IDC Reveals", October 25, 2005)*. Overall, the BPO market is becoming increasingly complex.

Key Considerations for Outsourcing

To succeed and thrive, BPO companies must provide measurable value by achieving key criteria summarized below:

- The quality of service should be equal to or better than in-house service;
- The customer experience should be enhanced and transparent;
- The process should be directed by experts that are familiar with the culture of the client company, industry and end-users they serve;
- The platform for commerce requires reliable technology;
- Staff must follow a team philosophy empowered by a competent task skill-set;
- Management should have control of the functions they are responsible for directing;
- Key personnel require unfettered access to all mission-critical information and to the managers of the BPO service provider;
- The BPO service provider should offer peace of mind by effectively addressing seamless migration and integration, execution, problem resolution, escalation, security and redundancy issues; and
- Outsourcing should result in cost savings for the organization.

Growing competitive markets and the increasing demands for cost savings have made U.S. businesses more amenable to consider BPO solutions that utilize strategic offshore resources. Although BPO firms still must convince their clients that the service provided from offshore will meet the quality level expectation without exposing the client to unnecessary risks; an increasing percentage of BPO work is being done from offshore locations that are able to meet the quality requirements, at measurably lower costs.

BPO industry giants, including Genpact, IBM, Citigroup, EDS, NCO Group and ACS have already established offshore service centres to manage some of their work. However, many companies lack the wherewithal to establish an offshore presence with the required assurance of continued quality. Many of these companies have recognized the need to establish alliances with BPO providers and have reached a decision to explore the potential of using reliable offshore service providers.

Key Goals of BPO Clients

BPO industry analysts have identified three key goals and business drivers of BPO clients:

Cost and time management. A typical primary reason clients give for migrating business processes offshore is cost management. Taking advantage of often lower labour and infrastructure costs offshore allows companies to reduce their cost of doing business and increase their competitiveness against their peers. The overall goal of cost management is driven by: greater transparency and better visibility around costs, seeking to better understand the drivers of costs and in the end more effectively managing the operational costs associated with any process being outsourced. Outsourcing certain processes offshore and establishing a global presence also allows companies to provide services on a 24-hour a day real time basis and increase the speed and efficiency of their business.

A focus on core competencies. In other efforts to streamline operations and increase efficiency, clients seek to focus management time, energy and business resources on activities associated with the company's core mission and competitive strengths and reduce their involvement in administrative tasks and daily operational technicalities. The definitions of what companies view as "core" and "non-core" activities are constantly changing, as businesses evolve and BPO providers gain new skill sets and expertise in increasingly complex tasks.

Risk management. Some companies are beginning to turn to outsourcing as part of their overall risk management strategy. BPO can be used to manage operational risks at many levels, including financial, technical and organizational. Rather than investing in all the capabilities and technology required to achieve best practices in internal business process management, companies are reducing the risks they undertake by leveraging the process expertise and dedicated capabilities resident with outside service providers.

Trends in Global BPO

The BPO industry is rapidly developing and changing in order to meet growing customer needs. The following are key trends in the BPO market:

Knowledge Process Outsourcing (KPO):

In the early stages of BPO development, primarily low skilled and repetitive volume work has been outsourced to BPO providers. Since established BPO companies have achieved successes in this area, increasing amounts of value-added work which requires higher skills and greater decision-making capabilities is being outsourced. Outsourcing of this higher-level work is referred to as KPO – Knowledge Process Outsourcing.

Examples of KPO-type activities that are increasingly being outsourced are:

- Research & Development
- Business and Technical Analysis
- Business & Market Research
- Medical Services
- Writing & Content Development
- Legal Services
- Intellectual Property Research
- Data Analytics
- Network Management

Executive-level strategic focus:

The decision to outsource increasingly complex business processes is becoming a focus of clients' senior management teams. Prospective BPO providers are being evaluated by management with a view to building working partnerships and long-term strategic relationships, and not just as a short-term cost cutting measures. As a result, the due diligence process undertaken by clients in evaluating and choosing a BPO provider has become even more thorough and exacting.

High staff attrition

High staff attrition rates in the BPO sector have been a part of doing business in the past and are projected to continue in the future. Growing opportunities in the business have improved potential for incumbent players to quickly leverage their domain expertise allowing higher labour mobility. Higher attrition leads to higher costs due to the increased training costs involved and the loss of revenues during the training lead time. Continuous on-the-job training, inspired work environments, and career advancement incentives are a few of the strategic measures that are essential for employers to utilize to remain competitive by keeping attrition low.

Salaries on the rise

The global demand for experienced professionals in the BPO industry has far exceeded the supply, which has exerted upward pressure on salaries. With the learning curve not as steep as it used to be, both new inductees and experienced professionals demand higher salaries. This is more prominent in the case of experienced professionals and for high skill jobs that require specialized expertise and knowledge of complex processes.

Inorganic growth

By acquiring niche segment players, BPO companies gain domain knowledge and a marquis customer base which gives them a lead in the marketplace that is difficult to develop solely through internal growth. Large information technology companies in India have gained foothold in BPO sector by acquiring companies focused on specific business lines. The strategic rationale for these acquisitions was to provide value-added services and leverage domain expertise. Cognizant Technology Solutions, Patni Computer Systems, MphasiS BFL, Helios and Matheson, among others, have made acquisitions to gain a foothold in new business segments. A particular case study is the recent takeover of healthcare provider Rev IT Systems by ICICI OneSource. ICICI OneSource was offering collections and customized business research and analytics. Upon the acquisition of Rev IT Systems, ICICI was able to immediately enter into the health and insurance businesses. However, while mergers, acquisitions and partnerships among BPO providers continue to progress, the competitive landscape remains fragmented overall.

Relevant BPO Industry Segment

Finance and Accounting (F&A) BPO Segment

The F&A segment includes functions such as transaction management, accounting, finance, treasury and risk management and tax management. The market for F&A services is sizeable, has grown significantly in the recent past, and is expected to grow in the near future.

Although finance and accounting services are required by every organization, they are among the least developed verticals within the BPO sector. Opportunities within the finance and accounting BPO verticals cover a wide spectrum, from labour intensive, low-tech data entry, to highly sophisticated knowledge based accounting and tax processing.

In addition to the trends observed in the BPO industry as a whole, industry analysts have also highlighted trends specific to the F&A segment. While client interest in outsourcing more complex F&A processes has increased, issues such as quantifying potential outsourcing benefits and concerns around regulatory compliance have led to longer periods of client analysis before outsourcing plans are implemented and a decrease in the net number of outsourcing contracts signed in the short-term. Analysts have also noted that while outsourcing of discrete F&A projects has slowed, F&A activities are increasingly being outsourced as part of larger BPO assignments. Finally, midsize clients have been leading the way as strong adopters of F&A BPO services, unlike in other BPO segments where large clients have dominated adoption of and led trends in outsourcing services.

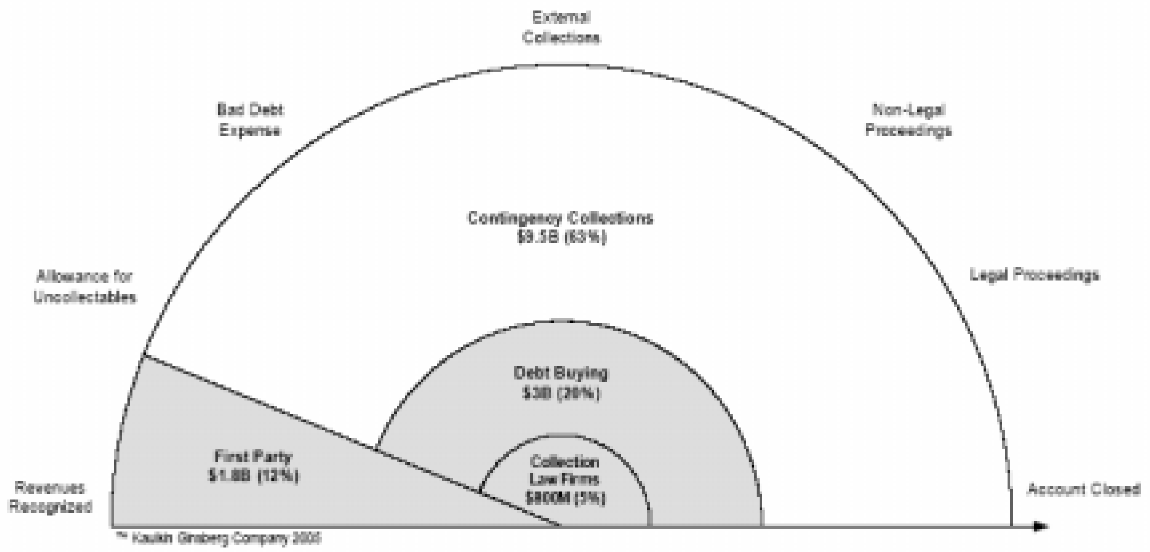
The Company's three main business lines, ARM, EMTS and ITS, are all part of the broader F&A outsourcing segment.

Accounts Receivable Management (ARM)

The discussion below is based on the "The Kaulkin Report, Accounts Receivable Management: A Growth Industry, 6th Edition - April 2005" unless stated otherwise.

Businesses in the ARM sector of the F&A segment provide services offered by third party outsourcing units to manage pre charge-off (First Party) and post charge-off (Third Party) receivables on behalf of their clients. These receivables are placed with various ARM servicers by clients providing Primary services in the telecommunications, health care, auto loan, mortgage, and credit card verticals to name a few. When a client's loans or accounts become delinquent, the debt is placed in the market for collection by service vendors. The chart below shows the breakdown of various segments of the ARM industry in 2004:

Accounts Receivable Management Industry



Source: The Kaulkin Report, Accounts Receivable Management: A Growth Industry, 6th Edition - April 2005

Based on research by the American Collectors Association, the U.S. ARM industry includes approximately 6,500 accounts receivable management companies, the majority of which are small, local businesses. These companies generated approximately $15 billion in revenues in 2004, and grew at a compound annual rate of approximately 4% between 2000 and 2004. The ARM industry is highly fragmented, as at least 95% of ARM providers generated revenues less than $8 million in 2004. To augment these small providers, public companies, private equity-backed firms and divisions of FORTUNE 500® companies also compete in the ARM industry.

Key Trends in the ARM Business

Following are key trends of the ARM business:

<u>Increasing U.S. Debt Levels</u>: In 2004, the U.S. had $10.3 trillion of personal debt, $7.8 trillion of business debt and $6.1 trillion of government debt. Personal, government and business debt in the U.S. are growing at an average of 7.8%, 5.0% and 5.7% annually. More debt usually leads to more delinquencies, especially as interest rates are rising.

Creditor businesses must manage these increasing debt levels, often without growing their internal collection departments, which is expected to benefit commercial collections companies.

<u>Consolidation within the ARM Industry:</u> The ARM industry is currently highly fragmented. According to research by the American Collectors Association, there are approximately 6,500 ARM companies in the U.S., the majority of which are small, local businesses. While the ARM industry is still highly fragmented, consolidation is increasing and there was a historic high number of 54 merger and acquisition transactions in 2004 with a total value of approximately $1.5 billion. From 1995-2004, the average annual compound growth rate of ARM provider mergers and acquisitions was 16%.

<u>Offshoring:</u> Lower labour costs outside of the U.S. have led many ARM companies to be formed, partnered with or acquired in foreign markets. In particular, low-score, low-balance debt has become unprofitable to collect in the U.S. and is increasingly being outsourced for collection. Of the largest U.S.-based collection agencies, some now have up to 25% of their collections staff located outside of the U.S. While ARM companies are based in many countries, India, with its large educated and English-speaking population, has become the most popular location for outsourcing with approximately 75 private companies conducting

first party collections for U.S. companies. The Philippines, Canada, the Caribbean and Central America are also becoming popular outsourcing destinations.

Role of Technology: In an effort to further cut collections costs, most ARM companies are implementing a variety of technology solutions to improve profit margins. More than 200 independent companies now offer technology services to the ARM industry, such as specialized software, voice communication and recognition technology, payment processing programs and skip tracing services.

Enterprise Management

Enterprise Management also falls under the larger segment of F&A BPO services and assists in understanding a client's complex system of IT resources and their links to the client's business. Today, management experts and software vendors regularly promote reporting dashboards, scorecards and reports as the ideal way for management to monitor business performance. These software products provide visibility into key performance indicators through simple visual graphics such as gauges, charts and tables within a web browser. Dashboards are appealing because they: present a wide number of different metrics in a single consolidated view; roll up details into high-level summaries; and provide intuitive indicators, such as gauges and stoplights, that are instantly understandable (e.g., red bar means problem; green bar means everything is on plan).

According to the OLAP Report, the total worldwide enterprise management market, including implementation, grew from approximately $1 billion in 1996 to approximately $4.3 billion in 2004. Industry experts believe that the enterprise management segment will show a healthy growth of approximately 15% compounded annually.

Trends in the Enterprise Management Segment

Expansion of enterprise management deployments is the focus of many joint IT-businesses initiatives as they try to tap the vast volumes of data they have accumulated in their information systems and data warehouses in the past. Standardization and single vendor sourcing for all enterprise management capabilities is being driven by IT groups.

Dashboards are expected to continue to provide benefits to management. Business users appreciate being able to actually see data graphically and then drill down into the details. Reporting continues to drive enterprise management initiatives from a business perspective.

Competitive enterprise management environment

The enterprise management business segment is dominated by large software companies such as Siebel, Peoplesoft, Cognos, Oracle and Microsoft. Intense competition also exists amongst large and small independent software development companies and in-house IT departments of target client companies. Independent companies also face competition from the existing legacy software systems already in place at potential customers' facilities. Opportunities exist for smaller players with the ability to develop and improve their products continually at a lower cost, to implement their products fairly inexpensively with front-end presence and to provide ongoing customization and support.

Insurance and Tax Services ("ITS")

The Insurance and Tax Services segment of the F&A outsourcing sector includes services such as project evaluation, cost estimating, trust fund management, property tax analyses, cost segregation, and appraisals. The ITS competitive landscape is highly fragmented among both large diversified firms and smaller niche consulting and service agencies.

Trends in the ITS Segment

Analysts with the U.S. Bureau of Economic Analysts estimate that the current trend for growth in the customers' industries of the ITS segment is double digit. Surety claims currently represent 75% of the insurance sector followed by property claims at 10% and litigation support at 5%. Real and personal property consulting and cost segregation for federal tax and due diligence for sales and acquisitions represent 75% of the tax sector with property appraisals representing 15% of the sector.

The U.S. insurance market has been experiencing increasing consolidation. In 1980, the top 15 largest insurance companies insured $432 million of losses, or 21% of all market losses. In 1990, the top 15 largest insurance companies insured $489 million of losses, or 42% of all market losses. In 2004, the top 15 largest insurance companies insured $1,880 million of losses, or 85% of all market losses.

Reduced available capacity in the re-insurance market due to heavy losses in past five years has constrained underwriting in the middle to small contract market and driven up claim activity. Also, the continued rise in property taxes and the drive by the private healthcare market to cut costs and maximize profits has increased the need for outsourced services in this $1.9 trillion industry.

ITS Competitive Environment

There is limited competition in the insurance consulting business because it is a relatively specialized niche environment. The real estate property tax consulting market is currently dominated by the big four accounting firms, but an increasing number of smaller specialized consulting firms are entering the market.

The BPO Market in India

India presents the most compelling case and has become a dominant nation in providing a major part of the services in the worldwide BPO sector. NASSCOM reports that India had an approximate 46% share of the global BPO industry in 2005, up from 39% in 2001, and generated revenues by India-based BPO providers of approximately US$5.2 billion in 2005 from an estimated potential addressable market of US$120 billion. NASSCOM estimates that the potential addressable market for Indian F&A BPO providers in 2005 was US$20-25 billion. While total Indian services exports grew by 60% from 2000 to 2004, NASSCOM reports that Indian BPO exports tripled in during the same period. NASSCOM predicts that revenues of Indian BPO companies will grow at a CAGR of approximately 37% from 2005 to 2010 and that US$55 billion of BPO services will be offshored globally by 2010. The following chart shows NASSCOM's projected Indian BPO revenues through 2010:

(in US$ billions)

	2005	2008	2010	Additional Potential
India's offshore BPO industry	5.2	20.0	25.0	20.0

Advantages of Outsourcing to India

India currently has a large and rapidly growing number of BPO providers, covering a wide range of services, with different levels of complexity and value-added services. India has emerged as an attractive destination for locating facilities to provide BPO services globally, mainly because of the availability of a large pool of educated, skilled (or easily trained), English speaking candidates at relatively cost effective prices. Typically, skilled manpower costs in India are significantly lower than in the United States and other OECD countries. Liberalization of national long-distance and international telecommunications and development of Internet telecommunications are significant developments for BPO facilities engaged in voice-based contact centre activities in India.

Offshoring of BPO activities to India is also popular because it allows global corporations to benefit from international time zone differences and in most cases to provide round-the-clock service. The federal and state governments of India, in efforts to develop the software/IT and BPO industries, have provided several incentives in the form of tax holidays and other infrastructure support. Further, Indian BPO service providers have been demonstrating a strong commitment to achieving internationally recognized quality standards.

Future Trends

The Indian BPO industry has developed a reputation for being a cost effective provider of quality service and processes. NASSCOM has projected the size of the BPO industry in 2010 to be approximately US$25 billion. However, while several positive factors drive the growth of the BPO industry in India, there are certain challenges and hurdles, which need to be overcome. Some of these challenges include:

- Increased competition.
- Employee intensive industry.
- Strong dependence on the United States.
- Disaster-recovery preparedness.
- Limited infrastructure beyond special zones.
- Need to reduce costs.

BUSINESS

Unless stated otherwise, the financial and other data herein is derived from the historical financial statements of the Company and the Subsidiaries and pro forma combined financial statements starting on page 98 of this Red Herring Prospectus. Unless the context otherwise requires, the use of "we", "us" or the "Company" in this section refers to HOV Services Limited and its Subsidiaries on a combined basis.

Overview

HOV Services Limited ("HOVS"), a company incorporated under the laws of the Republic of India, provides business process outsourcing ("BPO") services to the finance and accounting business sector with operations in India and the U.S. We have strategically positioned ourselves to service our clients by developing and acquiring skills common across many industries. This has enabled us to transform our business and service across a broad array of customers. We provide a variety of finance and accounting services to our U.S.-based corporate clients through our three main operating business divisions: Accounts Receivable Management ("ARM"), Enterprise Management Tools and Services ("EMTS") and Insurance and Tax Services ("ITS"). Our clients include some of the largest companies in the healthcare, telecommunications, banking and finance, and insurance industries. Our senior management along with the head of each of our three business divisions directs our combined group strategy, direction and administration.

The following chart shows HOVS and its six major Subsidiaries arranged by business line that form a part of our operating business divisions:

HOV Services Limited		
Accounts Receivable Management	**Enterprise Management Tools and Services**	**Insurance and Tax Services**
Bay Area Credit Service, LLC	Savant Consulting Group, Inc.	Meridian Consulting Group, LLC
Bay Area Credit Service (I) Pvt. Ltd.		Complex Property Advisors Corporation
Imperial Collection Service		

Our ARM division provides accounts receivable management services to clients in the telecommunications, health care and financial services industries. We provide three basic services to our credit grantor clients: customer care outsourcing, early and late stage bad debt collections and insurance eligibility verification, billing and follow-up.

Our EMTS division develops proprietary software products for use by our clients and by our other operating business divisions. EMTS directs the deployment of a suite of web-based enterprise management and productivity software tools to compile, report, analyze and manage accounts placed for collection or claims in the insurance sector. To date, EMTS has deployed three major software products which assign and manage accounts placed for outside debt collection, compare the progress of competing outside debt collectors, and verify and enhance customer data collection.

Our ITS division provides consulting and project management services to the surety industry focused primarily in the construction sector and property tax assessment management and consulting to the health care and other industries. ITS provides the following services to its large insurance company clients: contract payment and performance bond claim investigations, property and casualty damage claim evaluations, technical support of construction-related litigation and construction project management. ITS also provides analysis, appraisal, expert testimony and appeals management of property tax assessments for our health care and entertainment corporate clients.

We have focused our business in the finance and accounting ("F&A") sector, which involves providing services associated with a client's need to manage the flow of money into and out of their organization. This includes segments such as transaction management, general accounting, finance, treasury and risk management and tax management. HOV Services has positioned itself in the F&A community by providing practical solutions to core-level business management functions. By developing core-competencies to serve the needs of FORTUNE 500® companies and deploying our unique skill set via a global service base, we provide a unified strategy to meet any basic business financial requirement.

Our established presence across our service offerings uniquely positions us to bid for large projects from clients and service significant parts of their F&A functions. Presently, we perform services in one or more of our three business lines for large FORTUNE 500® clients. Our goal is to leverage our existing customer relationships to cross sell our other service offerings.

We have achieved improved financial performance over the past several years. Based on the proforma combined summarised income statement, our revenues have grown from Rs. 947.87 million in the fiscal year ended March 31, 2003 to Rs. 1,638.42 million in the fiscal year ended March 31, 2006. Our profit before interest, depreciation and taxation has also grown from Rs. 20.60 million in the fiscal year ended March 31, 2003 to a profit of Rs. 209.99 million in the fiscal year ended March 31, 2006.

Competitive Strengths

We believe that the following are our principal competitive strengths, which differentiate us from other BPO service providers:

Premier Customer Base: We have a premier customer base that includes large companies with a healthy demand for our services in the telecommunications, health care, financial services and insurance sectors. We derive a substantial portion of our revenue from companies that are leaders in their fields and are also in the process of leveraging our existing client successes to garner new customers. In addition, we have been largely successful in maintaining our existing customer base. We believe that our ability to provide high quality services in a timely and cost effective manner has made us the vendor of choice to our clients.

Experienced Management Team: Our seasoned management team and our skilled employees have led us through rapid, profitable growth. Our team brings decades of experience in the accounts receivable management industry, surety insurance and product offerings in the related vertical markets. In particular, management in our ARM segment has critical knowledge of and experience in dealing with the complex laws and regulations governing the collections industry in the U.S.

Strong Relationships with our Clients: In the F&A segment of the BPO industry, we feel that customers place great value on experience and existing relationships with providers when awarding business to BPO providers. We target customers with whom we can enter into long business relationships. Most of our clients have been our customers for at least five years. We are able to leverage our longstanding existing relationships when seeking to win new business from our customers.

Customized Technology Solutions: We have invested heavily in technology, both by acquiring technology hardware and software from third parties and by developing specialised technology solutions internally, to offer a higher level of service to our clients and thereby ensure greater client loyalty through a differentiated offering. We offer a suite of proprietary software solutions that are provided to clients as part of our total client service objective. We believe that these software solutions improve customer satisfaction through better productivity, results, ease of use and scalability, which differentiates us from our competitors.

Current Position in the Large and Growing BPO Market with Limited Competitors: Driven by recent economic growth, easier access to credit and the resulting increase in consumer debt, and favourable climate in the insurance and tax sector, our specific markets are projected to grow at a healthy rate. Management believes that our current position in the industry and the current timing of the industry cycle enables us to win new clients in new markets and begin to offer additional services, including additional customized software-driven solutions, to existing and new customers. In addition, since many customers select a BPO provider based on experience and existing client relationships, new competitors may face difficulties in winning new customers that we, with our history of experience and existing customer relationships, do not face.

Business Strategy

Our goal is to be a premier company in the F&A BPO market by building a brand that will attract the top talent available and enable us to deliver the most compelling value proposition to our customers and our stakeholders. A significant portion of our growth stems from the expansion of existing client relationships. These relationships and the resulting opportunities continue to grow in scale, complexity and profit potential. Over time, we believe that these relationships should transition from the operational delivery of services to the strategic development of long-term, goal-oriented partnerships where we share in the improved profitability and operational efficiencies created for our clients. Additionally, we believe that tremendous growth opportunities exist within each of our business lines and the domain expertise we have obtained will enable us to compete effectively for this business.

To successfully execute our strategy and achieve our goal, management believes we must continue to be proactive by concentrating on the following factors:

Business process improvements: We continually develop and enhance our technology and infrastructure with initiatives to improve the efficiency of our operations and enhance client service. For example, the Company continually seeks ways to re-engineer business processes for its service offerings. This re-engineering, coupled with the introduction of redesigned proprietary software, seeks to improve sales and collections, as well as credit investigative and reporting services. We continue to drive improved performance and reduced cost through our on-going focus on business process improvements.

Leverage our Global Resources: We plan to provide our U.S. clients with cost-effective options for delivering service both from the U.S. and India. Our location in India with its large number of educated professionals in the available workforce provides us with a unique strategic advantage. Part of our business strategy is to develop business and locate processes in Pune to capitalize on this advantage. We have taken steps to position us strategically based on some recent successes by continuing our expansion plans in Pune and in the U.S.

We have grown our business in India by relocating captive processes that can be enhanced by delivery from India. For example, in our ARM segment, today we service approximately $2.25 billion of assets. This amount has grown substantially since we began performing ARM business in 2003, when we serviced approximately $800 million of assets. We have been intentional in our choice of customers and type of debt we service to leverage our locations in India and the U.S. and our diverse employee skills to our advantage. One example of the type of debt we choose to service is debt that may be collectible but requires both manpower and technology to discover current and accurate contact information for the debtor (referred to as "curing" the debt) at a cost which is prohibitive in the U.S. or will result in lower margins. We believe most of the debt portfolios assigned by our customers in third party collections to some extent need to be cured and we believe many of our competitors either do not attempt to cure their accounts or employ just a bare minimum of effort to cure them.

Historically, we have used processes enabled by technology located in our U.S. offices for curing uncollectible debtor accounts of this kind. However, this allowed us to cure only a small portion of accounts that had the potential to be cured and the remainder of the accounts required experienced staff to cure them. We concluded that this was financially viable only by deployment of the cure process in India. We have addressed this by relocating the cure process mainly to India. We are beginning to derive benefits, such as an increase in the number of accounts cured, from the addition of over 100 employees in Pune in the cure process. However, we have determined that we need to add over 300 new employees to meet our needs to fully service our current assigned portfolios. We believe we will recognize increased revenues and profits upon successful completion of this expansion and we will be positioned to win a larger amount of collections portfolios outsourced by our clients.

Success of our business strategy is dependent upon the expansion of facilities in both India and the U.S. to accommodate this type of captive growth and additional business from our existing customers. We have spent Rs. 73 million as of December 31, 2005 on this expansion and, as of April 30, 2006, have 455 employees in our Pune facilities. We plan to spend additional Rs. 210 million by March 31, 2007, to house an additional 1500 FTEs. For more information, see the section entitled "Objects of the Issue" in this Red Herring Prospectus.

Strengthening our financial position: We currently service, amongst other clients, some of the largest companies in the telecommunications, healthcare, insurance and banking industries. We believe we can garner substantially more business by cross sale opportunities that exist among our current customers. However, as we attempt to increase the size of our business with them, we will be evaluated among other things on past performance and financial strength. Our strengthening will be to enhance our balance sheet.

Maintain domain focus and expertise management: We are focused on monitoring client needs and historical results to design strategies to maximize collections while maintaining control on costs. Operational experience coupled with analytical strategy has strengthened our market position.

Pursue acquisitions: We have acquired each of our businesses currently providing a specific service in the finance and accounting industry. We have been able to successfully integrate the operations of the acquired businesses, maintain key customers and management and increase profitability. We intend to continue to pursue strategic and synergistic acquisitions that have the best potential to complement our existing service offerings. We have earmarked a part of the proceeds of the Issue to support our acquisition plans. For more information, please see the section entitled "Objects of the Issue" in this Red Herring Prospectus.

Continue to foster talent development and retention: We focus the majority of our employee resources on recruitment, development and retention in an effort to improve morale, increase productivity and encourage professionalism. We educate employees about company and client culture, develop their emerging skills and align our training objectives with our business strategy. This investment in training will aid in employee retention and will also help the client recognize even greater value in conducting business with us.

Operations

We provide business process outsourcing ("BPO") services to the finance and accounting business sector with operations in India and the U.S. We provide a variety of services to our corporate clients through our three main operating business divisions: Accounts Receivable Management ("ARM"), Enterprise Management Tools and Services ("EMTS") and Insurance and Tax Services ("ITS"). Our three divisions are each managed by a sector head who, along with a common senior management team, directs our combined group strategy, direction and administration.

All of our operations are distributed between resources based in Pune and in the U.S. Specific tasks or processes, which are originally performed in the U.S., are transferred to India following a comprehensive analysis and migration strategy. In most cases, functions and processes that can be performed in Pune are either already being performed in Pune or are in the process of being transitioned to Pune. Some unique product offerings may continue to be based in the U.S. As the services we provide are critical to our clients, the relocation of processes to Pune is done over a long period of time and after careful analyses of benefits, costs and risks with maintaining highest level and quality of service to our clients.

We continue to further improve operating results by utilizing high quality and lower-cost of operations in India to improve the customer value proposition and realize considerable cost savings.

Our general corporate structure is:

ARM **Bay Area Credit Service LLC** **Imperial Collection Service**	**EMTS** **Enterprise Service, Inc.**	**ITS** **Meridian Consulting Group** **Complex Property Advisors Corp.**
First Party Collections	**OASIS**	**Risk Mitigation**
Third Party Collections	**Performance Dashboards**	**Construction Management**
Insurance Verification, Billing & Follow-up	**eLadin Data Enrichment & Consulting Services**	**Tax Analysis & Resolution**

Accounts Receivable Management Services (ARM)

Our Accounts Receivable Management ("ARM") services are provided under the brand names 'Imperial Collection Service' ("Imperial") through our Glen Daniels Corporation subsidiary and Bay Area Credit through our Bay Area Credit Service, LLC ("BACS") subsidiary, providers of accounts receivable management services to our clients, including some of the largest companies in the healthcare, telecommunications and financial industries. BACS has built its business by providing high quality services and support to its customers and by leveraging the Group's India operations. BACS provides three basic services to credit grantors: first party collections, early and late stage charged off debt collections and insurance eligibility verification, billing, and follow-up. Imperial specializes in the recovery of late stage charged off debt collections (Secondary and Tertiary assets) primarily in the automotive finance, real estate mortgage and bankcard industries.

In 2005, our ARM division serviced approximately US$ 2.25 billion of assets for our clients and recovered approximately US$ 90.3 million on those assets. We are often ranked in the first or second position by our customers based on achieving high liquidation percentages in pre-Primary, Primary, Secondary and Tertiary assets that we service. In an average day, we handle approximately 80,000 telephone calls.

First Party Collections

Our first party collections business provides financial service support functions where debtors are contacted under the name of our creditor clients. These functions are also known as the Pre Charge-Off stage of debt collections. This process requires outbound and inbound calls, connectivity to the creditor's computer systems and the ability to answer customer service and product related questions from customers.

Third Party Collections

Our third party debt collection business includes Primary, Secondary and Early-Out charged-off accounts placed for outside collection. The majority of our assignments stem from Primary debts sought for collection by large telecommunications and healthcare companies. Many of our clients at the end of Primary placement either sell off their uncollected debt or outsource it as Secondary placements. We provide Secondary bad debt recovery services for our clients. We are the exclusive servicer for debt purchased by General Pacific, a joint venture between HandsOn Ventures, LLC and Merrill Lynch. In addition, we service up to 80% of the debt portfolios jointly purchased by HandsOn Ventures, LLC and a Fortune 500® company in the student loans and finance sector.

We have over many years developed strategies to collect debt that has been charged-off. Unlike fresh debt, this collection activity requires both operational strategies and analytical modelling to be deployed to reach debtors who have the Ability to pay, Bias toward payment and can be Contacted (the "ABC criteria"). The effort required to collect debts changes over time, because as debts age, fewer and fewer debtors meet the ABC criteria. We have developed proprietary software programs and business processes to improve the quality of debtor contact information we receive from our clients and increase the likelihood of establishing Contact with debtors. In 2005, these programs and processes led to the "cure" of approximately US $400 million worth of assets at an average monthly cure rate of 2.3%. We deploy highly redundant, secure systems and networks managed by experienced employees to maximize the dollar value of collections for our clients and hence generate profits for us. Our India-based collection centres seamlessly lead, support and augment our U.S. operations in a variety of ways to collect more dollars and support our customers, all at a lower overall cost thus taking advantage of global economies of scale.

Insurance, Verification, Billing and Follow-up

Insurance billing follow-up is a process whereby patients and insurance companies are contacted on behalf of healthcare providers to verify insurance eligibility and to bill or re-bill unpaid insurance claims. If coverage is denied or payment plans are already in place, patients are contacted either for Secondary insurance sources or for collections concerning balances due for payment. These accounts fall into both pre and post charge-off collection categories. Our senior managers have years of hands-on industry experience in this business. In 2005, we billed approximately US $29 million worth of insurance in service of our clients.

We have developed expertise in the finance, healthcare and telecommunications industries by serving clients which include blue chip clients including the largest ambulance company in U.S., several of the largest telephone companies in the world and some of the largest banks in the world.

In order to maximize the use of specialized employee skills as well as leverage our global servicing capabilities, we divide the work performed in our ARM division between the United States and India as follows:

U.S.	India	Both U.S. and India
First Party Collections	Internal Reporting	Third Party Collections
Insurance Verification and Billing	Client Reporting	Customer Service
Legal Collections	File Maintenance and Data Entry	Compliance
Client Management	Insurance Follow-up	IT Support
Trust Cash Processing	Asset Management	
Licensing	Data Research and Curing	

Enterprise Management Tools and Services ("EMTS")

Our Enterprise Management Tools and Services tasks are provided through our Savant Consulting Group , Inc. subsidiary, which directs the deployment of a suite of web-based enterprise management and productivity software tools to compile, report, analyze and manage accounts placed for collection or claims in the insurance sector. We have deployed three software products focused on their respective roles within the ARM industry as follows:

HOV OASIS: *(Outsourced Account Systems & Information Server)*. Creditors and collection companies use this secure portal to assign, recall and manage inventory placed for outside collection. HOV OASIS is an inventory distribution engine and interactive data warehouse residing in cyberspace, which creates a virtual work environment for processing bad debts. HOV OASIS has the capability to harness and control collections assignment information by leveraging the analysis, access, retrieval and transfer of debt. This is made possible by deploying our Debtor Embedded Base Transaction warehouse and its toolbox. HOV OASIS controls collections work and remittance process through the first creditor-managed collection platform and new millennium alternative to agency collection systems by using ACTION: our Advanced Collection Technology Information Online Network.

Dashboard: This secure portal (a site featuring a suite of commonly used services) was designed for one of the world's largest telecommunications companies and provides to that customer and its authorized agency users an accurate, real-time analysis of how collections are progressing as compared to client goals and provides a means of comparing the progress of competing collections agencies. An additional dashboard portal has also since been launched for the U.S.'s largest ambulance service provider.

Dashboard reports assignments, liquidations, top performers and goal attainments for each collection agency of a credit grantor. It boosts productivity by allowing the grantor to optimize servicing of its assets with those collections agencies that report the greatest recoveries. It promotes competition amongst agencies by allowing them to view daily comparative performance. In the realm of insurance, Dashboard provides a web-based reporting mechanism for each claim being managed by an insurance company in different locations and renders visibility to the present status of each claim. Dashboard aims to answer the needs of any organization to report financial data with large volumes which is not supported by their internal IT department.

eLadin: (*Electronic Location and Data Identification Network*). This product enriches the information available to our creditor customers by verifying debtor data and enhancing it using third party databases. Debtor addresses, telephone numbers and assets are validated, corrected or updated and returned to the host system for further processing. Our eLadin program is used internally to augment collection operations and is offered to healthcare providers to support their billing processes for a fee.

We divide the work performed in our EMTS division between the U.S. and India to leverage our global delivery capabilities to maximize the use of resources as follows:

U.S.	India
IT Consulting	Web-based Collection Management System
Systems Administration and Monitoring	Dashboard Product Development
	MIS Reporting Systems
	Skip Tracing Applications and Data Mining
	Systems Monitoring for U.S. Websites and Servers
	Website Design and Maintenance
	Software Development
	Employee Placement Consulting

We additionally provide consulting services to our clients on as needed basis, both for our products or for their internal requirements. We currently offer solutions for the ARM sector and in future plan to offer similar solutions for other markets that we serve. We believe these and other such services and a technology-oriented approach to servicing our clients provides us with a strong competitive advantage over other collections companies.

Insurance and Tax Services (ITS)

Insurance

We serve the surety insurance industry in the United States focused primarily on the construction sector through our Meridian Consulting Group, LLC subsidiary. Meridian specialises in providing services to the insurance industry, including contract payment and performance bond claim investigations, property/casualty damage claim evaluations, technical support of construction related litigation and construction project management services. In 2005, we serviced 22 insurance clients and accepted 86 new assignments from our clients. The average value of the assignments that we serviced for our top ten clients was approximately US$126 million. Last year, our average revenue from each of our assignments was approximately US$185,000.

Following are descriptions of the specific work that we perform on behalf of our insurance clients:

Insurance Workflow

Surety Insurance:

- Contract Surety Claims is the payment of performance bonds claim analysis.
- Estimating is quantification and valuation of construction projects.
- Funds Control is the Trust Fund Management of contract proceeds and surety funds.
- Construction Management is the onsite management of construction projects for sureties.

Litigation Support:

- Claims Analyses is the analysis of entitlement, quantum and merit of construction disputes.
- Claims Preparation is the assembling of reports, analyses and graphics in defence of a construction dispute.
- Expert testimony is the testimony provided by a qualified and accepted expert in various fields of construction disputes.

Property Loss:

- Loss inspection is the inspection of property damage post an occurrence such as hurricane, fire or detect failure.
- Damage assessment is the quantification and valuation of damage, as a result of an insured occurrence.
- Preparation of findings is the development of causation reports and monitoring of repair.

Tax

Through our Complex Property Advisors Corporation subsidiary ("CPAC"), we specialize in managing complex property tax assessments and their disposition for the benefit of our clients. CPAC's clients include many of the leading insurance companies, large telecommunications companies and healthcare organizations in the U.S. In 2005, we worked on approximately 4,675 parcels of real property for our approximately 60 large clients. The total market value of the real estate that we analyzed for our clients in 2005 was approximately US$12.6 billion.

Following are descriptions of the specific work that our tax business performs:

Appraisals:

- Property Taxation is the review of assessed taxable value of real estate by governing authority.
- Expert Testimony is the testimony provided as a qualified expert opinion and is accepted in the valuation of real estate. Four members of CPAC are designated members of the Appraisal Institute, an international membership association of professional real estate appraisers throughout the United States and Canada.
- Investment Decisions is the valuation of real estate for potential investor clients.
- Purchase Price Allocation is the allocation between the tangible and intangible real and personal property, and allocation to the going concern.

Property Tax Analyses:

- Reviewing assessments is the analysis of taxable value as compared to market value for property tax liability.
- Market Value Presentation is the presentation of market value to bring assessed value in line.
- Presentation to Appeals Board is the securing of a reasonable market value.

Cost Segregation:

- Engineering Analysis is the reviewing of plans to identify building components.
- Reclassify Building Components is done for depreciation purposes on Federal tax returns. It is the act of moving items to a shorter life to claim more depreciation upfront.
- Depreciation Analyses is the recalculation of items to a shorter life which accelerates depreciation for Federal Return.
- Most Favoured Proposition is the classification of items to their best life.

In order to achieve higher efficiencies, a higher level of service and to optimise usage of available resources we divide the work performed in our ITS division between the United States and India as follows:

U.S.	India	Both U.S. and India
Surety Insurance Claims, Estimating, Construction Management	Surety Insurance Funds Control	Litigation Support Claims Analysis and Preparation
Litigation Support Expert Testimony		Cost Segregation Reclassification of Building Components
Property Loss Inspection, Preparation of Findings and Monitoring		Property Loss Damage Assessment
Tax Appraisals Testimony, Investment Decisions and Purchase Price Allocation		Tax Appraisals Review
Property Tax Market Value Presentation, Presentation to Appeals Board		Cost Segregation Engineering Analysis

Business Mix

Based on our proforma combined statement, the break up of our revenue in terms of our business lines are as follows:

Business Lines	2002	2003	2004	2005	2006
Total Revenue (Rs. millions)	10.01	947.87	1,121.67	1,350.79	1,638.42
ITS (%)	-	-	21.73%	32.03%	42.29%
ARM (%)	-	0.76%	25.21%	45.71%	45.21%
EMTS (%)	100%	99.24%	53.06%	22.26%	12.50%

Our acquisitions in the ARM and ITS divisions has caused overall ratios in EMTS to decline.

Sales and Marketing

In the past, we have followed a distinct branding philosophy whereby the branding at the parent and each subsidiary level was kept distinct so as to foster continuity and avoid client confusion. As cross selling between verticals and clients grows, we intend to adopt a more holistic branding approach to deliver one distinct message to all customers. We serve a broad customer base who are market leaders in their respective industries. We acquire new customers both organically and through acquisitions of new businesses. We have longstanding relationships with our customers and have continued to service their needs for many years.

Our sales and marketing strategy is designed around leveraging our existing relationships and our global capabilities. Our objective is to build and nurture strong existing client relationships which positions us to recognise potential new business opportunities with these clients. We believe we will continue to see substantial growth from existing customers; as they grow, we will grow with them and provide additional services that are either provided by others or not outsourced at this time.

Our management is focused on being the best service provider measured by actual results and providing innovative ideas to our customers. We are focused on improving our customers' returns in a variety of ways, for example: lowering our insurance clients' cost of doing business, improving the rate of debtor collections for our creditor clients, or improving the management efficiency of our EMTS customers with our analytics and enterprise management tools.

In each of our business lines, we maintain sales and marketing functions supported by some delivery capabilities in the U.S. in order to be closer to our U.S.-based customers. We provide support to these functions from our operations in Pune. This method of resource deployment has enabled us to bid for incremental business and meet our profit objectives. Furthermore, this enhanced capability has enabled our businesses to service larger clients, as our dual infrastructure in Pune and the U.S. can support an increased workload on a round-the-clock basis.

Our marketing strategy is designed to strengthen our brand name, increase customer wins, build strong customer loyalty, maximise repeat business and develop and nurture key relationships with clients. An effort is underway to leverage relationships, offices and sales personnel to expand our sales and support functions. We supplement our direct sales efforts with print media and attendance at trade shows.

Customers and Customer Service

We service, amongst other clients, some of the largest companies in the insurance, financial services, health care and telecommunications industries. The Company maintains frequent communication with and values feedback from its customers to continually improve its services. The table below highlights a sample of our longstanding customer relationships:

Client	Service/Business Line	Years as Customer
FORTUNE Global 500® telecommunications company	ARM Telecommunications	8 years
FORTUNE 100® telecommunications company	ARM Telecommunications/ EMTS	15 years/2 years
FORTUNE 1000® healthcare company	ARM Healthcare	17 years
National healthcare company	ARM Healthcare	6 years
FORTUNE 100® insurance company	Insurance	5 years
FORTUNE 250® insurance company	Insurance	5 years
FORTUNE 250® healthcare organization	Tax	3 years
FORTUNE 100® healthcare organization	Tax	2 years
FORTUNE 100® Bank	ARM	3 years

A majority of the relationships stated above date back to Bay Area Credit Service Inc. whose business was acquired by BACS, our indirect subsidiary.

Our diversified service offerings bring in revenues from a variety of customers and industries. The following table presents the percentage contributions of our largest customers and customer industries to our total revenues for the periods indicated:

Customer and Industry Group	Percentage of total revenue		
	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Top 10 largest customers	63.4	71.5	70.0
Telecommunications	15.7	27.3	24.0
Insurance	11.3	30.8	26.9
Health care	20.5	20.0	27.9
Financial services	9.4	2.6	11.3

Competition

Competition for customers in the finance and accounting industry is fierce. There are many companies both large and small who compete for the business of our ARM customers. We also compete with the in-house staff of our clients for processes that are being considered for outsourcing. The accounts receivable management and collection industry is highly fragmented. Based on research by the American Collectors Association, there are approximately 6,500 accounts receivable management and collection companies in the United States, the majority of which are small, local businesses. In addition to our U.S.-based competitors, we compete with a variety of ARM BPO providers based in India, such as Convergys, ICICI OneSource, Genpact and WNS.

Our EMTS business faces competition from large and small independent software development companies and in-house IT departments of our customers. We also face competition from the existing legacy software systems already in place at our customers and finance and accounting BPO competitors' facilities.

Our ITS business competes with a variety of independent firms, both large and small, as well as the in-house finance and accounting departments of our clients. Top tier accounting and consulting firms such as Ernst & Young, Deloitte & Touche, Accenture and Navigant Consulting provide dispute resolution, project risk assessment, cash restructuring and management services to the insurance, real estate and construction industries. Small to medium boutique firms such as CRA International, Delta Consulting Group and PA Consulting Group provide niche services like funds control, project management, tax services, claims resolution and systems integration services.

Many of the companies we compete with are large well capitalized organizations with global operations bigger than ours. We believe that many of our smaller competitors have insufficient capital to expand and invest in technology and are unable to adequately meet the geographic coverage and quality standards demanded by businesses seeking to outsource their accounts receivable management functions. However, many of these small competitors have strong relationships and a successful history of service with their existing customers, and as such are entrenched with their clients in their particular niche.

Technology Infrastructure

We manage critical financial assets for our clients; as such, the technology systems deployed for our clients must be highly available, secure and redundant. Our business requires a technology platform based on open architecture supporting widely accepted and deployed products and tools. We need to meet the needs of our customers to quickly adapt, deploy new services, provide management reports and analysis and respond to unplanned events. To implement our strategy and accomplish our combined objectives we have invested heavily in technology and state-of-the-art hardware, software and telecommunications infrastructure.

Our continued success is dependent upon continuing this strategy and continuing to invest in state of the art software systems, Data Networks, Carrier Access Facilities, Wide Area Network Connectivity and Voice Network. We have invested in highly reliable and redundant technology solutions wherever possible to provide the best uptime and services available to our customers.

We use a combination of proprietary and open architecture software systems to meet diverse and changing needs of our customers. This dual deployment is possible due to our Pune-based software staff and has given us a competitive advantage over our competitors.

We have built redundant systems wherever possible in both our data and voice networks. We deploy similar technology in our various facilities and interconnect them with multiple circuits from multiple vendors. Presently, our two facilities in Pune are connected with our U.S. facilities each through independent circuits from different vendors using different long haul and last mile networks. If one of the lines were to go down, complete access would be provided through the other line.

To further improve redundancy and productivity, our two centres in India are also linked together. We have provided cross connect capability for each facility through the circuit of the other. If one of the circuits were to go down, all of the traffic is then routed through the other circuit to the other centre. This cross connect gives the ability to send the traffic that is required for the centre with the disabled circuit, over the line that connects the two centres.

Through use of automation, technology and procedures we can within minutes redirect traffic upon detection of a failure from the site that failed to unaffected facilities. Our business is critically dependent upon servers, data warehouses, portals, internet and voice networks and failure to avail or access could have significant adverse financial impact. To minimize and manage this risk we monitor our circuits for traffic, congestion, uptime of servers, accessibility of systems and portals both internally as well as through our telecommunications vendors on a continuous basis. For more information, see the section entitled "Risk Factors—Any disruption in communications and other utilities could harm our ability to provide our services" in this Red Herring Prospectus.

Training and Education

Our employees are our most valuable assets and it is our strategy to increase their value to the Company, help them with their career path and provide counselling, all with the ultimate goal of increasing retention and decreasing attrition.

The Company believes that its continued success is directly the result of highly trained and knowledgeable employees. We provide training to our employees on a continuous basis and maintain training departments in our Pune and U.S. facilities with dedicated training managers. The training takes place in a classroom setting where employees learn business techniques, applicable laws and, as needed, the accent and the culture of their target audience. Our initial training programs typically last up to three weeks. Thereafter, successful candidates move into operations for side-by-side training while they begin working on active accounts. Initial training is supplemented by ongoing education to train employees in new technology features and changes in applicable laws during their tenure with the Company.

All employees are evaluated and retrained based on changes in client needs, changes in applicable laws, acquisition of new clients and business lines, as well as their own job performance. The need for sound training is most pronounced in the ARM business, especially as the business is growing in India. Training in India is conducted along the following lines:

- Voice and Accent Training: This training is imparted to new recruits to acclimatize them with the U.S. culture and neutralize their speaking accent to tailor it for a U.S. audience. Four certified trainers conduct regular classes for all new recruits for a period of 10 working days and cover important areas like listening abilities, American English speaking skills and voice modulation over the phone. All recruits must satisfactorily complete this training to proceed to the next stage of training. Tests to measure competency include universally accepted English ability coursework and mock call handling.
- Process and Domain Training: We presently employ four subject matter experts who train new recruits in: handling our collection system, nuances of effectively disposing calls on our dialler and each portfolio that is presently being serviced by our centres. This coursework is designed by our U.S.-based Collections Director and is updated monthly to respond to changes in our business. Tests include role play, handling rebuttals and knowledge of the financial assets that we service. All recruits must score a minimum of 85% on these tests before they are eligible to handle live calls. This training is conducted over a period of 21 working days, complete with tests at the end of each module which are graded by our Vice President of Operations.
- On the Job Training: Two senior subject matter experts who have been with the Company for at least 12 months and have demonstrated exceptional ability in recoveries lead our on the job training. Ongoing tests include floor audits and real-time grading of agents that are linked to our Performance Management System and used to provide incentives for our talented top-performing staff.

In the last three years, our trainers have trained more than 35 batches of new recruits with an average of 20 recruits per batch.

Employees and Facilities

As of April 30, 2006, we employed a total of approximately 785 employees. We employ approximately 455 people in Pune and approximately 330 people in the U.S., of which 235 are based in California, 75 are based in Texas with the rest at various client sites. Approximately 625, or 80%, of our employees work in the ARM division, approximately 75, or 9%, of our employees work in our ITS division, and approximately 85, or 11%, of our employees work in our EMTS division.

As is common among BPO companies in India, we have a high employee attrition rate for entry level employees in Pune of approximately 45%. High employee turnover increases our costs of training, recruiting and education. Therefore, we have initiated several programs to lower this attrition rate, including recruiting employees from outside of Pune who we believe tend to have significantly longer tenures of employment than locally-recruited employees. We use a combination of recruitment processes to seek out the most qualified and potentially long-term employees, including agencies, referrals, advertisements and outstation selection.

We compensate our employees with a combination of fixed and performance-based pay. We evaluate our employees regularly, and based on their performance we may elect to give them additional bonuses. Although we have not granted options under our 2006 Employee Stock Option Plans, in the future we plan to grant options to reward and recognise our full time employees based on their performance.

Our headquarters are located in Pune at 3rd Floor Sharda Arcade, Pune-Satara Road, Bibwewadi, Pune 411 037 and our U.S. headquarters are located at 50 Airport Parkway, Suite 100, San Jose, California 95110.

We lease approximately 115,000 square feet of office space, of which approximately 35,000 square feet is leased in Pune and approximately 80,000 square feet in various locations in the U.S. All of our material properties are leased and not owned.

	Location	Square Footage	Lease Expiry Date
California	Antioch	15,800	August 2013
	San Jose	18,600	January 2007
	Concord	10,200	January 2007
Texas	Southlake	4,200	February 2010 (with option to renew for additional 5 years)
	Southlake	4,300	July 2010 (with option to renew for additional 5 years)
	Dallas	8,000	September 2010 (with option to renew for additional 5 years)
	San Antonio	1,500	Lease is month-to-month
New Jersey	Eatontown	3,064	July 2010
	Edison	4,750	September 2006
Illinois	Palatine	1,500	July 2011
Ohio	Cincinnati	100	Lease is month-to-month
India	Pune (Sharda)	24,293	March 2010 (with option to renew for additional 5 years)
	Pune (Industrial Estate)	10,000	June 2007

Intellectual Property

We use trademarks and service marks both to brand and protect our services and products. Over the last several years we have created intellectual property which we can protect by copyright also.

We require our employees, including subcontractors, to enter into non-disclosure and no-use agreements and assignments of rights to protect our intellectual property and data as well as our clients.

Our intellectual property rights from time to time may be infringed upon and we may have to take action to protect and defend our rights, including legal action in various jurisdictions. We have purchased proprietary products to perform various business functions containing intellectual property belonging to others. Our license or purchase agreements usually provide indemnification provisions to protect us and our clients from any infringement. We believe that our intellectual property does not infringe on the intellectual property rights of others. We are not party to any nor we aware of any claims of infringement of intellectual property rights by us. Infringement claims may be asserted against us by others in the future or we may be compelled to protect and assert our legal rights against third parties. These claims may result in significant legal and court costs and consume our management's time and attention. We currently operate in India and the U.S. and are seeking intellectual property protection in both jurisdictions. However, in the future we may expand into other countries and their laws may not provide adequate intellectual property protection. For more information, see the section entitled "Risk Factors—We may be subject to certain intellectual property infringement and/or unauthorized parties may infringe upon or misappropriate our intellectual property" in this Red Herring Prospectus.

We have filed applications to register the following Trademarks and Service marks in India:

Trade Mark / Service Mark	Applicant	Class
DASHBOARD	HOV Services Limited	42
DASHBOARD	HOV Services Limited	9
D.E.B.T Debtor Embedded Base Transaction	HOV Services Limited	42
D.E.B.T Debtor Embedded Base Transaction	HOV Services Limited	9
HOV Action	HOV Services Limited	9
HOV Action	HOV Services Limited	42
HOV OASIS	HOV Services Limited	9
HOV OASIS	HOV Services Limited	42
HOV Services Exceed Expectations	HOV Services Limited	9
HOV Services Exceed Expectations	HOV Services Limited	36
HOV Services Exceed Expectations	HOV Services Limited	38
HOV Services Exceed Expectations	HOV Services Limited	42

Use of Trademark Agreement

HOV GPM, LLC, one of our Promoter Group companies has granted us the exclusive usage of the trademark “HOV” within the territorial limits of India on a perpetual basis for a consideration of Rs. 100. The Company has also been granted the right to grant a license or the use of or co-branding the trademark “HOV” to a third party provided that the same third party is engaged in the same business as the Company. The agreement may be terminated in the event that the Company fails to remedy a breach of the agreement within 30 days of receipt of written notice by HOV GPM seeking redressal of the breach, upon either party ceasing to exist in their entirety, by mutual consent in writing or in the event of bankruptcy or insolvency of the Company.

Insurance

We have insurance policies to cover our assets, projects and operations, including third party liabilities. The assets covered by these policies are insured against losses from general liability, fire, earthquakes, terrorism and other risks to our premises and equipment. We also carry business disruption insurance. We do not carry key man life insurance.

Due to the large volumes of cash and sensitive client information that our employees manage, we maintain large insurance policies for employee dishonesty/errors and omissions.

We also have statutorily required insurance for public liability, general insurance for group personal insurance and maintain directors’ and officers’ liability insurance.

REGULATIONS AND POLICIES

Companies in the business process outsourcing ("BPO") industry in India are subject to various regulations and policies. We are also required to comply with certain legal formalities in the jurisdictions in which our clients operate. We are a BPO service provider located in India with operations in both India and the United States of America ("USA"); also all of our clients are located in the USA.

Regulatory Regime in India

A large portion of the BPO sector in India is regulated under the terms of the Software Technology Parks Scheme, which permits the establishment of units engaged in information technology enabled products and services (ITES). Several State governments have also enacted specific legislations in this regard, including by way of various incentives to investors to set up ITES units within the respective state.

Unlike in the US, there is no law regulating telemarketing in India. However, a public interest litigation has been filed recently in the Supreme Court of India seeking a law to ban 'uncalled for' telemarketing calls. The petitioners have termed telemarketing as an invasion of privacy. Our Company is presently not involved in telemarketing activities in India.

Software Technology Parks Scheme ("STP Scheme")

The STP Scheme (under The Ministry of Information Technology, Government of India) has been notified by the Central Government (Ministry of Commerce) in exercise of its powers under Section 3 (1) of the Foreign Trade Development and Regulation) Act, 1992 to permit the establishment of software technology parks (STP) which may be 100% export oriented units undertaking software development for export using data communication links or in the form of physical media and includes export of professional services. All notified IT enabled products and services would qualify their provider for establishing a unit in and benefiting from the STP scheme.

Whilst activities falling within the information technology ("IT") sector have not been defined, by the Foreign Investment Promotion Board ("FIPB"), certain activities under ITES have been notified vide a circular dated September 26, 2000 issued by the Central Board of Direct Taxes ("CBDT"). The ITES activities which fall under the scope of the said circular includes, (i) Back-Office Operations (ii) Call Centres (iii) Content Development or animation (iv) Data Processing (v) Engineering and Design (vi) Geographic Information System Services (vii) Human Resources Services (viii) Insurance Claim Processing (ix) Legal Databases (x) Medical Transcription (xi) Payroll (xii) Remote Maintenance (xiii) Revenue Accounting (xiv) Support Centres and (xv) Web-site Services.

Setting up a STP Unit

An application is required to be made by the company desirous of setting up a unit as an STP to the Director of the STP, which approval is ordinarily granted within 15 days of such application being made subject to (a) items to be manufactured or exported are not restricted or prohibited; (b) the location is in conformity with the prescribed parameters; (c) the export obligation laid down in the STP Scheme is fulfilled; and (d) the unit is amenable to bonding by the Customs and all manufacturing operations are carried out in the same premises. The registration as an STP is location specific.

The Company pursuant to the requirements of the STP approval would be required to execute an agreement with the Government of India agreeing to comply with conditions prescribed in the STP approval, *inter alia* the export obligations and customs bonding of the premises. In order to be able to obtain the STP license, the Company would require the following licenses:

(a) manufacturing consent from the relevant customs department;

(b) an Importer Exporter Code from the Directorate General of Foreign Trade (in order to be able to export its services/ products);

(c) registration under the Bombay Shops and Establishments Act, 1948; and

(d) registration as an 'Other Service Provider' with the Department of Telecommunications to provide call centre services.

Benefits under the STP Scheme

The salient features of the benefits available to a unit under the STP Scheme are:

1. All imports of hardware and software are duty free. The import of second hand goods is also permitted, and the re-export of capital goods is also permitted. Further domestic purchases by the unit are eligible for the benefit of deemed exports to the equipment suppliers;
2. Sales in the domestic tariff area (DTA) are permissible up to 50% of the export in value terms;
3. No corporate income tax is payable till the year 2010;
4. The capital goods purchased from the DTA are entitled to benefits relating to the levy of excise duty and the reimbursement of central sales tax;
5. Capital invested by foreign entrepreneurs, know-how fees, royalties, dividend can freely be repatriated after payment of income taxes due on them if any;
6. The income of these STP units can also be invested in principal companies overseas;
7. The unit is entitled to a Green Card for priority treatment for Government clearances and other services;
8. Depreciation on capital goods can be availed of above 90% over a period of five years and also the accelerated rate of 7% per quarter during the first two years subject to an overall limit of 70% in the first three years; and
9. An STP unit can import all types of goods (including capital goods) without the payment of duty for its activities or in connection therewith provided that such goods are not prohibited items of import.

State specific benefits

In addition to the benefits offered to an ITES company under the STP Scheme, certain benefits are also available under the relevant state legislation/regulations. These benefits include rebates/waivers in relation to payments for transfer of property and registration (including for purchase/lease of premises), waiver of conversion fee for land, entry tax exemptions, labour law relaxations, exemption from state pollution control requirements and commercial usage of electricity.

Foreign Investment

Foreign investment in India is regulated by the Foreign Exchange Management Act, 1999 (FEMA), the regulations framed by the Reserve Bank of India (RBI) and policy guidelines issued by the Ministry of Industry (through various Press Notes issued from time to time). Foreign investment in IT companies, is under the automatic route (i.e., prior approval of the Foreign Investment Promotion Board (FIPB) is not required).

Foreign investment by way of subscription to equity shares in the ITES sector currently does not require the prior approval of the RBI (vide Press Note 8 of 2000) or the FIPB, except for a post subscription filing with the RBI in Form FC-GPR within 30 days from the issue of shares by the company. The Government of India has indicated that in all cases where foreign direct investment is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Labour laws

India has stringent labour related legislations protecting the interests of workers. There is a clear distinction between (i) employees who are 'workmen' (as defined under various enactments including the Industrial Disputes Act, 1947 (the "IDA") and (ii) employees who are not 'workmen'.

Workmen have been provided several benefits and are protected under various labour legislations, whilst those persons who have not been classified as workmen are afforded no statutory benefits or protection, except in relation to bonus, provident fund and gratuity. Employees are usually subject to the terms of their employment contracts with their employer, which contracts are regulated by the provisions of the Indian Contract Act, 1872.

The conditions of service of employees of BPO companies are regulated by the relevant shops and establishments law in which the BPO unit is situated. The Bombay Shops and Establishment Act, 1948 *inter alia* determines the working hours, overtime payable, the leave policy, weekly holidays, sick leave benefit and maternity benefits.

Termination of a non-workman is governed by the terms of the relevant employment contract. As regards a 'workman', the IDA sets out certain requirements in relation to the termination of the services of the workman's services. This includes detailed procedure prescribed for resolution of disputes with labour, removal and certain financial obligations upon retrenchment. The applicability of such laws depends on the number of workers employed and their monthly remuneration.

Data Protection

India has currently not enacted any legislation in relation to data protection. A committee has been set up to examine the need for a data protection legislation in India. The recommendations of the Committee have not yet been made public.

Regulatory Regime in the United States of America

Companies engaged in providing BPO services to end customers located in the United States have to comply with a wide range of laws and regulations. In particular, they have to comply with US laws that govern telemarketing, debt collection practices, credit reporting, and the use of non-public information.

Telemarketing Regulations

Outbound sales services are subject to numerous federal and state laws and regulations. In 2003, the United States Federal Trade Commission and the United States Federal Communications Commission established the national do-not-call registry, a list containing the personal telephone numbers of telephone subscribers who have voluntarily indicated that they do not wish to receive unsolicited calls from commercial telemarketers. Commercial telemarketers are generally prohibited from calling telephone numbers that have been placed on the do-not-call registry, and failure to comply could result in fines and injunctions. Over 55 million telephone numbers have been registered on the national do-not-call registry and more telephone subscribers may register. In addition to the do-not-call registry, many states have adopted, and other states are considering adopting, statutes or regulations that specifically affect telemarketing activities. Several states require registration of commercial telemarketers. These registrations ordinarily only exempt those telemarketing service providers which have been in business for a certain period of time under the same name and provide 75% or more of their services to otherwise exempt entities.

The Federal Trade Commission's Telemarketing Sales Rule sets forth a number of limitations and restrictions on the ability to make outbound calls on behalf of clients and engage in "up-selling" on inbound calls. The Federal Communication Commission's Rules and Regulations Implementing the Telephone Consumer Protection Act of 1991, which governs the use of certain automated calling technology, may also apply.

Debt Collection Services

The Fair Debt Collection Practices Act, establishes specific guidelines and procedures that debt collectors must follow in communicating with consumer debtors, including the time, place and manner of such communications. The statute places restrictions on communications with third parties in connection with the collection of any consumer debt. Companies providing BPO services in specific will also have to comply with applicable state debt collection practices laws. Many states require a debt collector to maintain a license to engage in debt collection activities within the state, though exemptions may be granted in certain cases to out-of-state collection agencies.

Credit Reporting

The Fair Credit Reporting Act governs services, which involve the use of consumer credit reports. Although a BPO company may not be a "consumer reporting agency" within the meaning of the Fair Credit Reporting Act, they are required to comply with certain provisions of the Fair Credit Reporting Act applicable to users of consumer reports.

Privacy Laws

In addition to the above there are various federal and state privacy laws in the United States that could limit the ability of customers to provide information to a company providing BPO services or such company's ability to use this information. For example, the Gramm-Leach-Bliley Act imposes restrictions on the use and disclosure of non-public information about consumers received or obtained by financial institutions. In addition, some states have adopted laws applicable to the privacy of consumer information.

Regulations governing email communication

Federal and state legislatures are considering or have enacted various laws governing email communications. While most of these laws concern unauthorized emails known as "spam" and may not apply to a company providing BPO services, they may affect the use of email by such companies to conduct marketing activities.

European Union

Unlike in India, there exists a well defined legal regime for data protection in Europe.

The European Union has issued Directive 95/46/EC which specifically applies to 'any operation or set of operations which is performed upon personal data,' called 'processing' of data. Such operations include the collection of personal data, its storage, and disclosure. The Directive applies to both data processed by automated means (e.g. a computer database of customers) and to data that is a part of or intended to be part of non automated 'filing systems' in which they are accessible according to specific criteria.

In addition, there is a separate Directive (97/66/EC) that deals specifically with the protection of privacy in telecommunications. This Directive states that Member States must guarantee the confidentiality of communication through national regulations. Further, Regulation (EC) 45/2001 of the European Parliament and of the Council of December 18, 2000 deals with the protection of individuals with regard to the processing of personal data by community institutions and bodies and on the free movement of such data.

United Kingdom

In order to comply with the Directives of the European Union, the United Kingdom has enacted the Data Protection Act, 1998, which regulates the processing of information relating to individuals, including the obtaining, holding, use or disclosure of such information.

United States of America

The United States relies on broad self-regulation and targeted sectoral legislation to provide consumers with data privacy protection. The US Department of Commerce on November 1, 2003, implemented a voluntary scheme of self-certification for US organizations, known as the Safe Harbor scheme. The concept of 'Safe Harbor envisions that organizations could come within the safe harbor by self-certifying that they adhere to these privacy principles.

The First and Fourth Amendments of the US Constitution, tort law and consumer protection laws also grant limited privacy rights. Several State and Federal consumer protection laws provide protection to children, medical and financial records. The Gramm-Leach-Bliley Act, 1999 protects against pre-texting and sets limitations on data sharing for banks, insurance, and brokerage companies. In addition, the Privacy Act of 1974 states that no federal agency may disclose information without the consent of the person. Data collection agencies must also meet certain requirements for protecting the information.

HISTORY AND CERTAIN CORPORATE MATTERS

Our History

The Company was incorporated in 1989 under the Companies Act, 1956 as Codec Communications Private Limited under registration number 25-14448 by Anil Rajadhyaksha and Sunil Rajadhyaksha. The Company commenced its operations as a software services company on January 10, 1989. The name of the Company was changed to HOV Services Private Limited on February 27, 2006. The Company became a public company on January 5, 2006 and the name of the Company was changed to HOV Services Limited on March 9, 2006.

On January 31, 2002 Digital Boardwalk Incorporated (a company created as an acquisition vehicle) acquired 1,694 shares of the Company of the face value Rs. 100 comprising 100% of the issued and outstanding shares of the Company, which were held by Anil Rajadhyaksha and Sunil Rajadhyaksha for a consideration of USD 36,460. Upon completion of the acquisition, the Company retained the services of Anil Rajadhyaksha and Sunil Rajadhyaksha. Anil Rajadhyaksha has since resigned from the Board of the Company, while Sunil Rajadhyaksha continued as one of the Promoters of the Company. Subsequent to this acquisition, the Company entered into the BPO market and became a 100% export oriented company approved under the STPI Scheme.

As of January 1, 2006 Digital Boardwalk Incorporated transferred the shares of the Company to HOF 2, LLC a Limited Liability Company incorporated under the laws of the State of Nevada controlled by HandsOn Ventures, LLC.

HandsOn Ventures, LLC, ("HandsOn") is a private equity group based in the US, 100% of the membership interest of which is owned by Parvinder S. Chadha and his family members and managed by a seven member management team of which four members are our Promoters. These four members have to date contributed the equity for all acquisitions undertaken by HandsOn.

HandsOn is focussed on acquiring companies in the F & A segment of the BPO sector.

Since 2002, HandsOn has acquired existing businesses and continues to pursue a policy of growing the business inorganically; by augmenting the overall business and the services that may be offered to customers by the acquired businesses.

Typically, HandsOn incorporates an acquisition company, specifically to acquire the stock of the target company. These acquisition entities are owned by HandsOn Fund, LLC. The beneficial interest in this acquisition company is owned by the members and managers of HandsOn who have contributed the equity for the acquisitions. HandsOn Fund, LLC holds the stock of the acquisition companies for a specified period, and upon the expiry of such period the stock of the acquisition companies are then transferred to entities that are owned by such managers and members of HandsOn who have contributed equity and such managers of HandsOn who are entitled to equity based on their individual performance.

Presently, the Company's Promoters at all times own the beneficial interest in the acquisition companies. As and when decided by the Promoters, the acquisition companies are reorganised to pass the ownership of the operating companies to the Promoters, members and managers of HandsOn. This is typically done through entities that are controlled by the Promoters and such members and managers.

Acquisitions by the Company

The acquisitions by our LLC entities have all been funded by the members of the said LLCs by contributing to the capital account of the LLC.

Bay Area Credit Service (I) Pvt. Ltd

The Company acquired 10,000 shares representing 100% of the issued shares of Bay Area Credit Service (I) Pvt. Ltd ("BACS India") vide a stock purchase agreement dated as of April 1, 2005 entered into with BACS, with BACS having the option to transfer the rights and obligations under the stock purchase agreement to its nominee HOF 4 Limited a company incorporated under the laws of Mauritius. The Company subsequently entered into another agreement dated January 2, 2006 with BACS and HOF 4 Limited, for the acquisition of 100% of the issued shares of BACS India. As of March 31, 2006, the Company has remitted USD 1,190,000 out of the total consideration of USD 1,250,000.

HOV Services, LLC

HandsOn organised HOV Services, LLC on March 23, 2005 under the laws of Nevada as a limited liability company. The Company became a sole Member and Manager of HOV Services, LLC as of January 1, 2006 from HandsOn pursuant to the first amendment to the operating agreement. By virtue of the same the Company became the 100% Unit holder of all Class A Units of HOV Services, LLC.

Acquisitions from HOF 2, LLC and HOF 3, LLC

BACS Holding, LLC, CPAC Holdings, LLC., GDC Holdings, LLC and DBW, Inc. were originally formed by HandsOn to acquire their operating companies. BACS Holding, LLC, CPAC Holdings, LLC and GDC Holdings, LLC were subsequently merged into HOF 3, LLC, resulting in HOF 3, LLC acquiring 100% of the operating companies owned by these holding companies, and DBW, Inc. was subsequently transferred to HOF 2, LLC. HOV Services, LLC subsequently acquired the operating companies in transactions which are effective as of January 1, 2006, for accounting purposes as described below:

Savant Consulting Group , Inc.

Savant Consulting Group, Inc. was acquired by HandsOn through, DBW, Inc., which was specifically constituted for the purpose of the acquisition via a stock purchase agreement on April 1, 2002 with the selling shareholders, Sanjay Chitale and Bhal Deshpande. The total consideration that was paid for the acquisition including other consideration was USD 5.4 million. USD 2.8 million was recorded as goodwill on the books of the acquired company. Savant Consulting Group, Inc. is an enterprise management tools and services division that provides enterprise tools, project based support and technical services.

Meridian Consulting Group, LLC

Meridian Consulting Group, LLC ("Meridian") was acquired by HandsOn through, XMAC, LLC which was specifically constituted for the purpose of the acquisition via an asset purchase agreement dated April 10, 2003 with AE Schmidt Environmental Inc and Merac Inc. The acquisition closed as of March 15, 2003. The total consideration that was paid for the acquisition was USD 1.9 million and the acquired company recorded goodwill in the transaction of USD 1.8 million. Meridian is responsible for providing insurance and tax service processing professional services. It specializes in providing professional services to the insurance industry, private and public entities including contract payment and performance bond claim investigations, large loss property damage claim evaluations, commercial business insurance claims analysis, technical support of construction related litigation and construction management companies. As part of the acquisition, Ron Cogburn and Bill Sarver entered into a three (3) year employment contract with XMAC. Mr. Cogburn has since been appointed President of the Company.

Bay Area Credit Service, LLC

Bay Area Credit Service, LLC ("BACS") was acquired by HandsOn through, BACS Holding, LLC specifically constituted for the purpose of the acquisition via an asset and stock purchase agreement dated August 21, 2003 which was subsequently amended on September 30, 2003 and October 29, 2003 with Richard Hunter and e-Mergicall Services Inc. The total consideration that was paid for the acquisition was USD 5.5 million and goodwill in the transaction of USD 4.4 million was recorded in the acquired company. BACS provides the Accounts Receivable Management Services in the healthcare, telecommunications and financial sectors. As part of the acquisition, BACS Holding, LLC entered into a three (3) year employment with Richard Hunter, Nafeesa Khandwala and Michael Priest.

Complex Property Advisors Corporation

Complex Property Advisors Corporation, ("CPAC") was acquired by HandsOn through, CPAC Holdings, LLC specifically constituted for the purpose of the acquisition via a stock purchase agreement dated June 30, 2005 which was subsequently amended on October 21, 2005 with Complex Property Advisors Corporation. The total consideration for the acquisition was USD 5.15 million and goodwill in the transaction of USD 3.63 million was recorded in the acquired company. CPAC provides insurance and tax processing services. As part of the acquisition, CPAC Holding, LLC entered into a three (3) year employment agreement with William Beazley III, Mark D. Bedford and Greg Kallas with effect from November 1, 2005.

Imperial Collection Service

Imperial Collection Service, ("ICS"), was acquired through GDC Holdings, LLC specifically constituted for the purpose of the acquisition via a stock purchase agreement dated August 16, 2005 with the shareholders of ICS. The total consideration for the acquisition was estimated at USD 1.5 million and will be paid over 5 years and we recorded a goodwill of USD 1.67 million. As part of the acquisition, Glenn Daniels, the founder of ICS entered into a five (5) year employment contract with ICS from the date of the acquisition. ICS specializes in bank credit card segment and provides secondary collection, tertiary collections, late stage recoveries, advanced skip tracing and bad debt purchase consignment services.

Steps Taken by HOF 2, LLC, HOF 3, LLC and HOV Services Limited

HOV Services Limited took the following steps to become the parent of the entities owned by HOF 2 and HOF 3 and strategically positioned the Company to streamline its operations for growth in the F&A segment of the BPO industry. The Promoters believe, the Company will fulfil its strategy to focus as a comprehensive unit positioned to best serve its customers and shareholders.

Consolidation of BACS Holding, LLC, CPAC Holdings, LLC, GDC Holdings, LLC and DBW, Inc. with HOF 3 and HOF 2, LLC.

As of January 1, 2006, 100% of the issued and outstanding shares of DBW, Inc were transferred to HOV Services, LLC by HOF 2, LLC for 3,580,674 Class B Units of face value USD 1.70 each of HOV Services, LLC.

Simultaneously, pursuant to actions by written consents of the sole manager of HOF 2, LLC and HOF 3, LLC and actions by written consents of the sole managers of BACS Holding, LLC, CPAC Holdings, LLC and GDC Holdings, LLC, and pursuant to an agreement and a plan of merger dated as of January 1, 2006, which became effective upon the filing of the certificate of merger with the Secretary of State for the State of Nevada, the above holding companies merged with HOF 3, LLC under Chapter 92A of the Nevada Revised Statutes. Simultaneously, as a result of this merger HOF 3, LLC held 100% interest in three (3) companies, namely Bay Area Credit Service, LLC, Complex Property Advisors Corporation and Imperial Collection Service. HOF 2, LLC held 100% of the interest of DBW, Inc. DBW, Inc. owns 100% of the interest in Savant Consulting Group, Inc., which in turn has two subsidiaries Meridian Consulting Group, LLC and DB, LLC.

HOV Services, LLC acquires subsidiaries

Through an Exchange Agreement dated as of January 1, 2006 as amended, HOV Services, LLC acquired all of the shares and the other ownership interests in the shares of Bay Area Credit Service, LLC, Complex Property Advisors Corporation and Imperial Collection Service from HOF 3, LLC and 100% of the outstanding shares of DBW, Inc. from HOF 2, LLC . As consideration for the acquisition, HOV Services, LLC issued and transferred to HOF 3, LLC, Class B Units of HOV Services, LLC ("Class B Units") totalling 4,923,371 and issued and transferred to HOF 2, LLC, 3,580,674 Class B Units. HOF 2, LLC retained 3,004,045 Class B Units and transferred the remaining 576,629 Class B Units to HOF 3, LLC.

The aggregate face value of Class B Units issued for effectuating these acquisitions was USD 14.45 million. These Class B Units are redeemable at the option of HOV Services, LLC at a redemption price of USD 14.45 million within one year from the issue of the same.

The sole managers of HOF 3, LLC and HOF 2, LLC pursuant to actions by written consent authorised HOF 3, LLC and HOF 2, LLC to enter into the above mentioned transaction. HOV Services Limited, the sole manager of HOV Services, LLC pursuant to an action by written consent authorized HOV Services, LLC to enter into the agreement with HOF 3, LLC and HOF 2, LLC and take any other steps to effectuate the acquisitions.

As a result of the above exchange, HOV Services, LLC acquired all of the shares and the other ownership interests in Bay Area Credit Service, LLC, Complex Property Advisors Corporation, Imperial Collection Service and DBW, Inc.

The Company and its subsidiaries do not have any liabilities relating to the acquisitions other than the Class B Units as described above.

Consolidation of HOV Services, LLC subsidiaries

The sole manager of HOV Services, LLC by action of written consent, caused DBW, Inc. to be merged into HOV Services, LLC. Thereby, Savant Consulting Group, Inc. became a direct subsidiary of HOV Services, LLC.

HOV Services, LLC along with the above actions thus acquired its three subsidiaries viz. Bay Area Credit Service, LLC, Complex Property Advisors Corporation and Savant Consulting Group, Inc. Savant Consulting Group, Inc. is the parent company of both Meridian Consulting Group, LLC and DB, LLC.

Distribution of the Equity Shares and the Class B Units to the partners of HOF 3, LLC and HOF 2, LLC

HOF 3, LLC acquired 5,500,000 Equity Shares via a preferential allotment made by the Company on January 3, 2006. HOF 3, LLC has distributed these 5,500,000 Equity Shares among its members as described in the section entitled "Capital Structure" on page 17 of this Red Herring Prospectus. Pursuant to the distribution of the 5,500,000 Equity Shares by HOF 3, LLC to its members, among others, the following shareholders i.e. Adesi 234, LLC, eIndia Venture Fund Limited, Merrill Lynch Capital Holdings, Inc became shareholders of the Company. For further details please refer to the section entitled "Capital Structure" on page 17 of this Red Herring Prospectus.

The 5,500,000 Class B Units held by HOF 3, LLC or the proceeds of the redemption of the same will be distributed among the members of HOF 3, LLC. Similarly HOF 2, LLC has distributed 3,004,005 Equity Shares among its members except Parvinder S Chadha as described in the section entitled "Capital Structure" on page 17 of this Red Herring Prospectus; and 3,004,005 Class B Units among its members except Parvinder S Chadha. As a result, Surinder Rametra (held through Stern Capital Partners, LLC), Sanjay Chitale (held through Chitale, LLC), Sunil Rajadhyaksha became shareholders of the Company and their membership interest in HOF 2, LLC was cancelled.

As a result, the shareholders of the Company are HOF 2, LLC, Stern Capital Partners, LLC, Chitale, LLC, Sunil Rajadhyaksha, and pursuant to the above distribution by HOF 3, LLC, eIndia Venture Fund Limited and Merrill Lynch Capital Holdings Inc. USA. The Company through its wholly owned subsidiary HOV Services, LLC controls Savant Consulting Group, Inc., Bay Area Credit Service, LLC, Imperial Collection Service and Complex Property Advisors Corporation.

Main Objects of the Company

Our main objects as contained in our Memorandum of Association are:

1. To carry on the business of Information Technology Enabled Services (ITES), by providing, managing & assisting business process outsourcing of functions such as accounting, finance, legal, production, staffing, communication, marketing, distribution or sales from a body corporate/ entities whether incorporated or not, or firm or an individual in India or abroad, more particularly accounts receivable management, customer care outsourcing, first & third party collections, early & late stage bad debt collections, insurance billing & collections, customer care associated with the collection process, tax service processing & collection; development, customizing of enterprise management tool & services offering various web based products and applications enabled by technology segments, market research, financial analytical services, specific knowledge/ business process such as legal services, immigration, bankruptcy, trademark and copyrights and real estate; payroll, recruitment, employee training and development, retirement plan administration customer call centers, travel reservations, technical support centers, billing, claims processing, inbound and outbound logistics, warehousing and inventory management, document processing & digitizing, auditing & medical/ entertainment transcription.
2. To render consultancy services, act as consultants and give advice in all matters.

The present business of the Company is as per the main objects as contained in the Memorandum of Association.

Changes in Memorandum of Association

Date	Details
December 24, 2003	Changes in the objects clause of the Company to state: To carry on the activities in Information Technology Enabled Services (ITES) including providing managing and assisting business process outsourcing at individual level involving outsourcing specific activities and associated positions from contract employers; at process level involving outsourcing a specific business process such as payroll, customer call centres, providing requisite and specialized manpower in that regard in India or abroad and at functional level involving outsourcing whole functions such as accounting, finance, production, staffing, communication, marketing or sales from a body corporate whether incorporated or not, or firm or an individual in India or abroad.

Date	Details
January 3, 2006	Changes in the objects clause of the Company to state: 1. To carry on the business of Information Technology Enabled Services (ITES), by providing, managing & assisting business process outsourcing of functions such as accounting, finance, legal, production, staffing, communication, marketing, distribution or sales from a body corporate/ entities whether incorporated or not, or firm or an individual in India or abroad, more particularly accounts receivable management, customer care outsourcing, first & third party collections, early & late stage bad debt collections, insurance billing & collections, customer care associated with the collection process, tax service processing & collection; development, customizing of enterprise management tool & services offering various web based products and applications enabled by technology segments, market research, financial analytical services, specific knowledge/ business process such as legal services, immigration, bankruptcy, trademark and copyrights and real estate; payroll, recruitment, employee training and development, retirement plan administration customer call centres, travel reservations, technical support centres, billing, claims processing, inbound and outbound logistics, warehousing and inventory management, document processing & digitizing, auditing & medical/ entertainment transcription. 2. To render consultancy services, act as consultants and give advice in all matters.

Changes in the registered office

Date of change	Address
Until October 18, 1999	A/202 Suman Apartments, Cross Road No. 3, Swami Samarth Nagar Andheri (W), Mumbai 400 053
October 18, 1999	First Floor, Plot No. B1, S. No.127 Vrindavan Society, near Mahtre Bridge, Navi Peth, Pune 411 030
October 30, 2003	Unit No. 32, Electronic Co-operative Estate, Pune-Satara Road, Pune 400 009
January 2, 2006	3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune 411 037

Key Milestones of the Group

Date	Event
January 10, 1989	Incorporation of the Company as a software service provider
January 2002	MOU for acquisition of the Company by Digital Boardwalk Incorporated.
April 2002	Acquisition of Savant Consulting Group, Inc.
January 2003	Expansion of captive finance and accounting functions for the group companies
April 2003	Acquisition of Meridian Consulting Group, LLC
October 2003	RBI approves the acquisition of the Company by Digital Boardwalk Incorporated
October 2003	Acquisition of Bay Area Credit Service, LLC
November 2003	Launch of third party collection centre in Pune
December 2003	Entry into the BPO market
May 2004	Launch of collection centre in Antioch, California
June 2004	Expansion of Indian operations to support for US operations
June 2004	Launch of commercial collections

Date	Event
August 2004	Group companies entered into exclusive agreement to service joint venture between Merrill Lynch and HandsOn Ventures
January 2005	Acquisition of Complex Property Advisors Corporation
February 2005	Launch credit card collections
April 2005	Took possession of headquarters for Meridian Consulting Group, LLC in Dallas, Texas
July 2005	Opening of India Headquarters
August 2005	Expand third party collections to meet demand
August 2005	Acquisition of Imperial Collection service
November 2005	Acquisition of Collection Service, Inc which subsequently merged with Bay Area Credit Service, LLC
December 2005	Start build out of collection centre in Dallas, Texas
January 2006	Increase Capital to Rs. 150,000,000, change to public limited company and change of name to HOV Services Limited

Agreements with our Group Companies

Operating Agreements

The Company is the sole manager of its wholly owned subsidiary in the United States of America, HOV Services, LLC, which it manages by an operating agreement. Similarly, HOV Services, LLC is also the sole manager and the sole member of its subsidiaries through similar operating agreements with its own subsidiaries.

The main terms of these operating agreements are as follows:

- The members enter into the operating agreement in order to provide for the appointment of the manager of the company, the governance of the company, the conduct of its business and to specify the relative rights and obligations of the members of the company. Further, the officers appointed by the manager, will overlook the daily business activities of the company.
- As per the operating agreement, a member has a particular percentage interest equal to the ratio of the member's capital account to the total of the capital accounts of all members, expressed as a percentage. No member has a priority over another member in respect of return of capital contribution. Each member also has a voting interest proportionate to the member's percentage interest, giving it the right to participate in the management and the right to information about the business and affairs of the Company. Presently, HOV Services Limited is the sole member holding Class A Units of HOV Services, LLC and HOV Services, LLC is the sole member/shareholder of the units/shares issued by Bay Area Credit Service, LLC; Savant Consulting Group, Inc.; Imperial Collection Services and Complex Property Advisors Corporation. The members holding Class B Units of HOV Services, LLC are not party to the operating agreement.
- The operating agreement provides that members may withdraw their interests or there may be certain triggering events giving the option to the holding company and other members to purchase all or a portion of the other members' interest in the holding company. These events include bankruptcy of a member; and winding up and dissolution or reorganization of a corporate member as a result of which the corporate member does not survive as an entity.
- The operating agreement provides that the company will dissolve on the happening of certain events such as an agreement by the majority of members to dissolve the company; the sale or disposition of substantially all of the company's assets and the entry of a decree of judicial dissolution pursuant to the relevant state code.
- The operating agreement specifies certain rights and duties of the members. This includes the granting and assignment to the company by each member, of all right, title and other interest in and to the results and proceeds of its services as a

member of the company. All cash resulting from the business operations of the company and from a capital event will be distributed among the members in proportion to their percentage interest. Similarly, non-cash proceeds from the sale of assets by the company will be allotted to members in proportion to their percentage interests. The operating agreement provides that all assets, real or personal, are to be held in the name of the company. Further, it is provided that the member shall not engage in any business or occupation which may interfere or compete with the business of the company.

- In certain agreements, the operating agreement provides that there shall be only one class of members who shall be entitled to vote in proportion to the member's percentage interest. While most matters require a majority vote, some matters may require unanimous consent of members. Further, the operating agreement provides that there is no requirement to hold meetings of members and permits the Company to reach decisions through informal consultations followed by agreement by majority of members. It is provided that a member may be expelled due to extended absence by a majority vote.
- Some operating agreements provide that the company shall have two classes of members, Class A and Class B. The agreement restricts transfer of ownership interest of the members. Each member has a "tag along right" which means that no member shall transfer their ownership interest in a single or related series of transactions to any third party unless a member sells at least 51% of its ownership interest to the third party. Each member may also exercise a "drag along right" in the event of a transfer pursuant to a third party sale otherwise permitted under this operating agreement and proposed to be effected by members holding at least 51% of the Class A units. This means that each other member may be required to sell its ownership interest as determined by the calculations provided for in the operating agreement. In addition, the operating agreement provides that the company shall have a Right to First Offer, i.e. if a member proposes to transfer all or any of its ownership interest in the company, the company shall have an irrevocable right exercisable within 60 days to purchase all or any of the ownership interest.
- The company will continue to be in existence until a triggering event for its dissolution, as specified under the operating agreement takes place.
- In the event of a dispute arising between the members, dispute resolution will be done through arbitration under the rules of the American Arbitration Association.

Agreement for provision of services

The Company entered into a Memorandum of Understanding dated October 10, 2004 subsequently amended on January 10, 2005 and October 31, 2005 with Bay Area Credit Service, LLC and Bay Area Credit Service (India) Private Limited. Under the terms of the Memorandum of Understanding, the Company and Bay Area Credit Service (India) Private Limited were to provide technical support, consulting and other services that may be requested by Bay Area Credit Service, LLC in carrying out its business which is namely that of debt collection. Bay Area Credit Service, LLC was to be charged an hourly rate.

Use of Trademark Agreement

HOV GPM, LLC, one of our Promoter Group companies has granted us the exclusive usage of the trademark "HOV" within the territorial limits of India on a perpetual basis for a consideration of Rs. 100. The Company has also been granted the right to grant a license or the use of or co-branding the trademark "HOV" to a third party provided that the same third party is engaged in the same business as the Company. The agreement may be terminated in the event that the Company fails to remedy a breach of the agreement within 30 days of receipt of written notice by HOV GPM, LLC seeking redressal of the breach, upon either party ceasing to exist in their entirety, by mutual consent in writing or in the event of bankruptcy or insolvency of the Company.

OUR MANAGEMENT

In terms of our Article of Association, we should have a minimum of 3 directors and a maximum of 12 directors. Currently our board comprises of 6 directors. Mr. Surinder Rametra is the Chairman of the board who along with Mr. Parvinder S. Chadha and Mr. Sunil Rajadhyaksha looks after the day to day administration of the Company. The following table sets forth details regarding our Board of Directors as of the date of filing the Red Herring Prospectus with SEBI:

Board of Directors

Name	Age	Residential Address	Other Directorships/ Managerial Positions
Surinder Rametra, S/o Chhaju Ram Chairman *Business* Term: Upto March 31, 2011	65	Silverwoods, 202, 81/1 Mundhawa, Koregaon Park Pune 411 001	Interpharm Development Pvt Ltd; Microsystem Leasing and Rental Inc; BSM Development, LLC; Stern Capital Partners, LLC; Kamesh Bhargava Hospital & Research Center Ltd.
Parvinder S Chadha, S/o Harbans Singh Chadha Executive Director *Business* Term: Upto March 31, 2011	51	Silverwoods, 202, 81/1 Mundhawa, Koregaon Park Pune 411 001	Bay Area Credit Service (I) Pvt. Ltd; Savant Consulting Group, Inc.; Complex Property Advisors Corporation; Imperial Collection Service; Manager of HOV Re, LLC; Manager of HOF 2, LLC; Manager of HOF 3, LLC; Manager of Bay Area Credit Service, LLC; Manager of Meridian Consulting Group, LLC; Manager of Adesi 234, LLC; Manager of HOV GPM, LLC; Manager of HandsOn Ventures, LLC.
Sunil Rajadhyaksha, S/o Vasant Rajadhyaksha Executive Director *Business* Term: Upto March 31, 2011	51	A-202 Suman Apartment, Cross Road No.3, Lokhand Walla Complex, Andheri (W), Mumbai 400 053	Bay Area Credit Service (I) Pvt. Ltd; Manager of HandsOn Ventures, LLC.
B.R. Gupta S/o Hans Raj Gupta Non-Executive Independent Director *Consultant* Term: Liable to retire by rotation	66	006-B Sheetal Apartments Lokhandwala, Andheri (W), Mumbai 400 053	Prudential ICICI Asset Management Co.; IDBI Capital Market Services Ltd.; Bank of Rajasthan Limited; Aditya Birla Nuvo Limited; J. B. F. Industries Ltd.; O. T. C. E. I. Securities Ltd.; Sentient Advisors (Pvt.) Ltd.

Name	Age	Residential Address	Other Directorships/ Managerial Positions
Ajay Madan S/o Hari Kishen Madan Non-Executive Independent Director *Business* Term: Liable to retire by rotation	55	Flat No 1, Sonmarg Apartments, 67B, Napeansea Road, Mumbai 400 006	Essar Teleholdings Limited.
Rajeev Gupta S/o Sudeshraj Gupta Non-Executive Independent Director *Business* Term: Liable to retire by rotation	36	E-302 Riviresa, Baner Road, Baner, Pune 411 045	Nil

Surinder Rametra

Surinder Rametra, 65, has been the Chairman of HOV Services since May 2003. He received a Bachelor's degree in Mechanical Engineering from Punjab Engineering College in 1965. In 1969, he completed his post graduate studies in industrial engineering from the Indian Institute of Technology. He also holds a MBA degree in finance from the New York University, Graduate School of Business Administration. Mr. Rametra has worked as a Management Consultant with International Business Consultants Ltd. He has also worked as the plant manager at IKG Industries in Long Island City, New York; a division of Harrisburg Steel Corporation. He founded Sun Computers & Software, Inc., a retail computer store in East Northport, Long Island and also opened computer stores in Farmingdale, Albany and Hauppauge. In 1987, Sun Computers & Software won the National Award of Excellence as a minority owned business.

In 1994, Mr. Rametra was responsible for engineering the merger of Sun Computers and Software, Inc. and its sister location in Albany under the umbrella of ATEC Group, Inc. He served as the ATEC Group's Chief Executive Officer and Chairman of the Board of Directors from June 1994 through October 2000, and as the Chairman of the Board from April 2001 to May 2003. Ernst & Young had nominated him for Entrepreneur of the Year Award in 1998.

Mr. Rametra has also served as a trustee and director of the Flushing Hospital Medical Center from 1991 to 1998. During 2000, Mr. Rametra initiated the start of Silver Oaks Hospital in Chandigarh. In addition, he has been honoured with the Paul Harris Award from the Rotary Foundation in recognition of his long-standing commitment to community service. He was paid no compensation for fiscal 2005.

Parvinder S. Chadha

Parvinder S. Chadha, 51, is a Director of the Company is also a manager of HandsOn Ventures, LLC, the private equity group that he founded in 2001. He holds a Bachelor of Science degree in electrical engineering from Punjab Engineering College and has completed graduate-level coursework in computer science at the Illinois Institute of Technology. He had also co-founded Osicom Technologies, Inc. in 1981 from which he retired as Chairman and Chief Executive Officer on July 7, 2000. He has over 28 years of experience in the technology sector. Mr. Chadha has also completed more than 50 mergers, acquisitions and other financial transactions. He was paid no compensation for fiscal 2005.

Sunil Rajadhyaksha

Mr. Sunil Rajadhyaksha, 51, is a member of HandsOn Venture and President of HOV Financial Services, LLC. He has completed his Bachelor of Engineering in Electronics and Telecommunication from University of Pune and received his MSEE (Hons.) from the Illinois Institute of Technology, Chicago, USA.

Mr. Rajadhyaksha has had over 30 years of work experience. He founded the Company in 1989. He was also the former Global President of Bay Area Credit Service, LLC. He was the President and Chief Operating Officer of Meret Optical Communications and was also the President of Network Access, a division of Osicom Technologies. He was the managing director of Software Export Pvt. Ltd. which was involved in exporting embedded system software to US companies. He has been a consultant to Maharashtra Electronics Ltd., where he advised the Government of Maharashtra on computerization and disaster relief efforts through early warning systems.

Mr. Rajadhyaksha, through Rajadhyaksha and Associates, was associated with Maharashtra State Road Development Corporation (MSRDC) from its inception in providing manpower for the organization. He was paid no compensation for fiscal 2005.

B.R. Gupta

Mr. B. R. Gupta, 66, is a Post Graduate, Law Graduate & Fellow of Insurance Institute of India. He has over 40 years experience in the insurance and financial markets. He is a Director on the board of Prudential ICICI Asset Management Company. He is also a Director on the Board of IDBI Capital Market Services Ltd, a leading Government Bond House in India. He also holds the position of Director in the Bank of Rajasthan Limited, Aditya Birla Nuovo Ltd, J. B. F. Industries Ltd., O. T. C. E. I. Securities Ltd. and Sentient Advisors (Pvt.) Ltd. He is currently also an advisor to the IL&FS Academy for Insurance and Finance.

As a former Executive Director of Investments of Life Insurance Corporation of India, ("LIC") he managed an approximately Rs. 1,000,000 million investments portfolio of LIC across all asset classes. He was also the Director of National Stock Exchange, a former member of the Secondary Committee of the Securities and Exchange Board of India, and a former member of the Governing Board of the National Insurance Academy.

Ajay Madan

Mr. Ajay Madan, 55, has a Bachelor's degree in Technology – Electronics and Telecommunications from MCTE and a Master's degree in Technology (Computer Science) from IIT, Mumbai. He has over 34 years of experience in the IT and telecom business. He is currently President – Business Development Essar Teleholdings Limited. He was also the CEO of Essar Spacetel Pvt. Ltd. He is on the advisory boards of the Indian Institute of Information Technology, Pune and Bharti Duraline. He is also leading the NLD/ILD and Wireless Broadband business initiative being implemented by the Essar Group.

Mr. Madan has been Chief Technology Officer – Corporate for Tata Teleservices Ltd. In addition, he was key member of the Telecom Strategy Group, which evaluated new business opportunities in telecom. He has also worked in Siemens as Vice President – Sales and Marketing for telecom business in India, he has worked as Chief Technical Officer for BPL Mobile and was a Senior Consultant in Tata Consultancy Services. He has worked in R&D in EMI/EMC, electronic warfare and software development for mobile communications.

Rajeev Gupta

Mr. Rajeev Gupta, 36, holds a Bachelor of Engineering degree in Electronics from the Bombay University. He has over 12 years of experience in the field of information technology including 9 years experience in accounts management and specialized ERP consultation in the US. His work experience includes managing the key accounts for Intelligroup Inc., an ERP-focussed outsourcing company in the US. He was instrumental in setting up the SAP outsourcing practice for the same firm, and has managed offshore projects for global accounts such as Armacell's China division. Mr. Gupta is part of the top management at Rapidigm (India) Limited, a CMM level 5 company started in 2001, having over 1000 employees servicing its clients from multi-location offshore development centres located at Noida, Pune and Hyderabad and having a sales office at Bangalore. In the year 2001, he was awarded the "Chairman's Award" for his services to Intelligroup Inc.

Remuneration of Directors

Details of the compensation of our Directors are as provided above. The other Directors on the Board are entitled to sitting fees as is permissible under the Companies Act, and actual travel, boarding and lodging expenses for attending the Board/ committee meetings. They may also be paid commission and any other amounts as may be decided by the Board in accordance with the provisions of the Articles, the Companies Act and any other applicable Indian laws and regulations.

The details of remuneration for each of the executive directors of the Company are as below:

1. Fees of Rs. 100,000 per month.
2. Special Allowance - Such sum as may be decided by the Board of Directors year to year, subject to the overall ceiling laid down in Sections 198, 309 and Schedule XIII of the Companies Act.
3. Perquisites and Other Allowances - Such sum as may be decided by the Board of Directors year to year, subject to the overall ceiling laid down in Sections 198, 309 and Schedule XIII of the Companies Act.
4. Minimum Remuneration - Where in any financial year during the currency of tenure of whole time directors, the Company has no profits or its profits are inadequate, the Company may pay remuneration to him, Director by way of fees, dearness allowance, perquisites and any other allowance not exceeding the ceiling limits laid down in Section II of Schedule XIII of the Companies Act, 1956.

Payment or benefit to directors/officers of our Company

Except as stated above, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

Corporate Governance

Our Board of Directors has been constituted in compliance with the Companies Act and listing agreements with the Stock Exchanges. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our executive management provides the Board detailed reports on its performance periodically.

The Board has 6 Directors, three of whom are executive Directors and three of whom are non-executive independent Directors. The Chairman of the Board, Mr. Surinder Rametra is an executive Director. Further, in compliance with clause 49 of the listing agreement to the extent applicable to a company seeking listing for the first time, the following committees have been formed.

Committees of the Board

Audit Committee

The members of the Audit and Compliance Committee are:

- B. R. Gupta, Chairman, Non-Executive, Independent Director
- Ajay Madan, Non-Executive, Independent Director
- Surinder Rametra

The Audit Committee was constituted on January 5, 2006. The scope and functions of the Audit and Compliance Committee are as per Section 292A of the Companies Act. Its main functions are to:

- create an open avenue for communication between the Board of Directors, internal auditors and the independent auditors;
- recommend the appointment and removal of statutory and internal auditors, fix audit fees and approve payment for other services;
- provide directions and oversee the operation of the total audit function in the Company (internal as well as external);
- monitor the adequacy of the internal control environment including computerized information control system and security and management information systems;
- review the half yearly report obtained from the compliance officer appointed by the Company;
- interact with the external auditors before finalizing the annual or half yearly financial statements;
- review the annual financial statements and analyze the performance of the Company, along with the management, before the same are forwarded to the Board with primary focus on accounting policies and practices, compliance with accounting standards and legal requirements having financial statement implications;
- to scrutinize the reasons for default, if any, in payments to depositories, debenture holders, shareholders, creditors, etc, and legal matters that could have a significant impact on the financial statements;

- review all related party transactions; and
- if necessary, institute special investigation teams with complete access to all records, information and personnel of the Company.

The Audit Committee has not met as of date of this Red Herring Prospectus.

Investor Grievance Committee

The members of the Investor Grievance Committee are:

- Ajay Madan, Chairman; Non Executive, Independent Director
- Surinder Rametra; and
- Sunil Rajadhyaksha.

The Investor Grievance Committee was constituted on January 5, 2006. The Investor Grievance Committee has been set up for the following purposes:

- redressing complaints from shareholders such as non-receipt of dividend, annual report, transfer of shares and issue of duplicate share certificates; and
- monitoring transfers, transmissions, dematerialization, rematerialization, splitting and consolidation of shares and bonds issued by the Company.

The Investor Grievance Committee has not met as of date of this Red Herring Prospectus.

Remuneration Committee

The members of the Remuneration Committee are:

- Surinder Rametra;
- Sunil Rajadhyaksha; and
- Ajay Madan

The Remuneration Committee was constituted on January 5, 2006. The Remuneration Committee has been set up for the following purposes:

- to determine and review remuneration structures and related policies, including performance bonus and perquisites, for employees;
- to determine policies on remuneration payable to the Directors including pension, performance bonus and perquisites;
- to establish guidelines for the employee stock option scheme, consider grant of stock options to employees, officers and whole-time directors.

The Remuneration Committee has not met as of date of this Red Herring Prospectus.

IPO Committee

The IPO Committee was constituted on January 5, 2006. The Board has appointed this committee to oversee and administer the activities to be undertaken for this Issue. Each of our IPO Committee members are authorised to act on their own in the absence of the other member.

The members of the IPO Committee are:

- Surinder Rametra;
- Sunil Rajadhyaksha; and
- Parvinder S Chadha.

The IPO Committee has not met as of date of this Red Herring Prospectus.

Shareholding of the Directors

Our Articles do not require our Directors to hold any qualification shares in our Company. The list of Directors holding Equity Shares and the number of Equity Shares held by each of them as of March 31, 2006 is set forth below:

Name of Director	Number of Equity Shares held
Parvinder S. Chadha	
(held through HOF 2, LLC	1,429,680
(through HOF 2, LLC. HOF 2, LLC holds the legal and the beneficial interest of these shares that are held by eIndia Venture Fund Limited)	238,253
Sub Total	**1,667,933**
Sunil Rajadhyaksha	588,720
Surinder Rametra (held through Stern Capital Partners, LLC)	694,246
Rajeev Gupta	10,000
Total	**2,960,899**

Interests of Directors

All Directors of the Company 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, reimbursement of expenses payable to them under our Articles of Association. The Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Company. Our Directors may also be deemed to be interested to the extent of Equity Shares or the interest, if any, already held by them or their relatives in the Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Some of our Promoters are also promoters/ directors/managers of certain of our Group Companies. For more details, please see the section entitled "Related Party Transactions" on page 95 of this Red Herring Prospectus.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, members, partners or trustees. See the section entitled "Our Management" on page 64 of this Red Herring Prospectus.

Borrowing Powers of our Board

Our Articles authorise our Board, to borrow moneys and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit. See section entitled "Main Provisions of the Articles of Association" on page 230 of this Red Herring Prospectus.

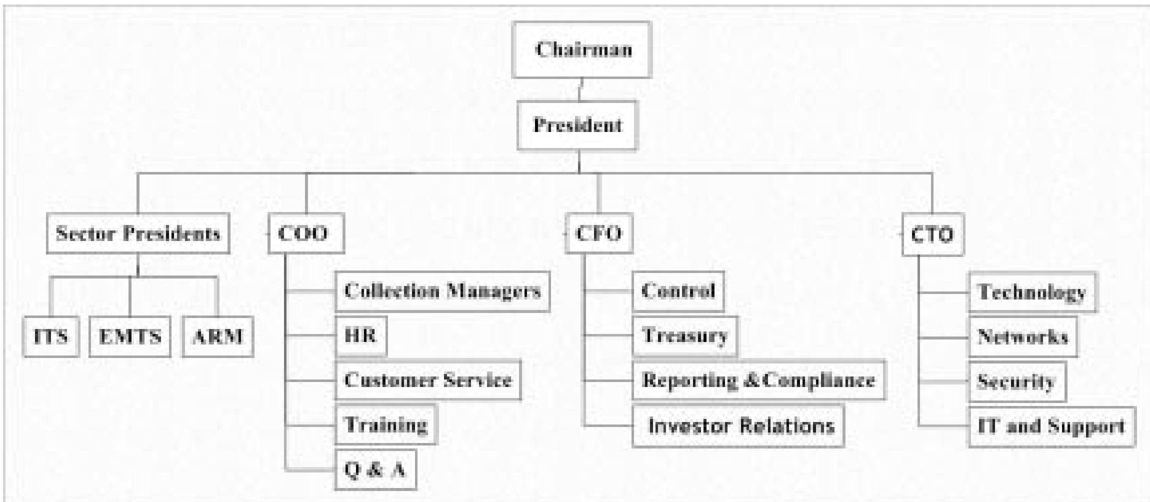
Changes in our Board of Directors in the last three years

The following changes have occurred in Board of Directors of the Company in the last three years:

Name	Date of Appointment	Date of Resignation	Reason
Anil Rajadhyaksha		January 2, 2006	Resigned
Kanchan Rajadhyaksha		August 25, 2004	Resigned
Madhavi Gokhale		January 2, 2006	Resigned
Sheela S. Shiveshwarkar		February 15, 2005	Resigned
Parvinder S. Chadha	January 19, 2005		Appointed
Surinder Rametra	January 2, 2006		Appointed
B. R. Gupta	January 5, 2006		Appointed
Ajay Madan	January 5, 2006		Appointed
Rajeev Gupta	January 5, 2006		Appointed
Surinder Rametra	March 9, 2006		Appointed as Chairman
Parvinder S. Chadha	April 1, 2006		Re-Appointed as Executive Director
Sunil Rajadhyaksha	April 1, 2006		Re-Appointed as Executive Director

Organisational Structure

Our management organisational structure is set forth below:



Key Managerial Personnel of our Company

For details regarding our Directors, please see the section entitled "Our Management – Board of Directors" on page 64 of this Red Herring Prospectus.

Ron Cogburn - President (51) Mr. Cogburn, President of HOV Services Limited, has over 27 years of experience in contract surety claims, cost estimating, road and bridge construction, press-stress/post-tension construction as well as project control management. In addition to the design and control of projects, Mr. Cogburn has been responsible for evaluation, analysis and documentation of construction claims, alternative dispute testimony on road and bridge projects for state and federal highway departments in the US. Mr. Cogburn's related experience in CPM scheduling, management systems and database organizations are continually utilized in the evaluation and assessment of a client's exposure to risk in related situations. Mr. Cogburn holds a B.S. in Civil Engineering from Texas A&M University. In fiscal 2005 Mr. Cogburn was paid an annual remuneration of US $119,725.06.

Vikram Negi - Chief Financial Officer (30) Mr. Vikram Negi has been with the group since its inception and heads its day-to-day financial operations including but not limited to reporting and compliance, treasury management, investor relations and internal controls. Mr. Negi holds a M.B.A. degree in Finance and Information Technology from Kogod School of Business, American University in Washington, D.C and a B.S. degree in commerce and accountancy from St. Xavier's College, Calcutta, India. In fiscal 2005 Mr. Negi was paid an annual remuneration of US $ 120,000.

Karan Negi - Chief Operating Officer (28) Mr. Karan Negi has been with the group since 2003 and was promoted as the Chief Operating Officer for the Company in May 2005. Mr. Negi is responsible for all shared resources wherever located and the ARM segment of the Company. He has prior working experience in finance and banking in the investment management group. Mr. Negi holds an MBA degree with dual concentrations in Corporate Finance and Information Systems from the Weatherhead School of Management at Case Western Reserve University, Ohio and a B.S degree in Commerce and Accountancy from St. Xavier's College, Calcutta, India. In fiscal 2005 Mr. Negi was paid an annual remuneration of US $ 105,000.

Shubhangini Inamdar - Vice President, Finance (35) Shubhangini Inamdar, a Chartered Accountant by profession, has 12 years of experience, mainly in finance, accounting and auditing. The experience in the finance field comprises of preparation of project reports for bank finance, preparation of yearly budgets and monthly budgetary review, preparation of MIS reports, equity market analysis and carrying out company and sector analytical reports including free cash flow analysis. Duties related to accounting were preparation, analysis and finalization of financial statements, general ledger scrutiny and analysis of AR & AP. She has also completed Oracle Financial course from ICFAI, Hyderabad. In fiscal 2005 Ms. Inamdar was paid an annual remuneration of Rs. 175,000.

All the key managerial personnel as mentioned above are permanent employees of the Company. None of the above mentioned key managerial personnel are related to each other except Karan Negi and Vikram Negi.

Key Managerial Personnel of our Subsidiaries

William H. Beazley, III - President Insurance and Tax Services (42) Mr. William H. Beazley, III was the president and founder of Complex Property Advisors Corporation (CPAC). He is a graduate from Texas A&M University with a Bachelor of Science Degree. He is a member of the Appraisal Institute. He has experience in conducting valuation studies of diverse types of real estate. Mr. Beazley's experience background includes, resort properties, golf courses, mix use developments, central business office buildings, hotel/motel (downtown, resort, and suburban), nursing/retirement homes, special purpose properties, residential property development, as well as feasibility, market and highest and best use studies. He has specialised in healthcare related properties for the past 17 years. He has been the President of Beazley & Associates and the Executive Vice President of George McElroy & Assoc Special Use Property Division. In fiscal 2005. Mr. Beazley was paid an annual remuneration of US$ 300,000.

Doug Fritz - VP Insurance and Tax Services (58) Mr. Fritz has studied Structural Engineering at Durhams College in 1969, and Construction Management from East Texas State, in 1971. He has 35 years of experience in the construction industry. His first seven years were spent in structural design on projects such as DFW central utility plant, high-rise office buildings and shopping centres. He spent ten years working for several United States based national construction firms as a project manager and vice president of construction operations. He managed the construction of high-rise luxury condominiums, high-rise office buildings, hospitals, warehouse facilities, office complexes, water treatment plants and electrical power plants. He has worked as a construction consultant for the past ten years, providing professional services for construction management, surety claims, casualty claims and construction claims litigation support. Prior to his present career at Meridian Consulting Group, Inc. he had worked at National Construction Services, CMA Consulting Group, Soge-Texas, Huber-Hunt and Huitt-Zollers. In fiscal 2005 Mr. Fritz was paid an annual remuneration of US $ 105,954.16

Shareholding/ Interest of the Key Managerial Personnel of the Company and our Group companies

The list of our Key Managerial Person of the Group holding Equity Shares and the number of Equity Shares held by each of them directly as of March 31, 2006 is set forth below:

Shareholders	No. of Equity Shares held
Ron Cogburn	88,978
William Beazley III	67,588
Karan Negi	63,556
Vikram Negi	63,556
Total	**283,678**

Employee Stock Option Plan ("Plan")

We have instituted a stock option plan to reward and help retain our employees and to enable them to participate in our future growth and financial success. The Plan includes provision for the grant of options to employees of HOV Services Limited. We have not granted any stock options to employees at this time. Pursuant to the Plan, the company can grant upto 500,000 options to eligible employees at an exercise price, which is the closing price on the preceding day if shares were listed. Under the terms of the Plan, 10%, 10%, 10%, 10% and 60% of the options will vest in the employees on the first, second, third, fourth and fifth year anniversary of the grant date. Options can be granted to the eligible employees below the closing price with the approval of full board of directors and otherwise by the Remuneration Committee.

Changes in the Key Managerial Personnel / key employees of Group Companies

The following are the changes in our key managerial personnel and key employees of our Subsidiaries/Group over the last three years:

Name and Designation of the Employee	Date of Resignation	Date of Appointment
Richard Hunter President of Bay Area Credit Service, LLC	November 1, 2005	
Nafeesa Khandwala EVP of Bay Area Credit Service, LLC	November 1, 2005	
Sanjay Chitale, President of Savant Consulting, Inc.	November 1, 2005	
Sunil Rajadhyaksha, Global President of Bay Area Credit Service, LLC	November 1, 2005	

Bonus or Profit sharing plan with the Key Managerial Personnel

As of date of this Red Herring Prospectus, the Company does not have any bonus or profit sharing plan with any of its Key Managerial Personnel. However, the Company has a monthly incentive scheme and has paid its key managerial personnel bonuses in the past.

OUR PROMOTERS

Promoter

The Promoters of the Company are Mr. Parvinder S Chadha, Mr. Sanjay Chitale, Mr. Surinder Rametra, Mr. Sunil Rajadhyaksha, HOF 2, LLC, Chitale, LLC and Stern Capital Partners, LLC. Mr. Parvinder S. Chadha holds the shares in the Company through HOF 2, LLC; Mr. Sanjay Chitale holds the shares in the Company through Chitale, LLC and Surinder Rametra holds shares in the Company through Stern Capital Partners, LLC ; Mr. Sunil Rajadhyaksha holds the shares in the Company in his individual capacity.

Parvinder S Chadha

See the section entitled "Our Management" on page 64 of this Red Herring Prospectus for details.

His driver license number is MH/12/06/717667. He does not have a voters identification card.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoter have been submitted to the NSE and the BSE at the time of filing this Red Herring Prospectus with them.

Surinder Rametra

See the section entitled "Our Management" on page 64 of this Red Herring Prospectus for details.

His driver license number is MH12/06/724389. He does not have a voters identification card.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoter have been submitted to the NSE and the BSE at the time of filing this Red Herring Prospectus with them.

Sanjay Chitale

His driver license number is New Jersey C3512 69135 06681. He does not have a voters identification card.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoter have been submitted to the NSE and the BSE at the time of filing this Red Herring Prospectus with them.

Sunil Rajadhyaksha

See the section entitled "Our Management" on page 64 of this Red Herring Prospectus for details.

His driver license number is Maharashtra 86653 and voters identification card number is MT080390267893.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoter have been submitted to the NSE and the BSE at the time of filing this Red Herring Prospectus with them.

Sanjay Chitale

Mr. Sanjay Chitale, 38, obtained a B.Sc. degree in Physics, Chemistry, and Maths in 1986 from Holkar Science College and a Master of Computer Application degree in 1989 from the Devi Ahilya University, Indore. He had worked at Mahindra British Telecom as programmer analyst for 2 years. He has worked as a Systems Analyst for 3 years with Compunnel, NJ. His work experience includes providing consulting services to General Electric, Helene Curtis, Deutsche Bank, American reinsurance, AIG insurance, IBM consulting, and Deloitte Consulting. Mr. Chitale founded Consult US, Inc. in New Jersey in 1995, which is an

IT services company providing services to various companies in New Jersey and New York. In 1997 he co-founded Savant Consulting, an IT services company, and merged Consult US Inc. into Savant Consulting, providing consulting services to various clients throughout the USA. Savant was acquired by HandsOn Ventures in June 2002. He also founded 'Mantram' magazine in 2000. Mantram was acquired in 2003 by Television 18, the parent of CNBC-India. He also founded Mercury Broadcasting and Communication, LLC which acquired the only 24 x 7 Indian FM radio station in USA in 2001.

Presentation of financial information for our Promoter companies, some of our Promoter Group and our Subsidiaries

Some of our Promoter companies, promoter group and our subsidiaries are incorporated as Limited Liability Companies under various state laws in the United States. The details are as follows:

Sr. No.	Name of the Company	State of Incorporation
1.	HOF 2, LLC	Nevada
2.	Stern Capital Partners, LLC	Nevada
3.	Chitale, LLC	Delaware
4.	BSM Development, LLC	New York
5.	HandsOn Ventures, LLC	Delaware
6.	HOV GPM, LLC	Nevada
7.	HOF 3, LLC	Nevada
8.	HOV Financial Services, LLC	Delaware
9.	HOV RE, LLC	Nevada
10.	XNG, LLC	Nevada
11.	Adesi 234, LLC	Nevada
12.	Sun Investment Partners, LLC	Nevada
13.	HandsOn Fund, LLC	Delaware

A limited liability company is more similar in structure to a partnership than to a corporation. Therefore, it does not have share capital or capital stock. The owners of an LLC are referred to as "members", and the ownership interest is referred to as a "membership interest" in the New York limited liability company law, where it is defined as a member's aggregate rights in a limited liability company, including without limitation the member's right to a share of the profits and losses of the limited liability company, the right to receive distributions from the limited liability company and the right to vote and participate in the management of the limited liability company, as per N.Y. Statutes Title 32A, Section 102 (r). The Delaware Limited Liability Company Act uses the term "limited liability company interest" for ownership, and defines this as a member's share of the profits and losses of a limited liability company and member's right to receive distributions of the limited liability company's assets as per Del. Statutes, Title 18, Section 101 (8).

Typically, a capital account is created for each member to which is added the sum of his or her contributions to the capital of the LLC and profits allocated to him or her, and from which is subtracted any distributions of cash or other property to the member and any losses of the LLC allocated to the member.

There is nothing in either the New York or Delaware Limited Liability Company Act that requires an LLC to provide financial results to its members (owners) or to report those results publicly. Similarly, assuming that the company is not publicly traded and therefore subject to the reporting requirements of the Securities and Exchange Commission, there is no such obligation under federal law. It is possible that such an obligation could be created by a contract among the members, but the law does not impose any such requirements. Under both federal and state income tax statutes, an LLC that elects to be treated as a disregarded entity is not required to file an information tax return with the Internal Revenue Service and the corresponding state tax authorities, but even if it does file, this information is not available publicly.

HOF 2, LLC

Corporate Information

HOF 2, LLC was incorporated on October 27, 2005, in the State of Nevada, USA. Presently, its registered office is located at 2550 East Tropicana Avenue, Suite 19-264, Las Vegas, Nevada 89119. The company is a private investment holding company.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1	Parvinder S. Chadha	1,000	100.00%
	Total	**1,000**	**100.00%**

Board of Directors

As of June 30, 2006 the company does not have a board of directors and it's managed by HandsOn Ventures, LLC

Financial Performance

The unaudited financial results of HOF 2, LLC are as follows:

(In USD millions, except unit data)

	As of March 31, 2006
Income	Nil
Net Value of Assets	8.6
Book Value per Unit	NA

Stern Capital Partners, LLC

Corporate Information

Stern Capital Partners, LLC was incorporated on February 2, 2006 in the State of Nevada, USA. Presently, its registered office is located at 27 Riesling Court, Commack, NY 11725. The company is a private investment holding company.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1	Surinder Rametra	100	100%
	Total	**100**	**100%**

Board of Directors

As of June 30, 2006, the company does not have a board of directors and the sole Manager for the company consisted of Surinder Rametra.

Financial Performance

The unaudited financial results of Stern Capital Partners, LLC are as follows:

(In USD millions, except unit data)

	As of March 31, 2006
Income	Nil
Net Value of Assets	3.6
Book Value per Unit	NA

Chitale, LLC

Corporate Information

Chitale, LLC, was incorporated on November 12, 2005, in the State of Delaware, USA. Presently, its registered office is located at 55 Jared Court, Watchung, NJ 07069. The company is a private investment holding company.

Shareholding Pattern as of June 30, 2006

Sr. No.	**Name of the shareholder**	**No. of Units**	**Percentage of total equity holding**
1	Sanjay Chitale	1,000	100%
	Total	1,000	**100%**

Board of Directors

As of June 30, 2006 the company does not have a board of directors and its managers are:

1. Sanjay Chitale
2. Anu Chitale

Financial Performance

The unaudited financial results of Chitale, LLC are as follows:

(In USD millions, except unit data)

	As of March 31, 2006
Income	Nil
Net Value of Assets	4.6
Book Value per Unit	NA

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of these entities has been submitted to the NSE and the BSE at the time of filing this Red Herring Prospectus with them.

Interest in promotion of our Company

Our Company was incorporated as a software services company which was acquired by Digital Boardwalk Incorporated (an entity that was controlled by some of our Promoters) from Anil Rajadhyaksha and Sunil Rajadhyaksha while retaining the services of Anil Rajadhyaksha and Sunil Rajadhyaksha. Anil Rajadhyaksha has since resigned from the Board of the Company, while Sunil Rajadhyaksha continued as one of the Promoters of the Company.

Digital Boardwalk Incorporated transferred the shares of the Company to HOF 2, LLC a Limited Liability Company incorporated under the laws of the State of Nevada controlled by HandsOn Ventures, LLC.

HandsOn Ventures, LLC, ("HandsOn") is a private equity group based in the US, 100% of the membership interest of which is owned by Parvinder S. Chadha and his family members and managed by a seven member management team of which four members are our Promoters. These four members have to date contributed the equity for all acquisitions undertaken by HandsOn.

Payments of benefits to our Promoters during the last two years

Except as stated in the section entitled "Related Party Transactions" in this Red Herring Prospectus, there has been no payment of benefits to our Promoters during the last two years from the date of filing this Red Herring Prospectus.

PROMOTER GROUP

Relatives of the Promoter that are part of the Promoter Group

The following relatives form part of our Promoter Group:

S.No.	Name of the shareholders	Relationship	Percentage of Equity Shares held as of March 31, 2006
1.	Anil Rajadhyaksha	Brother of Sunil Rajadhyaksha	0.3

Companies Promoted by the Promoter Group

Unless stated otherwise, the financial and other data herein is derived from the historical financial statements of the companies, which are typically organised as limited liability companies and identified with the suffix LLC. Typically an LLC is formed by Members and managed by a Manager. The ownership interest of Members is herein referred to as Units. The Manager of a LLC typically has the rights bestowed by the Members to act on behalf of the LLC pursuant to an organizational agreement. The information presented in this section for an operating company includes Income, Net Worth, Book Value per Unit and for a private investment holding company is limited to Net Worth and Book Value per Unit. Also, taxes on gains are typically paid by the Members as provided in an LLC's organizational agreement and are not included in the financial data presented below. For more details on the nature of LLCs please see "Presentation of financial information for our Promoter companies, some of our Promoter Group and our Subsidiaries on page 74 of this Red Herring Prospectus."

1. BSM Development, LLC

Corporate Information

BSM Development, LLC was incorporated as of July 1, 2004, in the State of New York, USA. Presently, its registered office is located at 27 Riesling Court, Commack, NY 11725. The company is currently engaged in the business of investing in real estate. The assets of Ramsaq Realty Partnership were transferred to BSM Development, LLC in December 2003, when it had closed its operations. As the operations of Ramsaq Realty Partnership have been closed, this entity has been disassociated from as described on page 88 of this Red Herring Prospectus.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1	Surinder Rametra	50	50%
2	Sadique Jaffer	50	50%
	Total	**100**	**100%**

Board of Directors

As of June 30, 2006, the board of directors of the company consisted of:

1. Surinder Rametra
2. Sadique Jaffer

Financial Performance

The unaudited financial results of BSM Development, LLC are as follows:

(In USD millions, except unit data)

	Year ended December 31, 2004	Year ended December 31, 2005
Income	NIL	NIL
Net Value of Assets	0.2	0.2
Book Value per Unit	NA	NA

2. Kamesh Bhargava Hospital & Research Center Ltd.

Corporate Information

Kamesh Bhargava Hospital & Research Center Ltd. doing business under the brand Silver Oaks Hospital was incorporated on August 27, 1998, in the State of Punjab, India. The registered office of the company is located at Silver Oaks Hospital, Phase IX, Mohali, Chandigarh.

The main object of the company is to provide quality healthcare and conduct research in area of medicine.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Equity shares	Percentage of total equity holding
1.	Surinder Rametra	732,711	14.8%
2.	Akhil Bhargava	1,092,746	22.1%
3.	Rajnish Rametra	1,298,517	26.3%
4.	Vijay Rametra	98,600	2.0%
5.	Jagat Singh	125,000	2.5%
6.	Employee Pool	448,600	9.1%
7.	Pushpa Bhargava	565,440	11.5%
8.	Manjari Bhargava	573,042	11.6%
	Total	**4,934,656**	**100%**

Board of Directors

As of June 30, 2006, the board of directors of the company consisted of:

1. Dr. Akhil Bhargava; and
2. Rajnish Rametra; and
3. Surinder Rametra; and
4. Manjari Bhargava

Financial Performance

The financial results of Kamlesh Bhargava Hospital & Research Centre Limited are as follows:

(In Rs. millions, except share data)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006*
Income	43.3	52.6	69.95
Profit after tax	1.1	2.3	6.70
Equity Share Capital	57.8	57.8	57.88
Reserve and Surplus	3.4	3.4	8.85
Earning per Share	0.2	0.4	0.6
Book Value per share	10.6	10.6	10.6

* the financial results for the year ended March 31, 2006 are unaudited.

This company is an unlisted company and has not made any public or rights issue of equity shares. It is not a sick company under SICA; it is not under winding up.

3. HandsOn Ventures, LLC

Corporate Information

HandsOn Ventures, LLC, ("HandsOn") was incorporated on February 28, 2001, in the State of Delaware, USA. Presently, its registered office is located at 2550 East Tropicana Avenue, Suite 19-264, Las Vegas, Nevada 89119. HOV acquires 1) Companies in the financial services sector 2) Consumer and commercial debt in financial, healthcare, telecom markets 3) Real estate and 4) Oversight and management.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1	Parvinder S Chadha	3,000	30%
2	Wilmington Trust Company, Trustee of Adesi IV	7,000	70%
	Total	**10,000**	**100%**

Board of Directors

As of June 30, 2006, HandsOn does not have a board of directors and is managed by managers consisting of:

1. Parvinder S Chadha
2. Sunil Rajadhyaksha
3. Surinder Rametra
4. Sanjay Chitale
5. Dr. Xin Cheng
6. Richard Hunter
7. Nafeesa Khandwala

Financial Performance

The unaudited financial results of HandsOn Ventures, LLC for the last three financial years are as follows:

(In USD millions, except unit data)

	Year ended December 31, 2003	Year ended December 31, 2004	Year ended December 31, 2005
Income	Nil	Nil	Nil
Net Value of Assets	0.01	0.01	0.01
Book Value per Unit	NA	NA	NA

4. HOV GPM, LLC

Corporate Information

HOV GPM, LLC, was incorporated on October 6, 2004, in the State of Nevada, USA. Presently, its registered office is located at 50 Airport Parkway, Suite 100, San Jose, Ca 95110. The company from time to time provides loans to group companies.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1	HOF 2, LLC	1000	100%
	Total	**1000**	**100%**

Board of Directors

As at May 31, 2006 the company does not have a board of directors and it's managed by HandsOn Ventures, LLC.

Financial Performance

The unaudited financial results of HOV GPM, LLC are as follows:

(In USD millions, except unit data)

	Year ended December 31, 2004	Year ended December 31, 2005
Income	Nil	Nil
Net Value of Assets	0.0	0.1
Book Value per Unit	NA	NA

5. HOF 3, LLC

Corporate Information

HOF 3, LLC, was incorporated on October 27, 2005, in the State of Nevada, USA. Presently, its registered office is located at 2550 East Tropicana Avenue, Suite 19-264, Las Vegas, Nevada 89119. The company is a private investment holding company.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1.	Adesi 234, LLC	3,000,985	54.56%
2.	Sunil Rajadhyaksha	159,864	2.91%
3.	Sanjay Chitale (held through Chitale, LLC)	238,884	4.34%
4.	Surinder Rametra (held through Stern Capital Partners, LLC)	188,705	3.43%
5.	eIndia Venture Fund Limited	476,506	8.66%
6.	Parvinder S Chadha (held through HOF 2, LLC in turn held through eIndia Venture Fund Limited)	238,253	4.33%
7.	Merrill Lynch LP Holdings, Inc, USA	238,253	4.33%
8.	Sun Investment Partners, LLC	91,773	1.67%
9.	Dr Xin Cheng	223,950	4.07%
10.	William Beazley III	67,588	1.23%
11.	Mark Bedford	50,908	0.93%
12.	Greg Kallas	13,580	0.25%
13.	Ron Cogburn	88,978	1.62%
14.	Vikram Negi	63,556	1.16%
15.	Karan Negi	63,556	1.16%
16.	John Mason	25,422	0.46%
17.	Richard B Hunter	148,817	2.71%
18.	HOF 4 Limited	95,000	1.73%
19.	Anil Rajadhyaksha	25,422	0.46%
	Total	**5,500,000**	**100.00%**

Board of Directors

As of June 30, 2006 the company does not have a board of directors and it’s managed by HandsOn Ventures, LLC

Financial Performance

This company was incorporated on October 27, 2005 and hence data in relation to the financial performance of the company is not available.

6. HOV Financial Services, LLC

Corporate Information

HOV Financial Services, LLC, was incorporated on October 7, 2003, in the State of Delaware, USA. Presently, its registered office is located at 50 Airport Parkway, Suite 100, San Jose, Ca 95110.The company is in the business of purchasing consumer and commercial debts in credit cards, telecom, healthcare, auto loans and home mortgages in the USA.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1	HOF 2, LLC	2,500	100.00%
	Total	**2,500**	**100.00%**

Board of Directors

As of June 30, 2006, the company does not have a board of directors and it's managed by HandsOn Ventures, LLC

Financial Performance

The unaudited financial results of HOV Financial Services, LLC are as follows:

(In USD millions, except unit data)

	Year ended December 31, 2004	Year ended December 31, 2005
Income	17.0	14.9
Net Worth	6.1	6.0
Book Value per Unit	2,445.8	2,409.4

7. HOV *Re*, LLC

Corporate Information

HOV RE, LLC, was incorporated on July 26, 2004, in the State of Nevada, USA. Presently, its registered office is located at 2550 East Tropicana Avenue, Suite 19-264, Las Vegas, Nevada 89119. The company is currently engaged in the business of acquiring investment real estate.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1	HOF 2	7,980	79.80%
2	Amit Rametra	2,020	20.20%
	Total	**10,000**	**100.00%**

Board of Directors

As of June 30, 2006, the company does not have a board of directors and is managed by HandsOn Ventures, LLC

Financial Performance

The unaudited financial results of HOV RE, LLC for the last two financial years are as follows:

(In USD millions, except unit data)

	Year ended December 31, 2004	Year ended December 31, 2005
Income	0.1	0.4
Net Worth	1.1	1.2
Book Value per Unit	108.9	121.4

8. XNG, LLC

Corporate Information

XNG, LLC (doing business as HOV Procure), was incorporated on June 20, 2003, in the State of Nevada, USA. The registered office of the company is located at 4260 Pilon Point, San Diego, Ca 92130.

Shareholding Pattern as of June 30, 2006

Brinda and Sunil Rajadhyaksha own 100% of the outstanding Units of XNG, LLC

Board of Directors

As of June 30, 2006, the company does not have a board of directors and is managed by Managers consisting of:

1. Sunil Rajadhyaksha
2. Brinda Rajadhyaksha

Financial Performance

The unaudited financial results of XNG, LLC for the last three financial years are as follows:

(In USD millions, except unit data)

	Year ended December 31, 2004	Year ended December 31, 2005
Income	NIL	0.03
Net Worth	(0.008)	0.005
Book Value per Unit	NA	NA

9. Adesi 234, LLC

Corporate Information

Adesi 234, LLC, was incorporated on February 21, 2006, in the State of Nevada, USA. Presently, its registered office is located at 2550 East Tropicana Avenue, Suite 19-264, Las Vegas, Nevada 89119. The company is a private investment holding company.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1	Wilmington Trust Company, Trustees of ADESI Trust IV dated December 31, 2001*	1,000	100.00%
	Total	**1,000**	**100.00%**

* The current beneficiaries of ADESI Trust IV are certain family members of Parvinder S. Chadha

Board of Directors

As of June 30, 2006 the company does not have a board of directors and it is managed by HandsOn Ventures, LLC.

Financial Performance

This company was incorporated on February 21, 2006. Further, there is no requirement for the company to have audited financial statements under the laws in which the company has been organised and hence data in relation to the financial performance of the company is not available.

10. Sun Investment Partners, LLC

Corporate Information

Sun Investment Partners, LLC was incorporated on November 2, 2005, in the State of Nevada, USA. The registered office of the company is located at 2550 East Tropicana Avenue, Suite 19-264, Las Vegas, Nevada 89119. The company is a private investment holding company.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1.	Awadesh Sinha	8,268	9.0%
2.	Ashok Rametra	16,534	18.0%
3.	Rahul Rametra	1,654	1.8%
4.	Mehdi Jaffer	16,535	18.0%
5.	Dr. Gurmukh Singh	4,134	4.5%
6.	Dr Joginder Ahuja	4,134	4.5%
7.	Dr Kanhaiyalal Kantu	8,268	9.0%
8.	Dhirendra P. Singh	8,268	9.0%
9.	Jon Berlent	4,134	4.5%
10.	Pravin C. Gohil Living Trust	12,401	13.5%
11.	Mark Goldstein	1,654	1.8%
12.	Jainet River, LLC	1,654	1.8%
13.	George Aronson	4,134	4.5%
	Total	**91,773**	**100.00%**

Board of Directors

As of June 30, 2006, the company does not have a board of directors and is managed by Surinder Rametra.

Financial Performance

This company was incorporated in November 2, 2005. Further, there is no requirement for the company to have audited financial statements under the laws in which the company has been organised and hence data in relation to the financial performance of the company is not available.

11. ACE COMPUTERS AND SYSTEMS

Corporate Information

Ace Computers and Systems was incorporated in October 8, 1997 in Mumbai, India. Presently, its registered office is located at G/6 Saraswat Colony, Sitaladevi Temple Road, Mahim, Mumbai - 400 016. Ace Computers and Systems is in the business of IT consulting. It is a proprietorship, the proprietor being Kanchan Rajadhyaksha.

Shareholding Pattern as of June 30, 2006

There is no shareholding as this is a proprietorship.

Board of Directors

As of June 30, 2006, Ace Computers and Systems does not have board of directors and is managed by Kanchan Rajadhyaksha.

Financial Performance

The unaudited financial results of Ace Computers and Systems for the last three financial years are as follows:

(In Rs. millions, except unit data)

	Year ended March 31, 2004	Year ended March 31, 2005	Year Ended March 31, 2006
Income	0.31	0.64	0.49
Profit after tax	0.14	0.24	0.19
Share Capital	0.13	0.07	0.44
Reserve and Surplus	NA	NA	NA
Earning per Share	NA	NA	NA
Book Value per share	NA	NA	NA

12. HandsOn Fund, LLC

Corporate Information

HandsOn Fund, LLC, (“HOF”) was incorporated on March 27, 2002, in the State of Delaware, USA. Presently, its registered office is located at 2550 East Tropicana Avenue, Suite 19-264, Las Vegas, Nevada 89119. HOF is a special purpose company with no operations. It holds investments on behalf of its members as a partnership.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1	Parvinder S Chadha	2,978.28	20.04%
2	Adesi 234, LLC	6,949.33	46.75%
3	Sanjay Chitale held through Chitale, LLC	1,868.30	12.57%
4	Surinder Rametra held through Stern Capital Partners, LLC	1,476.19	9.93%
5	Sunil Rajadhyaksha	1,116.67	7.51%
6	Xin Cheng	476.19	3.2%
	Total	**14,864.96**	**100%**

Board of Directors

As of June 30, 2005, HOF does not have a board of directors and it is managed by HandsOn Ventures, LLC.

Financial Performance

The unaudited financial results of HandsOn Fund, LLC for the last three financial years are as follows:

(In USD millions, except unit data)

	Year ended December 31, 2003	Year ended December 31, 2004	Year ended December 31, 2005
Income	Nil	Nil	Nil
Net Value of Assets	58	149	185
Book Value per Unit	NA	NA	NA

13. HOF 4, Limited

Corporate Information

HOF 4, Limited was incorporated on December 30, 2005, in the Republic of Mauritius. Presently, its registered office is located at 08, St. James Court, St. Denis Street, Port Louise, Republic of Mauritius. The company from time to time makes investments on behalf of its shareholder.

Shareholding Pattern as of June 30, 2006

Sr. No.	Name of the shareholder	No. of Units	Percentage of total equity holding
1	HOF 3, LLC	1000	100%
	Total	**1000**	**100%**

Board of Directors

As at June 30, 2006 the company does not have a board of directors and is managed by a trustee. The name of the trustee is First Island Trust Co. Ltd.

Financial Performance

This company was incorporated on December 30, 2005 and hence data in relation to the financial performance of the company is not available.

Companies with which the Promoters were associated in the past but are no longer associated are as follows:

1. **Microsystems Leasing and Rental Inc.**

   Microsystems Leasing & Rental, Inc. ("MSLR") was incorporated during 1986 in the State of New York, USA. Its registered office was located at 27 Riesling Court, Commack, NY 11725. MSLR is an inactive company and was involved in leasing and rental of computer systems and other peripherals. The company no longer fit the strategic needs of the member and the company being non-operating company, the decision was taken to close down the company. On December 31, 2005 the company filed the final papers to close the company and distribute its assets and liabilities to its shareholders namely Surinder Rametra and Nirmala Rametra.

2. **ITES, LLC**

   ITES, LLC was incorporated during 2002 in the State of Nevada, USA, with its registered office located at 27 Riesling Court, Commack, NY 11725. The company was involved in information technology enabling services and closed its operations effective December 31, 2004 because of Mr. Rametra's other business preoccupations and being non-operating company. All the assets of the LLC were transferred to the members namely Surinder Rametra and Nirmala Rametra.

3. **Ramsaq Realty Partnership**

   Ramsaq Realty Partnership was incorporated in the State of New York, USA with its office located at 27 Riesling Court, Commack, NY 11725. The partnership was engaged in the business of real estate. The partnership has closed since year ending December 2003 and its assets were transferred to BSM Development, LLC, as an LLC structure would provide better protection to shareholders than a partnership structure. BSM Development, LLC has been discussed on page 78 of this Red Herring Propsectus.

4. **Sun Investment Partners (NY)**

   Sun Investment Partners was incorporated in the State of New York, USA with its office located at 27 Riesling Court, Commack, NY 11725. The Partnership was established to invest (as a group) in "RAK Partners II" – a venture capital fund. The Company does not have a board of Directors as it is a Partnership. Surinder Rametra was the Manager of Sun Investment Partners as the minors that comprised the partnership could not be appointed as managers. Surinder Rametra has since ceased to be a manager because of his other business preoccupations.

OUR SUBSIDIARIES

Some of our subsidiaries and our indirect subsidiaries are limited liability companies incorporated under the laws of their respective jurisdictions. For more details on the nature of LLCs please see "Presentation of financial information for our Promoter companies, some of our Promoter Group and our Subsidiaries" on page 74 of this Red Herring Prospectus.

1. Bay Area Credit Service (India) Pvt. Ltd.

Corporate Information

Bay Area Credit Service (India) Pvt. Ltd. ("BACS India") was incorporated on September 23, 2004, in the State of Maharashtra, India. The registered office of the company is located at Unit No.33, Electronic Co-operative Estate, Pune Satara Road, Pune 411 009.

BACS India is a 100% owned subsidiary of the Company. The main objects of the company are to install, configure and build computer software and hardware and provide internet, telecommunications, IT enabled services and business outsourcing services.

Board of Directors

As of June 30, 2006, the board of directors of the company consisted of:

1. Parvinder Chadha; and
2. Sunil Rajadhyaksha.

Financial Performance

The audited financials of BACS India are as follows:

(In Rs. millions, except share data)

	Year ended March 31, 2005	Year ended March 31, 2006
Income	16.04	110.16
Profit after tax	2.88	30.46
Equity Share Capital	0.1	0.1
Reserve and Surplus	2.88	33.34
Earning per Share	576.4	3,047
Book Value per Share	298.2	3,345

This company is an unlisted company and has not made any public or rights issue of equity shares. It is not a sick company under SICA, it is not under winding up.

2. HOV Services, LLC

Corporate Information

HOV Services, LLC was incorporated on March 23, 2005, in the State of California, USA. The registered office of the company is located at 50 Airport Parkway, Suite 100, San Jose, California 95110.

HOV Services, LLC is the 100% owned subsidiary of the Company.

Board of Directors

As of June 30, 2006, the company does not have a board of directors and is managed by managers consisting of: HOV Services, Limited

Financial Performance

The audited financials of HOV Services, LLC are as follows:

(In Rs. millions, except share data)

	Year ended March 31, 2006
Income	NA
Profit after tax	NA
Equity Share Capital – Class A Units	0.04
– Class B Units	644.61
Reserve and Surplus	NA
Earning per Share	NA
Book Value per Share	NA

This company is an unlisted company and has not made any public or rights issue of equity shares. It is not a sick company under SICA; it is not under winding up.

OUR INDIRECT SUBSIDIARIES

1. Meridian Consulting Group, LLC

Corporate Information

Meridian Consulting Group, LLC was incorporated on April 2, 2003, in the State of Nevada, USA. The registered office of the company is located at 771 E. Southlake Blvd, Southlake,Texas 7609.

Meridian Consulting Group, LLC is the 100% owned subsidiary of Savant Consulting Group, Inc. Meridian was acquired by the Group as of March 15, 2003. For more details about the acquisition please refer to the section entitled "History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus.

Board of Directors

As of June 30, 2006, the company does not have a board of directors and is managed by HOV Services, LLC.

Financial Performance

The audited financials of Meridian Consulting Group, LLC are as follows:

(In Rs. millions, except share data)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	243.72	398.36	506.32
Profit after tax	17.16	50.8	69.42
Equity Share Capital	47.79	47.79	47.79
Reserve and Surplus	16.21	67.01	33.61
Earning per Share	17,159	50,798	69,424
Book Value per Share	64,005	114,803	81,522

This company is an unlisted company and has not made any public or rights issue of equity shares. It is not a sick company under SICA, it is not under winding up.

2. Bay Area Credit Service, LLC

Corporate Information

Bay Area Credit Service, LLC ("BACS") was incorporated on October 29, 2003, in the State of California, USA. On incorporation BACS took over the assets of Bay Area Credit Service, Inc which was incorporated in 1963. The registered office of the BACS is located at 50 Airport Parkway, Suite 100, San Jose, California 95110.

BACS is the 100% owned subsidiary of HOV Services, LLC. BACS was acquired by the Group as of October 29, 2003. For more details about the acquisition please refer to the section entitled "History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus.

Board of Directors

As of June 30, 2006, the company does not have a board of directors and is managed by HOV Services, LLC.

Financial Performance

The audited financials of BACS are as follows:

(In Rs. millions, except share data)

	5 months ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	283.72	667.22	654.17
Profit after tax	18.41	12.14	(17.63)
Equity Share Capital	260.34	260.34	260.34
Reserve and Surplus	17.60	23.87	(8.63)
Earning per Share	18,405	12,137	NA
Book Value per share	277,940	284,213	252,070

This company is an unlisted company and has not made any public or rights issue of equity shares. It is not a sick company under SICA, it is not under winding up.

3. Savant Consulting Group, Inc.

Corporate Information

Savant Consulting Group, Inc. was incorporated on May 27, 1997, in the State of New Jersey, USA as Savant Consulting Group Inc. The registered office of the company is located at 50 Airport Parkway, Suite 100, San Jose, California 95110. Savant Consulting Group, Inc. has made an application with the department of Treasury, State of New Jersey for a change of name to HOV Enterprise Services, Inc. on April 10, 2006.

Savant Consulting Group, Inc. is the 100% owned subsidiary of HOV Services, LLC. Savant Consulting Group, Inc. was acquired by the Group as of April 1, 2002. For more details about the acquisition please refer to the section entitled "History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus.

Board of Directors

As of June 30, 2006, the board of directors of the company consisted of:

1. Parvinder S Chadha
2. Vikram Negi

Financial Performance

The audited standalone financials of Savant Consulting Group, Inc. are as follows:

(In Rs. millions, except share data)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	529.19	268.72	191.70
Profit after tax	(3.33)	5.29	11.73
Equity Share Capital	132.67	132.67	131.84
Reserve and Surplus	10.50	15.80	27.53
Earning per Share	NA	52,935	117,300
Book Value per share	1,431,747	1,484,682	1,593,700

This company is an unlisted company and has not made any public or rights issue of equity shares. It is not a sick company under SICA, it is not under winding up.

4. Digital Boardwalk, LLC

Corporate Information

Digital Boardwalk, LLC ("DB, LLC") was incorporated on March 14, 2003, in the State of Nevada, USA. The registered office of the company is located at 50 Airport Parkway, Suite 100, San Jose, California 95110.

DB, LLC is the 100% owned subsidiary of Savant Consulting Group, Inc. For more details about the acquisition please refer to the section entitled "History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus.

Board of Directors

As of June 30, 2006, the company does not have a board of directors and is managed by Savant Consulting Group, Inc. as a Manager.

Financial Performance

(In Rs. millions, except share data)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	65.95	31.97	13.06
Profit after tax	3.17	3.03	(0.41)
Equity Share Capital	19.27	19.27	19.27
Reserve and Surplus	3.17	6.20	5.79
Earning per Share	3,166,617	3,032,295	NA
Book Value per share	22,435,696	25,467,990	25,061,721

This company is an unlisted company and has not made any public or rights issue of equity shares. It is not a sick company under SICA, it is not under winding up.

5. Glen Daniels Corporation (doing business as Imperial Collection Service)

Corporate Information

Glen Daniels Corporation, doing business as Imperial Collection Service was incorporated on April 23, 1992, in the State of California, USA. The registered office of the company is located at 50 Airport Parkway, Suite 100, San Jose, California 95110.

Imperial Collection Service is a 100% owned subsidiary of HOV Services, LLC. Imperial Collection Service was acquired by the Group as of August 16, 2005. For more details about the acquisition please refer to the section entitled "History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus.

Board of Directors

As of June 30, 2006, the board of directors of the company consisted of:

1. Parvinder S Chadha
2. Vikram Negi

Financial Performance

The audited financials of Glen Daniels Corporation are as follows:

(In Rs. millions, except share data)

	Year ended March 31, 2006
Income	102.91
Profit after tax	5.28
Equity Share Capital	47.32
Reserve and Surplus	5.28
Earning per Share	52.82
Book Value per share	525.97

This company is an unlisted company and has not made any public or rights issue of equity shares. It is not a sick company under SICA, it is not under winding up.

6. Complex Property Advisors Corporation

Corporate Information

Complex Property Advisors Corporation was incorporated on December 30, 1996, in the State of Texas, USA. The registered office of the company is located at 50 Airport Parkway, Suite 100, San Jose, California 95110.

Complex Property Advisors Corporation is a 100% owned subsidiary of HOV Services, LLC. Complex Property Advisors Corporation was acquired by the Group as of January 1, 2005. For more details about the acquisition please refer to the section entitled "History and Certain Corporate Matters" on page 57 of this Red Herring Prospectus.

Board of Directors

As of June 30, 2006, the board of directors of the company consisted of:

1. Parvinder S Chadha

Financial Performance

The audited financials of Complex Property Advisors Corporation are as follows:

(In Rs. millions, except share data)

	3 months ended March 31, 2005	**Year ended March 31, 2006**
Income	34.30	187.87
Profit after tax	1.48	21.34
Equity Share Capital	181.56	181.56
Reserve and Surplus	1.48	(12.53)
Earning per Share	148.39	2,134
Book Value per share	18,305	16,902

This company is an unlisted company and has not made any public or rights issue of equity shares. It is not a sick company under SICA, it is not under winding up.

RELATED PARTY TRANSACTIONS

Name of the Party	Transaction entered during the year ended	
	March 31, 2005	March 31, 2006
Ace Computers & Systems		
Consultancy services paid	0.42	0.22
Bay Area Credit Service (I) (P). Ltd		
*Unsecured Loans Given**	1.70	45.69
Loan Repaid		10.97
Bay Area Credit Service, LLC		
Service Provided	25.71	29.21
Complex Property Advisors Corporation		
Services Provided	-	11.11
Meridian Consulting Group, LLC		
Services Provided	2.84	3.38
Imperial Collection Service		
Services Provided	-	0.27
HOV GPM, LLC		
Advance taken and Repaid	-	1.10
HOF 4, Mauritius		
Acquisition of equity shares of Bay Area Credit Services (India) Pvt. Ltd	-	53.30
Savant Consulting Group Inc		
Services Provided	3.49	0.73
Mr. Sunil Rajadhyaksha		
Loan Taken	0.37	2.21
Loan Paid		1.10
Mr. Anil Rajadhyaksha		
Salary & Commission	0.93	1.22
Consultancy Charges	-	0.30
Ms. Kanchan Rajadhyaksha		
Commission credited	0.05	-
Ms. Mansi Rajadhyaksha		
Commission credited	0.15	-
Mr. Karan Negi – Salary	-	0.01
Mr. Vikram Negi – Salary	-	0.01
Mr. Ronald Cogburn – Salary	-	0.01
Mr. Surinder Rametra		
Loan Taken	-	11.57
Interest Paid	-	0.11

* The Pune Centre has two facilities out of which the existing facility located at 3rd Floor, Sharda Arcade, Pune Satara Road, Bibwewadi, Pune 411 009 is on lease from Sharda Construction and Investment Company for a period of 99 months beginning from April 1, 2005. The lease rental payable in respect of the said facility is Rs. 260,248 per month (which has since been increased beginning January 2006 to Rs. 275,682 per month) and Rs.30,000 per month terrace rent for the same. HOV Services Limited has sub-leased the above referred facility to Bay Area Credit Service (I) Private Limited on similar terms with effect from April 2005. The Company pays the lease rental for this facility which is debited to the account of Bay Area Credit Service (I) Private Limited as an unsecured loan. The details of related party transaction for the year ended March 31, 2006 reflects such payments at Rs. 3.46 million.

CURRENCY OF PRESENTATION

In this Red Herring Prospectus, all references to "Rupees" and "Rs." are to the legal currency of India, all references to "U.S. Dollars", and "US$" are to the legal currency of the United States of America.

Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our restated financial statements, consolidated and standalone prepared in accordance with Indian GAAP and US GAAP.

Currency of Presentation

For your convenience, this Red Herring Prospectus contains translations of some Rupee amounts into U.S. Dollars, which should not be construed as a representation that those Rupee or U.S. Dollar amounts could have been, or could be, converted into U.S. Dollars or Rupees, as the case may be, at any particular rate, the rate stated below, or at all. Except as otherwise stated in this Red Herring Prospectus, all translations from Rupees to U.S. Dollars contained in this Red Herring Prospectus have been based on the rates prevailing at the respective close of the periods.

DIVIDEND POLICY

The Company has not paid any dividend during the last five fiscal years. We may pay dividends in the future; however, such payments will depend upon a number of factors, including our results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors considered relevant by our Board. The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion. The Board may also from time to time pay interim dividend.

FINANCIAL STATEMENTS

AUDITORS' REPORT

Standalone Summarised Restated Financial Statements of HOV Services Limited (formerly Codec Communications (P) Limited) for the years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and, March 31, 2002.

To,

The Board of Directors
HOV Services Limited (formerly Codec Communications (P) Limited)
Floor 3, Sharda Arcade
Satara Road,
Pune – 411 037

HOV Services Limited (Formerly Codec Communications (P) Limited) ("the Company") proposed to make a public offering of its equity shares for cash. We have been requested by the Company to report on attached financial information, stamped and initialled by us for identification and prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time ("the Guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000, in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications. We have also examined the attached Statement of Direct Tax Benefits. The financial information and Statement of Direct Tax Benefits have been prepared by the Company and approved by its Board of Directors.

1. Financial Information

1.1 We have examined the attached Standalone Summarised Restated Statement of Assets and Liabilities of the Company as at March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 (Annexure I) and the attached Standalone Summarised Restated Income Statement & Standalone Summarised Restated Cash Flow Statement for the years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 and March 31, 2002 (Annexure II), together referred to as 'summarised statements'. These summarised statements have been extracted from the financial statements for the years ended March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002, audited by another firm of Chartered Accountants, M/s V. A. Dudhedia & Company and have been approved and adopted by the Board of Directors and the members, respectively; for the year ended March 31, 2006 audited by us and have been approved by the Board of Directors. Based on our examination of the above summarised statements and the related Audit Reports and on the basis of information and explanations given to us, we report that:

- there were no changes in the accounting policies adopted by the Company as at and for the year ended March 31, 2006 which need to be adjusted with retrospective effect in the attached summarised statements;
- there are no material prior period items, which need to be adjusted in the summarised statements in the years to which they relate;
- there are no extraordinary items, which need to be disclosed separately in the summarised statements in the years to which they relate; and
- there are no qualifications in the auditors' reports, which require any adjustments to the summarised statements.

1.2 We have examined and found correct the attached Consolidated Summarised Restated Statement of Assets and Liabilities of **Savant Consulting Group, Inc, U.S.A**. (which includes its subsidiary Digital BoardWalk, LLC, U.S.A from March 2003) as at March 31, 2006, March 31, 2005, March 31, 2004, and March 31, 2003; the attached Consolidated Summarised Restated Income Statement for the years ended March 31, 2006, March 31, 2005, March 31, 2004 and for the eleven months period ended March 31, 2003, and the attached Consolidated Summarised Restated Cash Flow Statement for the years ended March 31, 2006, March 31, 2005 & March 31, 2004, extracted from the financial statements prepared for the year ending on December 31, reviewed by us and approved by its Board of Directors. The Consolidated Summarised Restated Statements mentioned above are also approved by its Board of Directors. (Annexure A)

1.3 We have examined and found correct the attached Standalone Summarised Restated Statement of Assets and

Liabilities of **Meridian Consulting Group, LLC, U.S.A. as at** March 31, 2006, March 31, 2005, and March 31, 2004, the attached Standalone Summarised Restated Income Statement for the years ended March 31, 2006, March 31, 2005 & March 31, 2004 and the attached Standalone Summarised Restated Cash Flow Statement for the years ended March 31, 2006, March 31, 2005, extracted from the financial statements prepared for the year ending on December 31, reviewed by us and approved by its Board of Directors. The Standalone Summarised Restated Statements mentioned above are also approved by its Board of Directors. (Annexure B)

1.4 (a) We have examined and found correct the attached Consolidated Summarised Restated Statement of Assets and Liabilities of **Bay Area Credit Service, LLC, U.S.A.** (which includes its subsidiary Bay Area Credit Service (I) (P) Limited from October 1, 2004) as at March 31, 2006 and March 31, 2005, the attached Consolidated Summarised Restated Income Statement for the years ended March 31, 2006 and March 31, 2005 and the attached Consolidated Summarised Restated Cash Flow Statement for the years ended March 31, 2006 and March 31, 2005.

(b) We have also examined the attached Standalone Summarised Restated Statement of Assets and Liabilities of **Bay Area Credit Service, LLC, U.S.A.** as at March 31, 2004 and the attached Standalone Summarised Restated Income Statement for the five months period then ended of the aforesaid company.

(c) These summarised statements for the period ending March 31, have been extracted from the financial statements prepared for the year ending on December 31, reviewed by us and approved by its Board of Directors. The Consolidated/Standalone Summarised Restated Statements mentioned above are also approved by its Board of Directors. (Annexure C)

1.5 We have examined and found correct the attached Standalone Summarised Restated Statement of Assets and Liabilities of **Complex Property Advisors Corporation, U.S.A.** as at March 31, 2006 and March 31, 2005, the attached Standalone Summarised Restated Income Statement for the year ended March 31, 2006 and for the three months period ended March 31, 2005 and the attached Standalone Summarised Restated Cash Flow Statement for the year ended March 31, 2006, extracted from the financial statements prepared for the year ending on December 31, reviewed by us and approved by its Board of Directors. The Standalone Summarised Restated Statements mentioned above are also approved by its Board of Directors. (Annexure D)

1.6 We have examined and found correct the attached Standalone Summarised Restated Statement of Assets and Liabilities of **Glen Daniels Corporation** (doing business as Imperial Collection Service), U.S.A. as at March 31, 2006 and the attached Standalone Summarised Restated Income Statement for the seven months period ended on that date, extracted from the financial statements prepared for the year ending on December 31, reviewed by us and approved by its Board of Directors. The Standalone Summarised Restated Statements mentioned above are also approved by its Board of Directors. (Annexure E)

1.7 We have also examined the attached Consolidated Summarised Restated Statement of Assets and Liabilities as at March 31, 2006, the attached Consolidated Summarised Income Statement for the three months period ended March 31, 2006, compiled from the financial statements of the aforesaid companies. (Annexure F)

1.8 We have also examined the attached Proforma Combined Summarised Income Statement for the years ended on March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 compiled from the financial statements of the aforesaid companies. (Annexure G)

2. Other Financial Information

We have examined the following financial and other information proposed to be included in the Offer Document/prospectus of your company, as approved by you and annexed to this report:

a. Statement of Significant Accounting Policies and notes to summarised statements, enclosed as Annexure III

b. Statement of accounting ratios based on the profits, enclosed as Annexure IV

c. Capitalisation statement of the Company, enclosed as Annexure V

d. Statement of changes in Share Capital, enclosed as Annexure VI

e. Statement of Secured/Unsecured Loans and related terms of the loans and assets charged, enclosed as Annexure VII

f. Statement of Tax Shelters, enclosed as Annexure VIII

g. Statement of Direct Tax Benefits available to the Company and its shareholders, enclosed as Annexure IX

h. Details of items of other income which exceed 20 per cent of net profit before tax or 10% of total income, enclosed as Annexure X

i. Details of rates of dividend is enclosed as Annexure XI

j. Details of Sundry Debtors, enclosed as Annexure XII

k. 'Loans & Advances' is appearing in Annexure I

l. Details of Contingent Liabilities are appearing in clause B1 of Annexure III

m. Transactions with promoters/promoter group/group companies are appearing in clause B6 of Annexure III

In our opinion, the financial information of the Company and other information, as attached to this report and mentioned in paragraphs 1.1 and 2 above, read with respective significant accounting policies have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

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

For **Lodha & Company**
Chartered Accountants

Place: Mumbai,
Dated: May 15, 2006

R P Baradiya
Partner
Membership No. 44101

Annexure I

HOV Services Limited (Formerly Codec Communications (P) Limited)

Standalone Summarised Restated Statement of Assets and Liabilities

(Rs. in Million)

Particulars	For the year ended March 31,				
	2002	**2003**	**2004**	**2005**	**2006**
Fixed Assets					
Gross Block	0.89	0.90	1.80	4.97	7.79
Less: Accumulated Depreciation	0.33	0.50	0.65	1.37	2.47
Net Block	**0.56**	**0.41**	**1.15**	**3.60**	**5.32**
Add: Capital W.I.P.	-	-	-	-	8.74
	0.56	**0.41**	**1.15**	**3.60**	**14.06**
Investments (in subsidiaries)					54.24
Deferred Tax Asset/(Liability)	-	0.11	(0.12)	(0.50)	(0.46)
Current Assets, Loans and Advances					
Cash and Bank Balances	2.13	1.58	5.09	3.24	2.91
Sundry Debtors*	0.56	0.27	1.41	24.65	22.28
Other Current Assets					3.66
Due from affiliates					36.42
Loans and Advances	0.76	0.69	1.84	4.26	-
	3.45	**2.54**	**8.35**	**32.15**	**65.27**
Less: Current Liabilities and Provisions	1.41	0.83	3.60	2.03	8.30
Net Current Assets	**2.04**	**1.70**	**4.75**	**30.12**	**56.97**
Loan Funds:					
Secured Loans	-	-	-	2.08	0.88
Unsecured Loans		0.02	1.47	1.10	12.77
	-	**0.02**	**1.47**	**3.18**	**13.65**
Networth	**2.60**	**2.20**	**4.30**	**30.03**	**111.15**
Networth represented by:					
Share Capital	0.17	0.17	0.17	0.93	85.04
Reserves and Surplus	2.44	2.04	1.14	29.11	26.11
Less: Miscellaneous Expenses (to the extent not written off or adjusted)	0.01	0.01	0.01	0.01	0.00
Networth	**2.60**	**2.20**	**4.30**	**30.03**	**111.15**

* In FY 2005, sundry debtors were higher because sale of products is more in the last quarter.

Annexure II

HOV Services Limited (Formerly Codec Communications (P) Limited)

Standalone Summarised Restated Income Statement

(Rs. in Million)

Particulars	For the year ended March 31,				
	2002	**2003**	**2004**	**2005**	**2006**
INCOME					
Income from Operations	10.01	7.16	19.52	48.46	44.71
Other Income	0.10	0.12	0.11	0.18	1.81
	10.11	**7.28**	**19.64**	**48.64**	**46.52**
EXPENDITURE					
Staff Cost	5.34	5.07	12.06	13.86	9.97
General and Administration Expenses	3.41	2.55	4.93	7.72	9.08
	8.75	**7.61**	**16.99**	**21.58**	**19.05**
Profit/(Loss) before Interest, Depreciation and Tax	**1.36**	**(0.33)**	**2.65**	**27.06**	**27.47**
Less: Interest	0.09	-	-	0.01	0.17
Less: Depreciation	0.14	0.17	0.16	0.84	1.12
Profit/(Loss) before tax	**1.13**	**(0.50)**	**2.49**	**26.21**	**26.18**
Tax pertaining to earlier years	0.02	-	-	0.03	(0.005)
Less: Provisions for taxes					
Current Tax	0.26	-	0.17	0.07	0.005
Deferred Tax	-	(0.19)	0.12	0.38	(0.04)
Fringe Benefit Tax	-	-	-	-	0.11
Profit/(Loss) after tax	**0.85**	**(0.31)**	**2.20**	**25.73**	**26.11**

Annexure II Contd…

HOV Services Limited (Formerly Codec Communications (P) Limited)

Standalone Summarised Restated Cash Flow Statement

(Rs. in Million)

Particulars	For the year ended March 31,				
	2002	2003	2004	2005	2006
Net Profit/(Loss) before tax	**1.13**	**(0.50)**	**2.49**	**26.21**	**26.18**
Adjustments for:					
Depreciation	0.14	0.17	0.16	0.84	1.12
Interest Expense	0.09	-	-	0.01	0.17
Interest Income	(0.04)	(0.07)	(0.08)	(0.10)	(0.01)
Write back of Excess provision	-	(0.01)	(0.00)	-	(0.01)
Unrealized Foreign Exchange (Gain)/Loss, net	-	-	-	0.30	(1.80)
Preliminary Expenditure W/off	0.00	0.00	0.00	0.00	0.005
Operating Profit before Working Capital changes	**1.32**	**(0.42)**	**2.56**	**27.26**	**25.65**
Adjustments for changes in Working Capital :					
Increase/(Decrease) in Sundry Debtors	(0.22)	(0.29)	1.14	23.54	4.16
Increase/(Decrease) in Other Receivables	(1.18)	(0.09)	1.17	2.45	(35.82)
Increase/(Decrease) in Trade and Other Payables	(1.05)	(0.57)	2.77	(1.57)	6.22
Cash generated from Operations	**1.68**	**(0.61)**	**3.02**	**(0.29)**	**0.21**
Taxes Paid	(0.28)	-	(0.17)	(0.10)	(0.07)
Net cash from/(used in) Operating Activities	**1.40**	**(0.61)**	**2.85**	**(0.39)**	**0.15**
Purchase of Fixed Assets	(0.20)	(0.01)	(0.89)	(3.29)	(11.56)
Investment in subsidiaries	-	-	-	-	(54.24)
Interest Received	0.04	0.07	0.08	0.10	0.02
Net cash from/(used in) Investing Activities	**(0.16)**	**0.06**	**(0.81)**	**(3.19)**	**(65.78)**
Proceeds from issue of Share Capital	0.14	-	0.00	-	55.00
Proceeds/(Repayments) from/to loans, net	(0.14)	0.02	1.46	1.71	10.47
Interest Paid	(0.09)	(0.07)	(0.08)	(0.10)	(0.17)
Net cash from/(used in) Financing Activities	**(0.09)**	**0.01**	**1.46**	**1.70**	**65.30**
Net Increase/(Decrease) in Cash and Cash Equivalents	1.15	(0.53)	3.49	(1.88)	(0.34)
Opening Cash and Cash Equivalents	0.96	2.11	1.57	5.07	3.19
Closing Cash and Cash Equivalents	2.11	1.57	5.07	3.19	2.85

Notes:

1. **The above cash flow has been prepared under the 'indirect method' as set out in Accounting Standard – 3, Cash Flow Statements issued by the Institute of Chartered Accountants of India.**
2. **Pledged FDRs have been excluded from cash & cash equivalents and included in other receivables.**

Annexure III

HOV Services Limited (Formerly Codec Communications (P) Limited)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Overview of the Company:

The Company was incorporated in 1989 under the Indian Companies Act, 1956 as Codec Communication Pvt. Ltd under registration number 25-14448. The Company commenced its operations on January 10, 1989. In March 2006 the Company changed its name to HOV Services Limited and as part of its plans to create brand recognition among its customers.

Our Current Promoters acquired 100% of the issued and outstanding shares held by the prior shareholders in 2003 and positioned the Company into Finance and Accounting segment of the BPO sector including software development and support services thereto.

2. Basis for Preparation of Financial Statements:

The Financial Statements are prepared in accordance with the Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis and in compliance with the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable.

3. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities on the date of financial statements and reported amounts of revenue and expenses for that year. Actual result could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

4. Revenue Recognition:

The revenue from Finance and Accounting segment of the BPO sector including software development and support services is recognized as per the work orders/agreements entered with the parties.

5. Fixed Assets:

Tangible: Fixed assets are stated at historical cost less accumulated depreciation. Replacements are either capitalized or charged to revenue depending upon their nature and long term utility.

The Company evaluates the recoverability of its assets whenever events or change in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets, which is measured on a discounted cash flow basis.

Intangible: Costs that are directly associated with identifiable and unique software products controlled by the Company, whether developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products.

6. Depreciation:

Depreciation is provided under Straight Line Method and in the manner prescribed in the Schedule XIV of the Companies Act, 1956.

7. Investments:

Investments are classified into long term and current investments. Long-term investments are carried at cost and provision is made to recognize any decline in the value other than temporary. Current investments are carried at the lower of the cost or fair value and provision is made to recognize any decline in the value of the investment.

8. Retirement Benefits:

The Company has retirement benefits such as Gratuity, Leave Encashment and Provident Fund. Gratuity and Leave Encashment are covered by a scheme with Life Insurance Corporation of India. Defined contributions for provident fund are charged to the Profit and Loss account based on contributions made in terms of applicable schemes.

Liability towards Leave Encashment Benefit and Gratuity to employees is provided for as at the Balance Sheet date as per the actuarial valuation taken at the end of the year.

9. Foreign Exchange Transactions:

a) Transactions in foreign exchange are accounted for as at the exchange rates prevailing at the date of transaction.

b) Exchange differences arising on settlement of foreign currency transactions are recognized in the profit and loss account, except exchange differences pertaining to the acquisition of fixed assets.

c) Assets and liabilities expressed in foreign currency are converted, if covered by forward contract rates, at the rate contracted after adjusting the premium over the period of the forward contract, otherwise, at the year end rates. Exchange differences arising on such restatement are recognized in the profit and loss account except exchange differences pertaining to acquisition of fixed assets.

10. Accounting for Taxes on Income:

i. Provision for current income tax is made on the basis of the estimated taxable income for the current accounting period and for Fringe Benefit Tax has been made in respect of employee benefits and other specified expenses, in accordance with the provisions as per Income Tax Act, 1961. Deferred tax resulting from timing differences between book profits and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a virtual/ reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date.

ii. Tax credit is recognized in respect of Minimum Alternate Tax (MAT) as per the provisions of Section 115JJA of the Income Tax Act, 1961 based on convincing evidence that the Company will pay normal income tax within the statutory time frame and is reviewed at each Balance Sheet date.

11. Borrowing Costs:

Borrowing costs attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such assets up to the date when such asset is ready for its intended use. Other borrowing costs are charged to profit and loss account.

12. Leases:

Where the Company has substantially acquired all risks and rewards of ownership of the assets, leases are classified as financial lease. Such assets are capitalized at the inception of the lease, at the lower of the fair value or present value of minimum lease payment and liability is created for equivalent amount. Each lease rent paid is allocated between liability and interest cost so as to obtain constant periodic rate of interest on the outstanding liability for each year.

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating Lease. Lease rentals for such leases are charged to Profit and Loss account.

13. Provisions, Contingent Liability and Contingent Assets:

A provision is made based on reliable estimate when it is possible that an outflow of resources embodying economic benefit will be required to settle an obligation. Contingent liabilities, unless the possibility of outflow of resources embodying economic benefit is remote, are disclosed by way of notes to accounts. Contingent assets are not recognized or disclosed in the financial statement.

B. NOTES TO FINANCIAL STATEMENTS:

1. Contingent Liabilities not provided for; Nil

2. a) In the opinion of the Board, the current assets, loans and advances have a value on realization in the ordinary course of business atleast equal to the amount at which they are stated. Provision for all known and determined liabilities and depreciation is adequate and not in excess.

   b) The balances in sundry creditors and advances given are, however, subject to confirmations and adjustments, if any. Such adjustments, in the opinion of the management, are not likely to be material and will be carried out as and when ascertained.

3. The Company's undertaking is registered with STPI and accordingly, its profits from exports are exempt Under Section 10B of the Income Tax Act, 1961.

4. **Earning per share (EPS):**

Particulars*	For the year ended March 31, 2005	For the year ended March 31, 2006
Net Profit as per Profit and Loss Account (Rs. in Million)	25.73	26.11
Weighted Average Number of Equity Shares (Nos.)	3,004,045	4,379,045
Basic and Diluted Earning per Equity Share (Rs.)	8.57	5.96
Nominal value per Equity Share (Rs.)	10	10

* During the current year, the Company has split its shares from face value Rs.100 to Rs. 10 and further has made bonus issue by capitalizing whole of the reserves. Thus, as required under the Accounting Standard-20 Earnings Per Share, previous year EPS figure has been restated.

5. **Earnings / Expenditure in foreign Currency:**

Particulars	For the year ended March 31, 2005	For the year ended March 31, 2006
Earnings in Foreign Exchange		
Income from Operations (Rs. In Million)	48.46	44.71
Expenditure in Foreign Currency		
Business Promotion Expenditure (Rs. In Million)	-	0.07

6. **Related Party Transactions**

Related party disclosures as required by Accounting Standard-18 "Related Party Disclosures" are given below:

i. Name of the related parties:

a) Parties where Control exists:

Sr. No.	Name of Holding Company
1	Digital Boardwalk Inc. (DBI) (upto 1st January, 2006)

b)

Sr. No.	Name of Subsidiaries
1	HOV Services LLC (w.e.f. 1st January, 2006)
2	Bay Area Credit Service (I) Pvt. Ltd. (w.e.f. 24th March, 2006)

c)

Sr. No.	Name of Subsidiaries of Subsidiary
1	Bay Area Credit Service, LLC (w.e.f. 1st January, 2006)
2	Complex Property Advisors Corporation (w.e.f. 1st January, 2006)
3	Meridian Consulting Group, LLC (w.e.f. 1st January, 2006)
4	Savant Consulting Group, Inc. (w.e.f. 1st January, 2006)
5	Imperial Collection Service (w.e.f. 1st January, 2006)

d) **Related parties with whom transactions have been entered in the ordinary course of the business:**

Sr. No.	Name of Associates
1	Ace Computers & Systems
2	HOV GPM, LLC
3	IT Cube Solutions (P) Ltd
4	HOF 4 Ltd., Mauritius
5	Bay Area Credit Service (I) Pvt. Ltd. (upto 23rd March, 2006)
6	Bay Area Credit Service, LLC (upto 31st December, 2005)
7	Complex Property Advisors Corporation (upto 31st December, 2005)
8	Meridian Consulting Group, LLC (upto 31st December, 2005)
9	Savant Consulting Group, Inc. (upto 31st December, 2005)
10	Imperial Collection Service (upto 31st December, 2005)

e) **Directors/Key Managerial Persons and their relatives:**

Sr. No.	Name
1	Mr. Ron Cogburn (President)
2	Mr. Sunil Rajadhyaksha (Whole Time Director)
3	Mr. Karan Negi (C.O.O)
4	Mr. Vikram Negi (C.F.O)
5	Mr. Anil Rajadhyaksha (Managing Director up to December 31, 2005 and thereafter as consultant and relative of Mr. Sunil Rajadhyaksha)
6	Ms. Kanchan Rajadhyaksha (wife of Mr. Anil Rajadhyaksha)
7	Ms. Mansi Rajadhyaksha (daughter of Mr. Anil Rajadhyaksha)

B. During the year, following transactions were carried out with the related parties in the ordinary course of business:

(in Rs. in Million)

Name of the Party	**Transaction entered during the year ended**	
	March 31, 2005	**March 31, 2006**
Ace Computers & Systems		
Consultancy services paid	0.42	0.22
Bay Area Credit Service (I) (P) Ltd		
Unsecured Loans Given	1.70	45.69
Loan Repaid		10.97
Bay Area Credit Service, LLC		
Service Provided	25.71	29.21
Complex Property Advisors Corporation		
Services Provided	-	11.11
Meridian Consulting Group, LLC		
Services Provided	2.84	3.38
Imperial Collection Service		
Services Provided	-	0.27
HOV GPM, LLC		
Advance taken and Repaid	-	1.10
HOF 4 Ltd., Mauritius		
Acquisition of equity shares of Bay Area Credit Services (India) Pvt. Ltd	-	53.30
Savant Consulting Group Inc		
Services Provided	3.49	0.73
Mr. Sunil Rajadhyaksha		
Loan Taken	0.37	2.21
Loan Paid		1.10
Mr. Anil Rajadhyaksha		
Salary & Commission	0.93	1.22
Consultancy Charges	-	0.30
Ms. Kanchan Rajadhyaksha		
Commission credited	0.05	-
Ms. Mansi Rajadhyaksha		
Commission credited	0.15	-
Mr. Karan Negi – Salary	-	0.01
Mr. Vikram Negi – Salary	-	0.01
Mr. Ronald Cogburn – Salary	-	0.01
Mr. Surinder Rametra		
Loan Taken	-	11.57
Interest Paid	-	0.11

Balances with the related parties referred above, in the ordinary courses of business are as follows:

(in Rs. in Million)

Name of the Party	**Balance as on**	
	March 31, 2005	**March 31, 2006**
Bay Area Credit Service (I) (P) Ltd. *Unsecured Loan given*	1.70	36.42
Bay Area Credit Service, LLC Debtors	19.02	8.78
Complex Property Advisors Corporation Debtors	-	9.10
Meridian Consulting Group, LLC Debtors	2.84	3.40
Mr. Surinder Rametra *Loan Taken & Interest thereon*	-	11.66
Mr. Sunil Rajadhyaksha *Loan Taken*	1.10	1.10
Imperial Collection Service *Debtors*	-	0.27
Mr. Anil Rajadhyaksha *Commission & Consultancy Charges*	-	0.25
Savant Consulting Group, Inc. *Debtors*	2.61	0.73
Mr. Karan Negi – *Salary*	-	0.01
Mr. Vikram Negi – *Salary*	-	0.01
Mr. Ronald Cogburn – *Salary*	-	0.01

1) Related party relationship is as identified by the management and relied upon by the auditors.

2) No balance in respect of the related parties have been provided for / written back / written-off

7. Operating Leases:

The lease arrangements in respect of property are renewable/cancellable at Company's and/or lessors' option as mutually agreed.

8. Remuneration to Managing Director:

(in Rs. in Million)

Particulars	**For the year ended March 31**	
	2005	**2006**
Salaries and Allowances	0.59	1.07
Commission	0.35	0.15

9. Segment Reporting:

The Company is engaged only in the Finance and Accounting ("F&A") segment of the BPO sector including software development and support services thereto and accordingly, Accounting Standard-17, 'Segment Reporting' is not applicable.

10. The Company is engaged only in the F & A segment of the BPO services. The production and sale of the same cannot be expressed in any generic unit. Hence it is not possible to give the quantitative details of the sales and certain information as required under Para 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

11. Deferred Tax Asset/(Liability) comprises timing differences on account of :

(in Rs. in Million)

Particulars	**As on March 31, 2005**	**As on March 31, 2006**
Deferred Tax Liability:		
On account of Depreciation	(0.50)	(0.46)
Net Deferred Tax Asset / (Liability)	(0.50)	(0.46)

12. Auditors' Remuneration:

(in Rs. in Million)

Particulars	**For the year ended March 31, 2005**	**For the year ended March 31, 2006**
Audit Fees	0.20	0.28
In Other Capacity:		
Certification Fees	-	0.41
Re-imbursement of out of pocket expenses (Including Service Tax Rs. 70,450, P.Y. Rs. 20,400)	0.02	0.07
Total	**0.22**	**0.76**

13. Investments:

a) During the year the Company acquired 100% of Equity Shares of Bay Area Credit Services (I) Pvt. Ltd. for Rs. 55 million. As of March 31, 2006, Company has paid Rs. 53.3 million and balance payable was paid in April 2006.

b) As of January 1, 2006, HOV Services, Limited became the Manager of HOV Services LLC (U.S.A.). The Company holds 1000 Class A Units, 100 % of the outstanding units, of HOV Services, LLC. The Company has invested Rs.0.04 million (US $ 1,000) as infusion of funds in the above subsidiary.

14. Figures of the previous year have been regrouped/rearranged, wherever considered necessary to conform to the current year's presentation.

Annexure IV

HOV Services Limited (Formerly Codec Communications (P) Limited)

Statement of Accounting Ratios Based on Summarised Statements

(Rs. in Million)

Particulars		For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
Net Profit		0.85	(0.31)	2.20	25.73	26.11
Profit Attributable to Equity Shareholders	A	0.85	(0.31)	2.20	25.73	26.11
No. of Equity Shares	B	3.00	3.00	3.00	3.00	8.50
Weighted average number of equity shares during the year	C	2.99	3.00	3.00	3.00	4.38
Diluted weighted average number of Equity Shares outstanding during the year	D	2.99	3.00	3.00	3.00	4.38
Networth*	E	2.60	2.20	4.30	30.03	111.15
Earning Per share						
Basic	A/C	0.28	(0.10)	0.73	8.57	5.96
Diluted	A/D	0.28	(0.10)	0.73	8.57	5.96
Return on Networth (%)	A/E	32.60	(14.18)	51.18	85.68	23.49
Net Assets Value per Share	E/B	0.87	0.73	1.43	10.00	13.07

***Notes:**

1. Networth includes [Shareholders Funds - Miscellaneous Expenditure (to the extent not written off)].
2. In accordance with Accounting Standard 20, Earnings per share, the above EPS has been calculated after considering the adjustments for its paid-up value being changed and issue of bonus shares twice for the aforesaid reporting periods.

Annexure V

HOV Services Limited (Formerly Codec Communications (P) Limited)

Capitalisation Statement

(Rs. in Million)

Particulars	For the year ended March 31, 2006	Post Issue*
Short Term Debt	12.77	-
Long Term Debt	0.88	-
Total Debt	**13.65**	
Share Capital		-
Equity Share Capital	85.04	-
Reserves	26.11	-
Total Shareholders' Fund	**111.15**	**-**
Total Capitalization	**124.80**	**-**
Long Term Debt to Total Shareholders' Fund	**0.01**	**-**

*Share Capital and reserves and Total Shareholders' Funds would be calculated after conclusion of the public offer.

Annexure VI

HOV Services Limited (Formerly Codec Communications (P) Limited)

Statement of Changes In Share Capital

Particulars	Balance Sheet as at	
	March 31, 2005	March 31, 2006
Share Capital		
Authorised Share Capital		
No. of Equity Shares of Rs.100 each	10,000	
No. of Equity Shares of Rs.10 each		15,000,000
Amount (Rs. in million)	**1.00**	**150.00**
Issued, Subscribed and Paid Up		
No. of Equity Shares of Rs.100 each	9,322	
No. of Equity Shares of Rs.10 each		8,504,045
Amount (Rs. in million)	**0.93**	**8.50**

Annexure VII

HOV Services Limited (Formerly Codec Communications (P) Limited)

Statement of Secured/Unsecured Loans and Related Terms of Loans and Asset Charged

(Rs. in Million)

Particulars*	Amount Outstanding As on March 31, 2006	Tenure	Year of Maturity	Prevailing Interest (Per Annum)	Repayment Schedule	Put/Call Option	Security Offered
Unsecured Loan							
Short-term							
Sunil Rajadhyaksha	1.10	1 Year	2007	Nil	One time payment	None	None
Surinder Rametra	11.66	1 Year	2007	6.5%	One time payment	None	None
Secured Loan							
Long-term							
HDFC Bank-Car Loan	0.88	36 Months	2008	6.49%	36 Monthly installments	None	Vehicle
Total Loans	**13.64**						

***Notes:**

1) There is no re-schedulement of the Loan arrangement and the loan accounts are 'regular'.
2) No penalty has been imposed in respect of the Loans.
3) The Company has not defaulted in its Loan repayment and interest commitments.

Annexure VIII

HOV Services Limited (Formerly Codec Communications (P) Limited)

Statement of Tax Shelters

(Rs. in Million)

Particulars	**As at March 31, 2002**	**As at March 31, 2003**	**As at March 31, 2004**	**As at March 31, 2005**	**As at March 31, 2006**
Profit/(Loss) before Current Tax	1.13	(0.50)	2.49	26.21	26.18
Income-tax Rate	35.70%	36.75%	35.88%	36.59%	33.66%
Tax at Notional Rate	0.40	(0.18)	0.89	9.59	8.81
Adjustments:					
Permanent Difference					
Deduction u/s 10B of the Income-tax Act, 1961	-	-	(2.30)	(25.34)	(26.17)
Temporary Difference					
Difference between Income-tax depreciation and Depreciation as per the Companies Act, 1956	(0.12)	-	-	-	
Net Adjustments	**(0.12)**	**-**	**(2.30)**	**(25.34)**	**(26.17)**
Tax Savings thereon	(0.04)	-	(0.82)	(9.27)	(8.81)
Net Tax Impact	**0.36**	**(0.18)**	**0.07**	**0.32**	**0.01**
Tax provision made for the year	**0.28**	**(0.19)**	**0.29**	**0.48**	
Tax pertaining to earlier years	0.08	-	-	0.03	
Tax pertaining to current year	0.26	-	0.17	0.07	

Annexure IX

HOV Services Limited (Formerly Codec Communications (P) Limited)

Statement of Direct Tax Benefits available to the Company and its shareholders

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fullfil.

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

1. To the Company - Under the Income-tax Act, 1961 (the Act)

1.1 The Company is eligible to claim deduction u/s 10B in respect of its undertaking established under STPI for a specified period.

1.2 The Company is entitled to a deduction under section 35(1)(iv) r.w.s. 35(2) of the Income Tax Act, 1961 of the entire amount of the capital expenditure (other than land) incurred on scientific research related to the business carried on by the Company, in the year in which such expenditure is incurred.

1.3 Under Section 32, depreciation on plant and machinery is eligible @ 15% and on Computer Hardware and Software @ 60%. Additional depreciation @ 20% is eligible on plant and machinery in the year of acquisition / installation.

1.4 The Company is eligible under section 35D of the Income Tax Act, 1961 to deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for the period of five successive years subject to the limits provided and the conditions specified under the said section.

1.5 Under Section 10(38), long-term capital gains arising from transfer of long term capital asset being an equity share or unit of an equity oriented mutual fund (i.e. capital asset held for the period of twelve months or more) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, is exempt from income tax.

1.6 The long-term capital gains accruing to the Company otherwise than as mentioned in 1.5 above shall be chargeable to tax in accordance with and subject to the provisions of Section 112 of the Income tax Act, 1961 as follows:

(i) If long term capital gain is computed with indexation @20% (plus applicable surcharge and education cess)

(ii) In the case of certain listed shares, securities and units, in a transaction not entered into in a recognized stock exchange, if long term capital gain is computed without indexation @ 10% (plus applicable surcharge and education cess)

1.7 Under Section 111A, short-term capital gain arising to the Company from transfer of a short term capital asset, being an equity share or unit of an equity oriented mutual fund (i.e. capital asset held for the period of less than twelve months) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be chargeable to tax at the rate of 10% (plus applicable surcharge and education cess).

1.8 The Company is eligible to claim exemption in respect of tax on long term capital gains u/s 54EC and 54ED if the amount of capital gains is invested in certain specified bonds / securities subject to the fulfillment of the conditions specified in those sections.

1.9 The Company is eligible to exemption under section 10(34) in respect of income by way of dividend received from other Domestic Companies.

1.10 Under Section 115JAA(1A) credit is allowed in respect of any tax paid (MAT) under Section 115JB of the Act for any assessment year commencing on or after April 1, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income-tax Act. Such MAT credit shall be available for set-off upto 7 years succeeding the year in which the MAT credit initially arose.

2. To the Members of the Company – Under the Income Tax Act, 1961 (the Act)

2.1 Resident Members

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

ii) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company or unit of an equity oriented mutual fund (i.e. capital asset held for the period of twelve months or more) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.

iii) In terms of Section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of the business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions.

iv) As per the provisions of Section 10(23D) of the Act, all mutual funds set up by public sector banks, public financial institutions or mutual funds registered under the Securities and Exchange Board of India (SEBI) or authorized by the Reserve Bank of India are eligible for exemption from income-tax, subject to the conditions specified therein, on their entire income including income from investment in the shares of the company.

v) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38)] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –

   a. National Highways Authority of India constituted under Section 3 of National Highways Authority of India Act, 1988;

   b. Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;

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

vi) Under Section 54ED of the Act, capital gain arising from transfer of long term capital assets, being listed securities or units [other than those exempt u/s 10(38)], shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested in public issue of equity shares issue by of an Indian Public Company within a period of six months from the date of such transfer. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

vii) Under Section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets [other than a residential house and those exempt u/s 10(38)] then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

viii) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company, which is subject to securities transaction tax will be taxable under the Act @ 10% (plus applicable surcharge and educational cess).

ix) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains [not covered under Section 10(38) of the Act] arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders.

2.2 Return of Income not to be filed in certain cases

Under provisions of Section 115G of the Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

2.3 Additional Benefits available to non-resident Indians

i) Under Section 115I of the Act, a non resident Indian may elect not to be governed by the provisions of Chapter XII-A of the Act for any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this Chapter shall not apply to him. In such a case the tax on investment income and long term capital gains would be computed as per normal provisions of the Act.

ii) Under the first proviso to section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

iii) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38)] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –

   a. National Highways Authority of India constituted under Section 3 of National Highways Authority of India Act, 1988; or

   b. Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956; or

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

iv) Under Section 54ED of the Act, capital gain arising from transfer of long term capital assets, being listed securities or units (other than those exempt u/s 10(38)), shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested in public issue of equity shares issue by of an Indian Public Company within a period of six months from the date of such transfer. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

v) Under Section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets (other than a residential house and those exempt u/s 10(38)) then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

vi) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company, which is subject to securities transaction tax will be taxable under the Act @ 10% (plus applicable surcharge and educational cess).

vii) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders.

2.4 Foreign Institutional Investors (FIIs)

i) By virtue of Section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the Act, are exempt from tax in the hands of the institutional investor.

ii) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company or unit of an equity oriented mutual fund (i.e. capital asset held for the period of twelve months or more) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.

iii) Under section 115AD capital gain arising on transfer of short capital assets, being shares and debentures in a company, are taxed as follows:

a) Short term capital gain on transfer of shares/debentures entered in a recognized stock exchange which is subject to securities transaction tax shall be taxed @ 10% (plus applicable surcharge and educational cess); and

b) Short term capital gains on transfer of shares/debentures other than those mentioned above would be taxable @ 30% (plus applicable surcharge and educational cess).

iv) Under section 115AD capital gain arising on transfer of long term capital assets [other than those exempt u/s 10(38)], being shares and debentures in a company, are taxed @ 10% (plus applicable surcharge and educational cess). Such capital gains would be computed without giving effect to the first and second proviso to section 48. In other words, the benefit of indexation, direct or indirect, as mentioned under the two provisos would not be allowed while computing the capital gains.

v) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets (other than those exempt u/s 10(38)) shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –

a) National Highways Authority of India constituted under Section National Bank for Agriculture and Rural Development established under 3 of National Highways Authority of India Act, 1988; or

b) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956; or

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

vi) Under Section 54ED of the Act, capital gain arising from transfer of long term capital assets, being listed securities or units (other than those exempt u/s 10(38)), shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested in public issue of equity shares issue by of an Indian Public Company within a period of six months from the date of such transfer. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

2.5 Venture Capital Companies/ Funds

As per the provisions of section 10(23FB) of the Act, income of:

(i) Venture Capital Company which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette; and

(ii) 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 and notified as such in the Official Gazette set up for raising funds for investment in a Venture Capital Undertaking is exempt from income tax.

3. **Wealth Tax Act, 1957**

Shares in a company held by a shareholder will not be treated as an asset within the meaning of Section 2(ea) of Wealth-tax Act, 1957; hence, wealth tax is not leviable on shares held in the company.

4. **The Gift Tax Act, 1957**

Gift of shares of the company made on or after October 1, 1998 are not liable to tax.

NOTES:

a) All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders.

b) In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.

c) In view of the individual nature of tax consequence, each investor is advised to consult his/ her own tax adviser with respect to specific tax consequences of his/ her participation in the scheme.

Annexure X

HOV Services Limited (Formerly Codec Communications (P) Limited)

Details of items of other income which exceed 20 per cent of net profit before tax or 10% of total income

The other income does not exceed 20 per cent of net profit before tax or 10% of total income for the five years ended March 31, 2006 therefore no disclosure has been made.

Annexure XI

HOV Services Limited (Formerly Codec Communications (P) Limited)

Details of Rates of Dividend

The Company has not declared any dividend during the reporting periods.

Annexure XII

HOV Services Limited (Formerly Codec Communications (P) Limited)

Details of Debtors

(Rs. in Million)

Particulars	For the year ended March 31,				
	2002	2003	2004	2005	2006
Debts outstanding for more than six months	0.05	0.10	0.06	0.02	6.65
Other debts	0.51	0.17	1.35	24.63	15.63
Total	**0.56**	**0.27**	**1.41**	**24.65**	**22.28**

Annexure – A

Savant Consulting Group, Inc

Consolidated Summarised Restated Statement of Assets and Liabilities as on

(Rs. in Million)

Particulars	As on March 31,			
	2003	**2004**	**2005**	**2006**
ASSETS				
Current Assets:				
Cash and cash equivalents	3.94	0.48	4.59	13.38
Accounts receivable	104.85	74.27	42.41	34.37
Prepaid expenses & other current assets	10.84	0.52	0.45	0.61
Total current assets	**119.63**	**75.27**	**47.45**	**48.36**
Property and equipment, net	2.89	2.60	1.05	0.20
Due from HOV affiliates	19.08	-	-	-
Other non current assets	3.29	4.30	1.33	1.35
Investment in Group Companies	54.15	54.15	54.15	54.15
Goodwill	131.62	131.62	131.62	131.62
TOTAL ASSETS	**330.66**	**267.94**	**235.60**	**235.68**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Short term loans	55.99	39.53	19.37	19.74
Current portion of Notes payable	5.38	5.07	1.63	-
Accounts payable & accrued liabilities	70.50	49.91	26.16	29.64
Accrued wages and benefits	23.77	18.34	13.71	15.72
Accrued expenses & Other Liabilities	17.63	2.02	0.72	0.56
Total current liabilities	**173.27**	**114.87**	**61.59**	**65.66**
Due to (from) HOV affiliates	-	1.87	16.70	2.69
Notes Payable	7.36	1.62	-	-
Total liabilities	**180.63**	**118.36**	**78.29**	**68.35**
Total stockholders' equity	**150.05**	**146.34**	**154.67**	**165.17**
Foreign Exchange Fluctuation Reserve	(0.03)	3.23	2.64	2.16
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**330.66**	**267.93**	**235.60**	**235.68**

Savant Consulting Group, Inc.

Consolidated Summarised Restated Income Statement for the year ended March 31,

(Rs. in Million)

Particulars	2003	2004	2005	2006
Revenues	940.71	595.13	300.69	204.75
Cost of revenues (Including Staff Cost)	714.10	437.27	217.90	144.80
Gross margin	226.61	157.86	82.79	59.95
Selling, general & administrative expenses	205.68	150.69	62.66	39.29
Operating income (EBITDA)	20.93	7.17	20.13	20.66
Depreciation and amortization	1.43	1.74	1.41	0.85
Income before interest & taxes (EBIT)	19.50	5.43	18.72	19.81
Interest expense	5.89	7.94	6.44	4.35
Income before income taxes	13.61	(2.51)	12.28	15.46
Income taxes	(1.22)	(2.35)	3.95	4.14
Income after taxes	14.83	(0.16)	8.33	11.32
Declared dividend	0.73	-	-	-
Profit carried to balance sheet	**14.10**	**(0.16)**	**8.33**	**11.32**

Savant Consulting Group, Inc

Consolidated Summarised Restated Cash Flow Statement for the

(Rs. in Million)

Particulars	**Year Ended March 31, 2004**	**Year ended March 31, 2005**	**Year ended March 31, 2006**
Cash Flows from Operating Activities			
Net Income	(0.16)	8.33	11.32
Adjustments to reconcile Net Income to Net Cash used in Operating Activities:			
Depreciation	1.74	1.41	0.85
Changes in operating assets and liabilities:			
Accounts Receivable	30.58	31.85	8.05
Other current assets	10.32	0.07	(0.17)
Non current assets	(1.01)	2.98	(0.03)
Accounts Payable and accrued liabilities	(41.64)	(29.68)	5.33
Net cash used in operating activities	**(0.17)**	**14.96**	**25.36**
Cash Flows from investing activities			
Purchase of property and equipment	(1.45)	0.14	-
Net cash used in investing activities	**(1.45)**	**0.14**	**-**
Cash Flows from Financing Activities			
Advances under lines of credit	(16.46)	(20.16)	0.37
Current portion of notes payable	(0.31)	(3.44)	(1.63)
Intercompany Advances	20.96	14.82	(14.00)
Long term debt	(5.74)	(1.62)	-
Changes in share capital/Retained Earnings	(3.54)	-	(0.82)
Translation adjustment	3.26	(0.59)	(0.49)
Net cash provided by financing activities	**(1.84)**	**(10.98)**	**(16.57)**
Net cash increase for period	(3.46)	4.11	8.79
Cash at beginning of period	3.94	0.48	4.59
Cash at the end of period	**0.48**	**4.59**	**13.38**

Savant Consulting Group, Inc.

Notes to consolidated summarised restated financial statements for the 11 months ended March 31, 2003 and for the years ended March 31st, 2004, 2005 and 2006.

1. **The Company**

Nature of Business

Savant Consulting Group, Inc. (the "Company," "We," "Us," or "Our"), incorporated May 27, 1997 in New Jersey, changed its name to HOV Enterprise Services, Inc., engaged in the development of proprietary software products called Enterprise Management Tools and Services ("EMTS") for use by its clients and by other segments of the Company. EMTS directs the deployment of a suite of web-based enterprise management and productivity software tools to compile, report, analyze and manage accounts placed for collection or claims in the insurance sector. To date, EMTS has deployed three major software products which assign and manage accounts placed for outside debt collection, compare the progress of competing outside debt collectors, and verify and enhance customer data collection. And it continues to provide consulting services to its historical customers.

Our headquarters is located in Edison, New Jersey.

2. **Basis of Presentation**

Effective May 1, 2002, we were acquired by DBW, Inc. (doing business as Digital Boardwalk Corporation, "DBC") in a stock purchase transaction whereby DBC acquired all our outstanding shares of common stock.

In accordance with Staff Accounting Bulletin ("SAB") No. 54 which provides that purchase transactions that result in an entity becoming substantially owned establishes a new basis of accounting for the purchased assets and liabilities. Therefore, DBC's cost of acquiring us was "pushed down" to establish a new accounting basis in our separate financial statements. Accordingly, our assets and liabilities are reflected at their estimated fair values and the excess of the fixed purchase price over the net value of our assets as of April 30, 2002 was recorded as goodwill. We have concluded that we had no separately identifiable intangible assets required to be recorded. The acquisition resulted in goodwill of Rs. 110.81 million.

The shares in Meridian were contributed to us by our parent company in 2003. However in preparation of the above financial statements, Meridian's figures have not been consolidated.

In March 2003, Digital Boardwalk, LLC (DBLLC) succeeded to the business of Digital Boardwalk, Inc, for no cash consideration, and the shares of DBLLC were contributed to us.

Through an Exchange Agreement dated as of January 1, 2006 as amended, HOV Services, LLC acquired 100% of the issued and outstanding shares of DBW, Inc. from HOF 2, LLC.

HOV Services, LLC issued 1,078,313 Class B Units redeemable for USD1.7 per unit as purchase consideration of Savant and its wholly owned subsidiary DB, LLC a 100% subsidiary of Savant. HOV Services, LLC also issued 2,445,764 Class B Units redeemable for USD1.7 per unit for purchase of Meridian Consulting Group, LLC also a wholly owned subsidiary.

In accordance with US GAAP accounting rules for business combinations of entities under common control predecessor cost for business combinations continues. As such our goodwill in the amount of Rs.110.81 million remains.

In accordance with Statement of Financial Accounting Standard ("SFAS") No. 142, this goodwill is deemed to have an indefinite life. We will not be required to amortize this amount but it is subject to annual impairment tests. There was no impairment at March 31, 2006.

3. **Summary of Significant Accounting Policies**

Consolidation Policy

The consolidated financial statements include the accounts of Savant and our wholly owned subsidiary DB LLC. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Accounts Receivable

In the normal course of business, we extend unsecured credit to our customers. Typically credit terms require payment within 30 to 45 days from the date of invoice. We evaluate and monitor the creditworthiness of each customer on a case-by-case basis.

Property and Equipment

Property and equipment is stated at cost. The cost of property and equipment is charged against income over its estimated useful lives using the straight-line method of depreciation. Repairs and maintenance expenditures are charged to expense as incurred. Expenditures for renewals and betterments are capitalized when the economic life of the expenditure is determined to be in excess of one year. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization, are removed from the accounts and any resulting gain or loss is included in earnings.

Property and equipment are reviewed for impairment whenever events or circumstances indicate that the asset's undiscounted expected cash flows are not sufficient to recover its carrying amount. We measure impairment loss by comparing the fair market value, calculated as the present value of expected future cash flows, to its net book value. Impairment losses, if any, are recorded currently.

Depreciation and amortization for financial statement purposes is computed on a straight-line basis. The estimated useful lives of property and equipment by major classifications are as follows:

Computers and office equipment	2 to 5 years
Furniture and fixtures	2 to 7 years
Leasehold improvements	2 to 5 years

Goodwill

The goodwill of Rs. 110.81 million recognized in our financial statements in connection with DBC's acquisition of all our outstanding shares as of May 1, 2002, and the goodwill of Rs. 20.81 million from the formation of DB LLC in 2003, is deemed to have an indefinite life. We are not required to amortize this amount but it is subject to an annual impairment test.

Revenue Recognition

Revenue for project consulting services, staff augmentation and reimbursable expenses incurred on consulting services charged to client is recognized when services are rendered.

Income Taxes

Income taxes are accounted for using the asset and liability method as required by Statement of Financial Accounting Standards ("SFAS") 109, "Accounting for Income Taxes." Deferred income taxes are provided for temporary differences between book and tax income, arising primarily from asset valuation accounts, reserves and the use of differing methods of depreciation.

4. **Short Term Debt***

During July 2003 we obtained a line of credit of Rs. 89.22 million to replace our prior line of credit with another lender; the line of credit is secured by all our assets. This line provides for interest at 5% over the bank's prime rate. We incurred loan costs of Rs. 7.14 million in connection with this loan, which we amortized as additional interest expense over the agreements initial 3-year term. The unamortized balance of Rs. 0.54 million at December 31, 2004 has been expensed out during the year 2005. The agreement matured July 31, 2005 and was automatically renewed for successive one-year term; at maturity unless terminated by written notice of either party or by default, the agreement is automatically renewed for one year term.

***Note**: The figures above have been converted using prevailing rate as of March 31, 2006.

5. Leases and Other Commitments

The Company leases office facilities in Edison, New Jersey operating leases expiring in September 2006.

(Rs. in Million)

At year ending December 31,	2003	2004	2005	2006
Present value of minimum annual rentals	5.9	5.6	4.9	3.7

6. Employee Retirement Plan

We maintain a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan is available to substantially all full-time employees of the Company. There are no matching contributions made by the company.

7. Income Taxes

The Companies income is included in the consolidated income tax returns filed by its parent company. However, an estimated tax provision, on a stand-alone basis is made at the Company level. The tax payable is included in the amounts due to the parent company.

8. Related Party Balance Dues

(Rs. in Million)

Sr. No.	Name of related party	Nature of transaction	Balance on Mar 31, 2003	Balance on Mar 31, 2004	Balance on Mar 31, 2005	Balance on Mar 31, 2006
1.	HOV Services Ltd.	Services				0.73 (Cr)
2.	DBI*	Advances given/received	-	49.20 (Dr)	139.14 (Dr)	0.51 (Cr)
3.	XNG, LLC*	Advances given/received	-	-	2.70 (Dr)	
4.	BACS, LLC.*	Advances given/received	-	-	5.39 (Dr)	19.69 (Dr)
5.	DBW*	Advances given/received	17.09 (Dr)	15.11 (Dr)	9.61 (Dr)	
6.	Meridian Consulting Group, LLC*	Advances given/received	-	55.88 (Cr)	182.32 (Cr)	31.55 (Dr)
7.	HOV GPM, LLC*	Advances given/received	-	0.26 (Cr)	6.43(Dr)	54.55(Cr)
8.	Baybang, LLC.	Advances given/received	-	10.05 (Cr)	-	0.13 (Dr)
9.	HOVFS	Advances given/received	-	-	2.36 (Dr)	2.16 (Dr)
10.	HOV Re, LLC	Advances given/received	-	-	-	0.01 (Dr)
11.	HOV	Advances given/received	-	-	-	0.16 (Dr)
12.	HOV Services	Advances given/received	-	-	-	0.61 (Cr)

*In current year, "due to/from affiliates" of Rs. 0.83 million has been adjusted against the equity.

9. Confirmations

Balances in accounts receivable and payable are subject to confirmation and reconciliation, if any. We do not believe that any such confirmation or reconciliation would result in any significant adjustment to these balances.

10. Accounts receivable

Management believes that all balances shown in the accounts receivable are collectable despite their age.

11. Unbilled Revenue

Revenue recognized over and above the billing on a customer is classified as unbilled revenue. Accounts receivable include unbilled revenue as mentioned below: -

(Rs. in Million)

At year ending March 31	2003	2004	2005	2006
Unbilled Revenue	5.29	.55	Nil	1.21

12.1 Translation

a. The current assets and liabilities figures have been translated at the rates prevailing at the respective close of the periods.

b. The fixed assets including goodwill have been translated at the period end rates prevailing in the period of purchase of such fixed assets and shareholders equity has been translated at the period end rates prevailing in the period of contribution.

c. The income statement figures have been translated at the average rates prevailing during the respective financial periods.

12.2 Translation Reserve

The exchange difference arising on translation from US $ to INR have been credited/debited to translation reserve. This translation reserve has been shown as part of equity.

13. Previous Year's figures regrouping

Previous year's figures have been regrouped/re-arranged wherever necessary to conform to the current year's presentation.

Annexure – B

MERIDIAN CONSULTING GROUP, LLC

Standalone Summarised Restated Statement of Assets and Liabilities as on

(Rs. in Million)

PARTICULARS	As on March 31,		
	2004	**2005**	**2006**
Assets			
Current assets			
Cash	-	-	.001
Accounts receivable, net	55.32	96.25	67.18
Prepaid and other assets	0.66	1.14	5.98
Other Current Assets	5.16	5.63	12.08
Total current assets	61.14	103.02	85.24
Property and equipment, net	1.41	4.73	4.40
Due from HOV Affiliates	-	48.94	22.30
Other Non Current Assets	0.14	0.70	0.72
Goodwill	77.64	77.64	77.64
Total assets	**140.33**	**235.03**	**190.30**
Liabilities and Stockholder's Equity			
Current liabilities			
Current maturities of Notes Payable	5.83	0.44	-
Short term debt	25.57	51.69	46.24
Accounts payable and accrued liabilities	22.72	47.03	47.30
Accrued payroll and related costs	11.55	13.92	13.62
Total current liabilities	65.67	113.09	107.16
Notes Payable	9.01	8.65	2.04
Due to affiliates	1.65	-	-
Total liabilities	**76.33**	**121.74**	**109.20**
Stockholder's Equity	64.01	114.80	81.52
Foreign Exchange Fluctuation reserves	(0.01)	(1.51)	(0.42)
Total liabilities and Stockholder's equity	**140.33**	**235.03**	**190.30**

MERIDIAN CONSULTING GROUP

Standalone Summarised Restated Income Statement for the

(Rs. in Million)

Particulars	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Revenues			
Income from Operation	243.71	398.36	506.32
Other Income	-	-	1.33
Total	**243.71**	**398.36**	**507.65**
Expenditure			
Cost of Revenue (Including Staff Cost)	144.02	213.82	259.17
Selling, General & Administration Expenses	68.98	99.31	139.34
Total	**213.00**	**313.13**	**398.51**
Profit before Interest, Depreciation & Tax	**30.71**	**85.23**	**109.14**
Less: Interest	4.09	9.66	12.30
Less: Depreciation	0.23	0.61	1.75
Income from Operation	**26.39**	**74.97**	**95.09**
Income Tax	9.23	24.17	25.67
Income after taxes	**17.16**	**50.80**	**69.42**

MERIDIAN CONSULTING GROUP, LLC

Summarised Restated Cash Flow Statement for the

Particulars	Year ended March 31, 2005	Year ended March 31, 2006
	Rs. in Million	
Cash Flows from Operating Activities		
Net Income	50.80	69.42
Adjustments to reconcile Net Income to Net Cash used in Operating Activities		
Depreciation	0.61	1.75
Changes in operating assets and liabilities:		
Accounts Receivable	(40.93)	29.08
Prepaid Expenses & other assets	(0.48)	(4.84)
Non current assets	(0.56)	(0.01)
Other current assets	(0.47)	(6.45)
Accounts Payable and accrued liabilities	18.92	(0.17)
Accrued Payroll and related costs	2.37	(0.31)
Net cash used in operating activities	**30.26**	**88.47**
Cash Flows from Investing Activities		
Purchase of property and equipment	(3.92)	(1.42)
Net cash used in investing activities	**(3.92)**	**(1.42)**
Cash Flows from Financing activities		
Advances under lines of credit	26.12	(5.46)
Advances to Affiliates	(1.65)	-
Advances from Affiliates	(48.94)	26.64
Notes Payable	(0.36)	(6.61)
Changes in share capital/ Retained Earnings	-	(102.70)
Translation adjustment	(1.50)	1.08
Net cash provided by financing activities	**(26.34)**	**(87.05)**
Net cash increase for period	0.00	0.00
Cash at beginning of period	0.00	0.00
Cash at end of period	0.00	0.00

Meridian Consulting Group, LLC.

Notes to standalone summarised restated financial statements for the years ended March 31, 2004, March 31, 2005 and March 31, 2006

1. **The Company**

Nature of Business

Meridian Consulting Group, LLC, (the “Company,” “We,” “Us,” or “Our”) is an industry-leading provider of construction and surety claims consulting services to public agencies and surety bond companies. Headquarter in Southlake, Texas, the Company offers a wide array of professional services to its clients including claims analysis and litigation support, CPM schedule analysis, construction management, contract compliance, surety claims consulting and management consulting services.

2. **Basis of Presentation**

Meridian Consulting Group LLC (“Meridian”) was acquired by HandsOn Ventures, LLC through, XMAC LLC which was specifically constituted for the purpose of the acquisition. The acquisition was completed via an asset purchase agreement dated as of April 10, 2003 between XMAC LLC and AE Schmidt Environmental Inc and Merac Inc. The acquisition was declared effective as of March 15, 2003. XMAC LLC transferred its ownership interest in the Company to Savant Consulting group, Inc. effective as of the closing date. Thereby, Savant Consulting Group, Inc., became 100% owner of Meridian Consulting Group, LLC.

In accordance with Staff Accounting Bulletin (“SAB”) No. 54 which provides that purchase transactions that result in an entity becoming substantially owned establishes a new basis of accounting for the purchased assets and liabilities. Therefore, Holding’s cost of acquiring us was “pushed down” to establish a new accounting basis in our separate financial statements. Accordingly, our assets and liabilities are reflected at their estimated fair values and the excess of the fixed purchase price over the net value of our assets as of April 10, 2003 was recorded as goodwill. We have concluded that we had no separately identifiable intangible assets required to be recorded. The acquisition resulted in a goodwill of Rs.77.64 million.

Through an Exchange Agreement dated as of January 1, 2006 as amended, HOV Services, LLC acquired 100% of the outstanding shares of DBW, Inc. from HOF 2, LLC.

HOV Services, LLC issued 2,445,764 Class B Units of face value $1.7 per unit against purchase consideration of Meridian.

In accordance with US GAAP accounting rules for business combinations of entities under common control predecessor cost for business combinations continues. As such our goodwill in the amount of Rs.77.64 million remains.

In accordance with Statement of Financial Accounting Standard (“SFAS”) No. 142, this goodwill is deemed to have an indefinite life. We will not be required to amortize this amount but it is subject to annual impairment tests. There was no impairment at March 31, 2006.

3. **Summary of Significant Accounting Policies**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Accounts Receivable

In the normal course of business, we extend unsecured credit to our customers. Typically credit terms require payment within 30 to 45 days from the date of invoice. We evaluate and monitor the creditworthiness of each customer on a case-to-case basis.

Property and Equipment

Property and equipment is stated at cost. The cost of property and equipment is charged against income over its estimated useful lives using the straight-line method of depreciation. Repairs and maintenance expenditures are charged to expense as incurred. Expenditures for renewals and betterments are capitalized when the economic life of the expenditure is determined to be in excess of one year. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization, are removed from the accounts and any resulting gain or loss is included in earnings.

Property and equipment are reviewed for impairment whenever events or circumstances indicate that the asset's undiscounted expected cash flows are not sufficient to recover its carrying amount. We measure impairment loss by comparing the fair market value, calculated as the present value of expected future cash flows, to its net book value. Impairment losses, if any, are recorded currently.

Depreciation and amortization for financial statement purposes is computed on a straight-line basis. The estimated useful lives of property and equipment by major classifications are as follows:

Computers and office equipment	3 years
Furniture and fixtures	7 years
Software	3 years
Vehicles	7 years

Goodwill

The goodwill of Rs. 77.64 million recognized in our financial statements in connection with our asset purchase is deemed to have an indefinite life. We are not required to amortize this amount but it is subject to an annual impairment test.

Revenue Recognition

Revenue for project consulting services, staff augmentation and reimbursable expenses incurred on consulting services charged to client is recognized when services are rendered.

For the three months ended March 31, 2006, we have unbilled revenue from one of our clients pending execution of agreements including acceptance. However, we have expensed the cost to the tune of Rs. 3.32 million without the offsetting income.

Income Taxes

Income taxes are accounted for using the asset and liability method as required by Statement of Financial Accounting Standards ("SFAS") 109, "Accounting for Income Taxes." Deferred income taxes are provided for temporary differences between book and tax income, arising primarily from asset valuation accounts, reserves and the use of differing methods of depreciation.

4. **Short Term Debt**

The Company is a co-borrower on the line of credit under Savant Consulting Group, Inc., one of the group companies. Line of credit and Interest on this line of credit has been allocated in proportion of their net eligible receivable balances.

5. **Leases and Other Commitments**

(Rs. in Million)

At period ending	
December 31, 2006	5.62
December 31, 2007	5.69
December 31, 2008 and onwards	17.06
Present value of minimum annual rentals	**28.38**

6. **Employee Retirement Plan**

We maintain a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan is available to substantially all full-time employees of the Company. There are no matching contributions made by the Company.

7. **Income Taxes**

The Companies income is included in the consolidated income tax returns filed by its parent Company. However, an estimated tax provision, on a stand-alone basis is made at the Company level. The tax payable is included in the amounts due to the parent Company.

8. **Related Party Balance Dues**

(Rs. in Million)

Sr. No.	Name of related party	Nature of transaction	Balance on March 31, 2004	Balance on March 31, 2005	Balance on March 31, 2006
1	HOV Services Ltd.	Services	-	-	3.41 (Cr)
2	DBI*	Advances given/received	39.37 (Cr)	83.05 (Cr)	0.53 (Cr)
3	HOV*	Advances given/received	8.89 (Cr)	8.20 (Cr)	
4	BACS, LLC.*	Advances given/received	0.36 (Dr)	8.66 (Cr)	25.22 (Cr)
5	DBW*	Advances given/received	4.68 (Cr)	25.15 (Cr)	
6	Baybang, LLC*	Advances given/received	0.90 (Cr)	0.91 (Cr)	
7	HOVFS*	Advances given/received	-	0.093 (Dr)	
8	Savant Consulting Group, Inc.*	Advances given/received	55.88 (Dr)	182.31 (Dr)	31.54 (Cr)
9	CPAC	Services	-	0.49 (Dr)	1.21 (Dr)
10	HOV GPM, LLC*	Advances given/received	4.04 (Cr)	7.47 (Cr)	87.24 (Dr)
11	HOV Re	Advances given/received			0.07 (Dr)
12	HOV Services	Advances given/received			5.51 (Cr)

* In current year, "Due to/from affiliates" of Rs. 102.70 million has been adjusted against the equity.

9. **Contingent Liability**

Contingent liability has not been provided for in respect of claims/disputed liabilities of Rs. 2.49 million.

10. **Confirmations**

Balances in accounts receivable and payable are subject to confirmation and reconciliation, if any. We do not believe that any such confirmation or reconciliation would result in any significant adjustment to these balances.

11. **Accounts receivable**

Management believes that all balances shown in the accounts receivable are collectable despite their age.

12. **Unbilled Revenue**

Revenue recognized over and above the billing on a customer is classified as unbilled revenue. Other current assets include unbilled revenue as mentioned below: -

(Rs. in Million)

At year ending	March 31, 2004	March 31, 2005	March 31, 2006
Unbilled Revenue	5.18	5.63	12.08

13.1 Translation

a. The current assets and liabilities figures have been translated at the rates prevailing at the respective close of the periods.

b. The fixed assets including goodwill have been translated at the period end rates prevailing in the period of purchase of such fixed assets and shareholders equity has been translated at the period end rates prevailing in the period of contribution.

c. The income statement figures have been translated at the average rates prevailing during the respective financial periods.

13.2 Translation Reserve

The exchange difference arising on translation from US$ to INR have been credited/debited to translation reserve. This translation reserve has been shown as part of equity.

14. Previous Year's figures regrouping

Previous year's figures have been regrouped/re-arranged wherever necessary to conform to the current year's presentation.

Annexure – C

BAY AREA CREDIT SERVICE, LLC

Consolidated Summarized Restated Statement of Assets & Liabilities as on

(Rs. in Million)

Assets	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**
CURRENT ASSETS			
Cash	2.93	0.29	14.27
Restricted Cash	6.56	12.27	44.19
Accounts receivable, Net	100.00	92.37	95.15
Prepaid Expenses	1.66	22.87	18.94
	111.15	**127.80**	**172.55**
PROPERTY AND EQUIPMENT, NET	55.15	79.49	76.69
Capital Work in Progress	-	0.72	-
OTHER ASSETS			
Goodwill and other intangibles	188.79	198.24	198.24
Security deposits	3.46	3.40	6.84
Due from affiliates	-	27.07	-
TOTAL OTHER ASSETS	**192.25**	**228.71**	**205.08**
TOTAL ASSETS	**358.54**	**436.72**	**454.32**
LIABILITIES & STOCKHOLDER'S EQUITY			
CURRENT LIABILITIES			
Current maturities of long term debt	-	8.17	4.74
Short term debt	-	59.99	74.37
Accounts payable and accrued liabilities	30.54	64.22	97.55
Accrued payroll and related costs	15.60	10.55	16.49
TOTAL CURRENT LIABILITIES	**46.14**	**142.93**	**193.15**
Long term debt and capital leases	-	10.11	9.37
Due to affiliates	34.75	-	0.1
TOTAL LIABILITIES	**80.89**	**153.04**	**202.62**
STOCKHOLDER'S EQUITY			
Paid in capital and retained earnings	277.94	284.21	252.06
Foreign Exchange Fluctuation Reserve	(0.28)	(0.53)	(0.36)
TOTAL STOCKHOLDER'S EQUITY	**277.66**	**283.68**	**251.70**
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	**358.55**	**436.72**	**454.32**

BAY AREA CREDIT SERVICE, LLC

Consolidated Summarised Restated Income Statement for the

(Rs. in Million)

Particulars	5 Months Period ended March 31,	Year Ended March 31,	
	2004	2005	2006
INCOME			
Income from operations	265.98	599.31	645.07
Other Income	17.75	67.91	9.10
	283.73	**667.22**	**654.17**
EXPENDITURE			
Cost of Revenues (Including Staff Cost)	113.91	294.24	289.21
General and Administration Expenses	133.74	338.07	355.05
	247.65	**632.31**	**644.26**
Profit/(Loss) before interest, depreciation and tax	**36.08**	**34.91**	**9.91**
Interest expense	0.03	3.28	5.98
Depreciation expenses	6.41	18.93	26.87
Profit/(Loss) before Tax	**29.64**	**12.70**	**(22.94)**
Less : Provisions for taxes			
Fringe Benefit Tax			0.48
Income Tax	11.23	0.56	(5.79)
Profit/(loss) after tax	**18.41**	**12.14**	**(17.63)**

BAY AREA CREDIT SERVICE, LLC

Consolidated Summarised Restated Cash Flow Statement for the

(Rs. in Million)

Particulars	Year ended March 31, 2005	Year ended March 31, 2006
Cash Flows from Operating Activities		
Net Income	12.14	(17.63)
Adjustments to reconcile Net Income to Net Cash used in Operating Activities:		
Depreciation	18.94	26.87
Changes in operating assets and liabilities:		
Accounts Receivable	7.62	(2.77)
Restricted cash	(5.72)	(31.91)
Other current assets	(21.21)	3.93
Security Deposits	0.06	(3.45)
Due from affiliates	-	27.07
Accounts Payable and accrued liabilities	28.63	35.84
Net cash used in operating activities	**40.46**	**(37.94)**
Cash flows from Investing Activities		
Purchase of property and equipment	(44.00)	(23.35)
Goodwill	(9.45)	-
Net cash used in investing activities	**(53.44)**	**(23.35)**
Cash Flows from Financing Activities		
Advances under lines of credit	60.00	14.38
Inter company advances	(61.82)	0.10
Long term debt advances	18.28	(0.74)
Changes in share capital	(5.86)	(14.51)
Translation adjustment	(0.25)	0.17
Net cash provided by financing activities	**10.34**	**(0.61)**
Net cash increase for period	(2.64)	13.98
Cash at beginning of period	2.93	0.29
Cash at end of period	**0.29**	**14.27**

BAY AREA CREDIT SERVICE, LLC.

Notes to standalone summarised restated financial statements for the five months ended March 31, 2004, and consolidated summarised restated financial statements for the year ended March 31, 2005 and March 31, 2006

1. **The Company**

Nature of Business

Bay Area Credit Service, LLC ("BACS") incorporated October 29, 2003 in California, (collectively the "Company," "We," "Us," or "Our"), provides receivable management services to companies within the healthcare, telecommunications and financial services industries. We provide three basic services to credit grantors: customer care outsourcing (i.e. primary party collections), early and late stage bad debt collections, and insurance billing follow-up. Our headquarters is located in San Jose, California and we have additional facilities in Antioch, California and in India.

2. **Basis of Presentation**

Bay Area Credit Service, LLC ("BACS") was acquired by HandsOn through, BACS Holding, LLC specifically constituted for the purpose of the acquisition via an asset and stock purchase agreement dated August 21, 2003 which was subsequently amended on September 30, 2003 and October 29, 2003 with Richard Hunter and e-Mergicall Services Inc.

In accordance with Staff Accounting Bulletin ("SAB") No. 54 which provides that purchase transactions that result in an entity becoming substantially owned establishes a new basis of accounting for the purchased assets and liabilities. Therefore, Holding's cost of acquiring us was "pushed down" to establish a new accounting basis in our separate financial statements. Accordingly, our assets and liabilities are reflected at their estimated fair values and the excess of the fixed purchase price over the net value of our assets as of October 31, 2003 was recorded as goodwill. We have concluded that we had no separately identifiable intangible assets required to be recorded. The acquisition resulted in goodwill of Rs.198.24 million.

Pursuant to an agreement and a plan of merger dated as of January 1, 2006, which became effective upon the filing of the certificate of merger with the Secretary of State for the State of Nevada, the above holding company merged with HOF 3, LLC under Chapter 92A of the Nevada Revised Statutes. Simultaneously, as a result of this merger HOF 3, LLC became holder of 100% equity interest in Bay Area Credit Service, LLC.

As of January 1, 2006, HOV Services, LLC subsequently acquired BACS by written consent of the sole manager of HOF 3, LLC and action by written consent of the sole manager of BACS Holding, LLC.

HOV Services, LLC issued 3,234,088 Class B Units of face value $1.7 per unit as purchase consideration for BACS.

In accordance with US GAAP accounting rules for business combinations of entities under common control predecessor cost for business combinations continues. As such our goodwill in the amount of Rs.198.24 million remains.

In accordance with Statement of Financial Accounting Standard ("SFAS") No. 142, this goodwill is deemed to have an indefinite life. We will not be required to amortize this amount but it is subject to annual impairment tests. There was no impairment at March 31, 2006.

Consolidation Policy

The consolidated financial statements include the accounts of BACS and our wholly owned subsidiary company Bay Area Credit Service (I) Pvt. Ltd. All inter company accounts and transactions have been eliminated.

3. **Summary of Significant Accounting Policies**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could materially differ from those estimates.

Cash and Cash Equivalents

We consider all highly liquid investments with an initial maturity date of three months or less, when purchased, to be cash and cash equivalents.

Restricted Cash

Funds received from debtors on behalf of our customers are required by law to be segregated from our operating funds. We remit amounts due to our customers not less than monthly and any remaining funds represent our commission.

Account Receivables

Our accounts receivable arise from the provision of services to our customers as well as from commissions due to us on debtor payments received by our customers. In the normal course of business, we extend unsecured credit to our customers. Typically, credit terms require payment within thirty to sixty days from the date of invoice. We evaluate and monitor the creditworthiness of each customer on a case-by-case basis.

Property and Equipment

Property and equipment is stated at cost less depreciation and amortization. Depreciation and amortization are calculated using the straight-line method. Repairs and maintenance expenditures are charged directly to expenses as incurred. Expenditures for renewals and betterments are capitalized when the economic life of the expenditure is determined to be in excess of one year. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization, are removed from the accounts and any resulting gain or loss is included in earnings.

Impairment of Long-Lived Assets

We apply the provisions of SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No.144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets.

Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value.

The estimated useful lives of property and equipment by major classifications are as follows:

Computers and office equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	4 -10 years
Software	3 years
Automobiles	5 years

4. **Short term Debt**

In the last year the Company obtained a line of credit up to Rs. 89.22 million secured by our receivables. This line provides for interest at 1.5% above the prime rate. Advances are limited to 80% of eligible receivables. The agreement provides for automatic renewal for successive one-year terms, unless terminated in writing by either party or by default. At December 31, 2004, March 31, 2005 & March 31, 2006, advances of Rs.45.92, Rs.58.29 and Rs. 74.37 were respectively outstanding against this line.

5. **Long term Debt**

In the last year the Company had obtained a five-year line up to Rs. 18.03 million secured by new purchases of equipment. The line provides for interest at 1.5% above the prime rate. The line matures in August 2009. The advances against this line of Rs.5.68 million matures in 2006 and Rs. 9.46 million matures in 2007 and later years.

6. **Leases and Other Commitments**

We lease various office facilities in California, USA and India under operating leases expiring through 2014.

The minimum future annual rental payments under operating leases having remaining terms are as follows:

Sr. No.	Period ending at	Rs. in Million
1	December 31, 2006	21.34
2	December 31, 2007	16.63
3	December 31, 2008 and onwards	11.16
	Present value of minimum annual rentals	**49.14**

7. **Employee Retirement Plan**

We maintain a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan is available to substantially all full-time employees of the Company. We do not make matching contributions, however, eligible employees are provided a set dollar amount for medical benefits and amounts not used for medical benefits are contributed on the employee's behalf to the plan.

8. **Income Taxes**

The Companies income is included in the consolidated income tax returns filed by its parent company. However, an estimated tax provision, on a stand-alone basis is made at the Company level. The tax payable is included in the amounts due to the parent company.

9. **Other income**

In the previous year other income included primarily of legal and court fees paid prior to acquisition when instituting legal proceedings for the collection of amounts due to the Company. These amounts are included in accounts receivable until such time as they are normally recovered through the legal process as suits are adjudicated or settled through the courts.

During Fiscal year 2005-06, Company sold its 100% subsidiary to HOF 4, Limited and the resultant capital gain of Rs. 6.56 million is included in Other Income.

10. **Related Party Balance Dues**

(Rs. in Million)

Sr. No.	Name of related party	Nature of transaction	Balance as on March 31, 2004	Balance as on March 31, 2005	Balance as on March 31, 2006
1.	HOV Services Ltd.	Services	-	20.19 (Cr)	45.24 (Cr)
2.	HOV GPM, LLC.	Advances given/received	-	23.69 (Dr)	2.38 (Cr)
3.	Savant Consulting Group, Inc.	Advances given/received	-	5.38 (Cr)	19.68 (Cr)
4.	Meridian Consulting Group, LLC.	Advances given/received	0.36(Cr)	8.66 (Dr)	25.22 (Dr)
5.	Qila	Advances given/received	-	0.65 (Dr)	-
6.	TGA	Advances given/received	-	0.73 (Dr)	-
7.	HOF	Advances given/received	-	21.11 (Dr)	-
8.	ALG, LLP.	Advances given/received	-	6.08 (Dr)	10.00 (Dr)
9.	HOV GP, LLC.	Advances given/received	-	0.45 (Dr)	-
10.	HOV Re, LLC.	Advances given/received	-	2.10 (Cr)	1.19 (Dr)
11.	HOV FS	Services/Advances given/received	-	72.53 (Cr)	9.66 (Dr)
12.	DBI	Advances given/received	34.38 (Cr)	45.69(Dr)	6.37 (Dr)
13.	Imperial	Advances given/received	-	-	7.03 (Dr)
14.	HOV Services, LLC (holding)	Advances given/received	-	-	5.83 (Dr)
15.	HOF 4 Ltd.	Advances given/received	-	-	6.69 (Dr)
16.	HOF 3	Advances given/received	-	-	4.53 (Cr)
17.	CPAC	Advances given/received	-	-	0.03 (Dr)

11. Contingent Liability

The company is guarantor for line of credit of Rs. 22.31 million granted to Complex Property Advisors Corporation a group company. The outstanding balance as on March 31, 2006 is Rs. 22.31 million.

12. Confirmations

Balance in account receivables, payables and trust liabilities are subject to confirmation and reconciliation, if any. We do not believe that any such confirmation or reconciliation would result in any significant adjustment to these balances.

13. Subsidiary Company Costs

We re-class 75% & 25% of costs of our fully owned subsidiary Company to cost of sales & operating costs respectively. Subsidiary Company provides the collection services to us and collection made by our subsidiary company forms the part of our revenue.

14.1 Translation

a. The current assets and liabilities figures have been translated at the rates prevailing at the respective close of the periods.

b. The fixed assets including goodwill have been translated at the period end rates prevailing in the period of purchase of such fixed assets and shareholders equity has been translated at the period end rates prevailing in the period of contribution.

c. The income statement figures have been translated at the average rates prevailing during the respective financial periods.

14.2 Translation Reserve

The exchange difference arising on translation from US $'s to INR's have been credited/debited to translation reserve. This translation reserve has been shown as part of equity.

15. Previous Year figures regrouping

Previous year's figures have been regrouped/re-arranged wherever necessary to conform to the current year presentation.

Annexure – D

COMPLEX PROPERTY ADVISORS CORPORATION

Summarised Restated Statement of Assets and Liabilities as on

PARTICULARS	Rs. in Million	
	March 31, 2005	**March 31, 2006**
ASSETS		
CURRENT ASSETS		
Cash	12.78	0.01
Accounts receivable, net	29.75	39.58
Other Current Assets	1.06	4.20
TOTAL CURRENT ASSETS	**43.59**	**43.79**
Property and equipment, net	6.42	12.74
Goodwill	158.66	158.66
TOTAL ASSETS	**208.67**	**215.19**
LIABILITIES & STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Short term debt	13.13	23.51
Accounts payable and accrued liabilities	10.79	8.24
Accrued payroll and related costs	1.15	2.78
TOTAL CURRENT LIABILITIES	**25.07**	**34.53**
Due to affiliates	0.55	11.10
TOTAL LIABILITIES	**25.62**	**45.64**
STOCKHOLDER'S EQUITY		
Paid in capital and retained earnings	183.05	169.03
TOTAL STOCKHOLDER'S EQUITY	**183.05**	**169.03**
Foreign Exchange Fluctuation Reserve	0.00	0.53
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	**208.67**	**215.19**

COMPLEX PROPERTY ADVISORS CORPORATION

Standalone Summarised Restated Income Statement for the

(Rs. in Million)

Particulars	3 months ended March 31, 2005	Year ended March 31, 2006
INCOME		
Income from Operation	34.29	187.84
Other Income	0.01	0.03
Total	**34.30**	**187.87**
EXPENDITURE		
Cost of Revenues (Including Staff Cost)	22.90	107.07
Selling, General & Administration Exp.	8.63	47.79
Total	**31.53**	**154.86**
Profit before Interest, Depreciation & Tax	**2.77**	**33.01**
Less: Interest	0.08	0.85
Less: Depreciation	0.66	2.93
Income from operations	**2.03**	**29.23**
Income Tax	0.55	7.89
Income after taxes	**1.48**	**21.34**

COMPLEX PROPERTY ADVISORS CORPORATION

Standalone Summarised Restated Cash Flow Statement for the year ended March 31, 2006

Particulars	**Amount (Rs. in Million)**
Cash Flows from Operating Activities	
Net Income	21.34
Adjustments to reconcile Net Income to Net Cash used in Operating Activities:	
Depreciation	2.93
Changes in operating assets and liabilities:	
Accounts Receivable	(9.83)
Other current assets	(3.13)
Accounts Payable and accrued liabilities	(2.55)
Accrued payroll & related costs	1.62
Net cash used in operating activities	**10.38**
Cash Flows from Investing Activities	
Purchase of property and equipment	(9.26)
Net cash used in investing activities	**(9.26)**
Cash Flows from Financing Activities	
Advances under lines of credit	10.39
Intercompany Advances	10.55
Changes in share capital	(35.36)
Translation adjustment	0.53
Net cash provided by financing activities	**(13.89)**
Net cash increase for period	(12.77)
Cash at beginning of period	12.78
Cash at end of period	**0.01**

COMPLEX PROPERTY ADVISORS CORPORATION

Notes to standalone summarised restated financial statements for the three months period ended March 31, 2005 and year ended March 31, 2006.

1. **The Company**

   Nature of Business

   Complex Property Advisors Corporation, (the "Company," "We," "Us," or "Our"), incorporated in 1996 in Texas, specializes in providing property tax services, cost segregation services, real and personal property appraisals, and market studies specifically to the "Complex Property" industry. Our headquarters is located in Southlake, Texas.

2. **Basis of Presentation**

   Effective January 1, 2005, we were acquired by CPAC Holdings, LLC, in a stock purchase transaction whereby CPAC Holdings acquired all our outstanding shares of common stock for Rs. 172.81 million.

   In accordance with Staff Accounting Bulletin ("SAB") No. 54 which provides that purchase transactions that result in an entity becoming substantially owned establishes a new basis of accounting for the purchased assets and liabilities. Therefore, Holding's cost of acquiring us was "pushed down" to establish a new accounting basis in our separate financial statements. Accordingly, our assets and liabilities are reflected at their estimated fair values and the excess of the fixed purchase price over the net value of our assets as of December 31, 2004 was recorded as goodwill. We have concluded that we had no separately identifiable intangible assets required to be recorded. The acquisition resulted in goodwill of Rs. 158.66 million.

   Pursuant to an agreement and a plan of merger dated as of January 1, 2006, which became effective upon the filing of the certificate of merger with the Secretary of State for the State of Nevada, the above holding company merged with HOF 3, LLC under Chapter 92A of the Nevada Revised Statutes. Simultaneously, as a result of this merger HOF 3, LLC became holder of 100% equity interest in CPAC.

   As of January 1, 2006, HOV Services, LLC subsequently acquired CPAC by written consent of the sole manager of HOF 3 LLC and action by written consent of the sole manager of CPAC Holdings, LLC.

   HOV Services, LLC issued 950,752 Class B Units redeemable for USD1.7 per unit as purchase consideration for CPAC.

   In accordance with US GAAP accounting rules for business combinations of entities under common control predecessor cost for business combinations continues. As such our goodwill in the amount of Rs. 158.66 million remains.

   In accordance with Statement of Financial Accounting Standard ("SFAS") No. 142, this goodwill is deemed to have an indefinite life. We will not be required to amortize this amount but it is subject to annual impairment tests. There was no impairment at March 31, 2006.

   ***Note**: The figures above except goodwill figure have been translated at the prevailing rate as of March 31, 2006.*

3. **Summary of Significant Accounting Policies**

   Use of Estimates

   The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

   Accounts Receivable

   In the normal course of business, we extend unsecured credit to our customers. Typically credit terms require payment within 30 to 45 days from the date of invoice. We evaluate and monitor the creditworthiness of each customer on a case-to-case basis.

   Property and Equipment

   Property and equipment is stated at cost. The cost of property and equipment is charged against income over its estimated useful lives using the straight-line method of depreciation. Repairs and maintenance expenditures are charged to expense as incurred. Expenditures for renewals and betterments are capitalized when the economic life of the *expenditure is determined to be in excess of one year. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization, are removed from the accounts and any resulting gain or loss is included in earnings.*

Property and equipment are reviewed for impairment whenever events or circumstances indicate that the asset's undiscounted expected cash flows are not sufficient to recover its carrying amount. We measure impairment loss by comparing the fair market value, calculated as the present value of expected future cash flows, to its net book value. Impairment losses, if any, are recorded currently.

Depreciation and amortization for financial statement purposes is computed on a straight-line basis. The estimated useful lives of property and equipment by major classifications are as follows:

Computers and office equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	7 years
Software	3 years

Goodwill

The goodwill of Rs. 158.66 million recognized in our financial statements in connection with CPAC Holdings' acquisition of all our outstanding shares as of January 1, 2005, is deemed to have an indefinite life. We are not required to amortize this amount but it is subject to an annual impairment test.

Revenue Recognition

Revenue for property tax services, cost segregation services, real and personal property appraisals, market studies and reimbursable expenses incurred on consulting services charged to clients is recognized when services are rendered.

Income Taxes

Income taxes are accounted for using the asset and liability method as required by Statement of Financial Accounting Standards ("SFAS") 109, "Accounting for Income Taxes." Deferred income taxes are provided for temporary differences between book and tax income, arising primarily from asset valuation accounts, reserves and the use of differing methods of depreciation.

4. <u>Employee Retirement Plan</u>

We maintain a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan is available to substantially all full-time employees of the Company. Employer contributes towards 401K plan at the rate 3% of employees' gross salary.

5. <u>Income Taxes</u>

The Companies income is included in the consolidated income tax returns filed by its parent Company. However, an estimated tax provision, on a stand-alone basis is made at the Company level. The tax payable is included in the amounts due to the parent Company.

6. <u>Short Term Loan</u>

At March 31, 2005 Company had balance of short-term loan of Rs. 6.56 million, which was fully paid in Sept 05. In Dec. 2005, the Company has obtained a one-year revolving line of credit of Rs. 22.31 million secured by existing and future property including receivables, equipment, software etc. The interest is at 1% above the prime rate. Bay Area Credit Service, LLC, one of our group companies is a guarantor for this line of credit.

7. <u>Leases and Other Commitments</u>

We lease office facilities in Southlake, Texas, USA under operating lease expiring through July 2015.

The minimum future annual rental payments under non-cancellable operating leases having remaining terms are as follows:

Sr. No.	At year ending	(Rs. in Million)
1	December 31, 2006	5.95
2	December 31, 2007	5.95
3	December 31, 2008 & onwards	45.11
	Present value of minimum annual rentals	**57.01**

8. Related Party Balance Dues

(Rs. in Million)

Sr. No.	Name of related party	Nature of transaction	Balance as on March 31,2005	Balance as on March 31, 2006
1.	HOV Services Ltd.	Services/Purchase of Fixed Assets	-	9.14 (Cr)
2.	Meridian Consulting Group, LLC.	Services	0.50 (Cr)	1.21 (Cr)
3.	HOV GPM, LLC*	Advances given/received	0.55 (Cr)	1.80 (Dr)
4.	HOV Services LLC	Tax	-	2.18 (Cr)
5.	DBI	Advances given/received	-	0.14 (Cr)
6.	BACS	Advances given/received	-	0.03 (Cr)
7.	HOV Re	Advances given/received	-	0.19 (Cr)

* During the year "Due from affiliates" of Rs. 19.85 million has been adjusted against equity.

9. Confirmations

Balances in accounts receivable and payable are subject to confirmation and reconciliation, if any. We do not believe that any such confirmation or reconciliation would result in any significant adjustment to these balances.

10. Accounts receivable

Management believes that all balances shown in the accounts receivable are collectable despite their age. Accounts receivable includes direct invoices raised to customers. Revenue accrued during the period has been shown under the head Other Assets.

11. Unbilled Revenue

Revenue recognized over and above the billing on a customer is classified as unbilled revenue. Other current assets include unbilled revenue of Rs. 3.59 million as on March 31, 2006.

12.1 Translation

a. The current assets and liabilities figures have been translated at the rates prevailing at the respective close of the periods.

b. The fixed assets including goodwill have been translated at the period end rates prevailing in the period of purchase of such fixed assets and shareholders equity has been translated at the period end rates prevailing in the period of contribution.

c. The income statement figures have been translated at the average rates prevailing during the respective financial periods.

12.2 Translation Reserve

The exchange difference arising on translation/conversion from US $ to INR have been credited/debited to translation reserve. This translation reserve has been shown as part of equity.

13. Previous Year/Period's figures regrouping

Previous year's figures have been regrouped/re-arranged wherever necessary to conform to the current year presentation.

Annexure – E

Glen Daniels Corporation dba IMPERIAL COLLECTION SERVICE

Standalone Summarised Restated Statement of Assets & Liabilities as on March 31, 2006

Particulars	**(Rs. in Million)**
Goodwill	92.37
Fixed Assets	
Gross Block	75.95
Less: Accumulated Depreciation	46.77
Net Block	29.18
Less: Revaluation reserve	-
Net block after Revaluation Reserve (Total A)	**29.18**
Current Assets, Loans and Advances	
Sundry Debtors	9.84
Cash and Bank Balances	7.34
Other Current Assets	5.09
Total Current Assets, Loans & Advances	**22.27**
Deferred Tax Asset	4.49
Total Assets	**148.31**
Liabilities & Provisions	
Secured Loans	21.54
Current Liabilities	28.34
Leases Payable	27.32
Due to affiliates	18.08
Total Liabilities & Provisions	**95.28**
Share Capital	47.32
Reserves	5.28
Shareholders' Funds	**52.60**
Translation adjustment	0.43
Total Liabilities & Shareholders Funds	**148.31**

Glen Daniels Corporation dba IMPERIAL COLLECTION SERVICE

Standalone Summarised Restated Income Statement for the Year ended March 31, 2006

Particulars	(Rs. in Million)
Revenues	
Income from Services	102.91
Total Revenues	**102.91**
Expenditure	
Cost of revenues: (Including Staff Cost)	47.75
Total Cost of Revenues	**47.75**
Gross Profit	**55.16**
Selling, general and administrative expenses	41.40
Total Operating Expenses	**41.40**
Profit Before Depreciation, Interest and Tax	**13.76**
Depreciation	3.79
Interest	2.66
Profit Before Tax	**7.31**
Deferred Tax	2.03
Net profit after Extraordinary items	**5.28**

Glen Daniels Corporation dba Imperial Collection Service

Notes to standalone summarised restated financial statements for the seven months period ended March 31, 2006

1. **The Company**

   Nature of Business

   Glen Daniels Corporation dba Imperial Collection Service (the "Company," "We," "Us," or "Our"), incorporated in 1992 in California, acts as a collection firm on a contractual basis with its clients or on its own account, in order to recover non-paying debtor accounts. The Company receives a negotiated contractual percentage of the amounts it collects for the benefit of its clients. Clients typically have the right to terminate the contracts on 30 or 60 days notice. Our headquarters is located in San Jose, California.

2. **Basis of Presentation**

   Effective August 31, 2005, we were acquired by GDC Holdings, LLC, in a stock purchase transaction whereby GDC Holdings acquired all our outstanding shares of common stock. We under the stock acquisition agreements agreed to pay over a five (5) year period ending the fifth anniversary of closing estimated purchase price payments totalling Rs. 47.32 million.

   The allocation of the purchase price by the residual method resulted in the recognition of as goodwill of Rs.75.25 million. During the period, the concord facility was closed which resulted in additional goodwill of Rs. 17.12 million.

   In accordance with Staff Accounting Bulletin ("SAB") No. 54 which provides that purchase transactions that result in an entity becoming substantially owned establishes a new basis of accounting for the purchased assets and liabilities. Therefore, Holding's cost of acquiring us will be "pushed down" to establish a new accounting basis in our separate financial statements. Accordingly, our assets and liabilities will be reflected at their estimated fair values and the excess of the fixed purchase price over the net value of our assets as of August 31, 2005 was recorded as goodwill. We have concluded that we had no separately identifiable intangible assets required to be recorded.

   Pursuant to an agreement and a plan of merger dated as of January 1, 2006, which became effective upon the filing of the certificate of merger with the Secretary of State for the State of Nevada, the above holding company merged with HOF 3 under Chapter 92A of the Nevada Revised Statutes. Simultaneously, as a result of this merger HOF 3 LLC became holder of 100% equity interest in GDC Holding Company.

   As of January 1, 2006, HOV Services, LLC subsequently acquired Imperial by written consent of the sole manager of HOF 3 LLC and action by written consent of the sole manager of GDC Holding company.

   HOV Services, LLC issued 820495 Class B Units redeemable for USD1.7 per unit as purchase consideration for GDC Holding company.

   In accordance with US GAAP accounting rules for business combinations of entities under common control predecessor cost for business combinations continues. As such our goodwill in the amount of Rs. 75.25 million remains.

   In accordance with Statement of Financial Accounting Standard ("SFAS") No. 142, this goodwill is deemed to have an indefinite life. We will not be required to amortize this amount but it is subject to annual impairment test. There was no impairment at March 31, 2006.

3. **Summary of Significant Accounting Policies**

   Use of Estimates

   The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

   Cash and Cash Equivalents

   We consider all highly liquid investments with an initial maturity date of three months or less, when purchased, to be cash and cash equivalents.

Restricted Cash

Funds received on behalf of our customers are required by law to be segregated from our operating funds into a separate account. The amounts due to our customers are remitted and the balance funds represent our commission.

Credit Policy

The Company has two types of arrangements with its clients for remitting of the funds. For certain clients, the Company deducts its commission from the collection and sends the net amount to the client. For other set of clients, the Company remits the gross collection and bills the clients separately. The management carefully monitors its debtors in order to minimize its credit risk and does not require collateral.

Accounts Receivable

Our receivables arise from the providing of services to our clients. In the normal course of business, we extend unsecured credit to our customers. Typically credit terms require payment within 30 to 45 days from the date of invoice. We evaluate and monitor the creditworthiness of each customer on a case-by-case basis.

Revenue Recognition Policy

The Company generates revenue by offering collection services to its clients. Fees are recognized when the cash is collected on behalf of the clients.

Property and Equipment

Property and equipment is stated at cost. The cost of property and equipment is charged against income over its estimated useful lives using the straight-line method of depreciation. Repairs and maintenance expenditures are charged to expense as incurred. Expenditures for renewals and betterments are capitalized when the economic life of the expenditure is determined to be in excess of one year. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization, are removed from the accounts and any resulting gain or loss is included in earnings.

Property and equipment are reviewed for impairment whenever events or circumstances indicate that the asset's undiscounted expected cash flows are not sufficient to recover its carrying amount. We measure impairment loss by comparing the fair market value, calculated as the present value of expected future cash flows, to its net book value. Impairment losses, if any, are recorded currently.

Depreciation and amortization for financial statement purposes is computed on a straight-line basis. The estimated useful lives of property and equipment by major classifications are as follows:

Computers and office equipment	5 years
Furniture and fixtures	6 years
Vehicles	6 years

Goodwill

The goodwill of Rs. 75.25 millions recognized in our financial statements in connection with HOV Services, LLC acquisition of all our outstanding shares as of August 31, 2005 is deemed to have an indefinite life. We are not required to amortize this amount but it is subject to annual impairment tests.

Income Taxes

Income taxes are accounted for using the asset and liability method as required by Statement of Financial Accounting Standards ("SFAS") 109, "Accounting for Income Taxes." Deferred income taxes are provided for temporary differences between book and tax income, arising primarily from asset valuation accounts, reserves and the use of differing methods of depreciation. An allowance is provided to offset deferred tax asset, if it is more likely than not that the Company will not realize the future benefit of the deferred tax asset.

Financial Instruments

The carrying value of our financial instruments consisting of cash, accounts receivables, accounts payables and accrued expenses, approximates their fair value because of the short maturity of these instruments. The carrying value of our long-term debt approximates its fair value.

4. **Employee Retirement Plan**

We maintain a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan is available to substantially all full-time employees of the Company. There are no matching contributions made by the Company.

5. **Income Taxes**

The Company's income is included in the consolidated income tax returns filed by its parent Company. However, there is no tax liability for the Company, hence does not need to provide tax provision.

6. **Operating Leases**

The Company had leased office spaces in Concord and Reno Nevada. In October 2005, the Company in anticipation of its move to the Antioch facility of its sister Company, Bay Area Credit Service, LLC and closed its Reno and Concord facility. Lease Rent amounting Rs. 17.12 million payable towards remaining period of the Concord lease has been booked as liability and the same has been added to the goodwill in accordance with the US GAAP since liability at the time of take over could not be determined in this regard.

In addition, the Company leases equipment under long-term capital lease agreement.

7. **Notes Payable**

The Company has Rs. 21.41 million note payable to bank expiring on October 10, 2010. The balance outstanding as on March 31, 2006 stood at Rs.15.55 million. The interest rate charged on outstanding balance is 2.5 per cent above prime rate.

The Company also has a Rs. 11.15 million note with the same bank. The outstanding balance as on March 31, 2006 was at Rs. 1.10 million. The interest rate charged on outstanding balance is 1.5 per cent above prime rate. The balance outstanding is payable upon lender's demand.

The Company also has one note payable with bank to finance the purchase of automobile and equipments. The interest rate on the notes varies from 7 per cent to 8.75 per cent and is secured by the underlying assets.

8. **Contingent Liability**

Contingent liability has not been provided for in respect of claims/disputed liabilities of Rs. 1.12 million.

9. **Confirmations**

Balances in accounts receivables, payables and trust liability (collection due to client) are subject to confirmation and reconciliation, if any. We do not believe that any such confirmation or reconciliation would result in any significant adjustment to these balances.

10. **Accounts receivable**

Management believes that all balances shown in the accounts receivable are collectable despite their age.

11. **Client Collection Payable**

As on March 31, 2006, the Company had Rs. 7.19 million in its restricted cash account which represent clients fund and it has been collected on behalf of them.

Funds are remitted either weekly or monthly as per the contract terms, either by electronic transfer or through automated debit.

12. **Related Party Balance Dues**

(Rs. in Million)

Sr. No.	Name of Related Party	Nature of transaction	Balance as on March 31, 2006
1.	HOV Services Ltd.	Services	0.27 (Cr.)
2.	HOV GPM, LLC	Advances given/received	10.78 (Cr.)
3.	Bay Area Credit Service, LLC	Advances given/received	3.70 (Cr.)
4.	Bay Area Credit Service (I) Pvt. Ltd.	Services	3.35 (Cr.)

13.1 Translation

a. The current assets and liabilities figures have been translated at the rates prevailing at the respective close of the periods.

b. The fixed assets including goodwill have been translated at the period end rates prevailing in the period of purchase of such fixed assets and shareholders equity has been translated at the period end rates prevailing in the period of contribution.

c. The income statement figures have been translated at the average rates prevailing during the respective financial periods.

13.2 Translation Reserve

The exchange difference arising on translation from US $ to INR have been credited/debited to translation reserve. This translation reserve has been shown as part of equity.

Annexure – F

HOV SERVICES LIMITED (Formerly Codec Communications (P) Limited)

Consolidated Summarised Restated Statement of Assets and Liabilities

(Rs. in Million)

Particulars	As at March 31, 2006
Goodwill on Consolidation – A	725.32
Fixed Assets – B	
Gross Block	203.64
Less : Accumulated Depreciation	79.22
Net Block	124.42
Capital Work in progress – C	8.74
Total (A+B+C)	**858.48**
Deferred Tax Asset/(Liability)	4.03
Current Assets	
Sundry Debtors	245.75
Cash and Bank Balances	82.14
Other Current Assets	59.46
Due from affiliates	49.34
	436.69
Less: Current liabilities and provisions	273.79
Net Current Assets	**162.90**
Loan Funds	
Secured loans	195.64
Unsecured loans	14.80
	210.44
Leases Payable	**27.32**
Total Assets - Total Liabilities	**787.65**
Represented by:	
Paid up Equity Share Capital – HOV Services Ltd.	85.04
Class B Units – HOV Services LLC	644.61
Reserves & Surplus – Surplus in Profit & Loss Account	58.00
	787.65

Annexure – F Contd….

HOV SERVICES LIMITED (Formerly Codec Communications (P) Limited)

Consolidated Summarised Restated Income Statement for the three months

(Rs. in Million)

	Period ended March 31, 2006
Income	
Income from Operations (Revenues)	449.68
Other income	8.99
Total Income	**458.67**
Expenditure	
Cost of Revenues (including Staff Cost)	195.61
Selling, General and Administrative Expenses	182.45
Profit/(Loss) Before Interest, Depreciation & Tax	**80.61**
Interest expense	8.15
Depreciation and amortization	9.50
Profit/(Loss) Before Tax	**62.96**
Income tax	2.79
Fringe Benefit Tax	0.20
Deferred Tax	1.97
Profit/(Loss) After Tax	**58.00**

HOV SERVICES LIMITED (Formerly Codec Communications Pvt. Ltd)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED SUMMARISED RESTATED FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Overview of the Group

HOV Services Ltd ('Parent') and its subsidiaries, collectively is referred to as 'the Group'. The Group is a global information technology conglomerate headquartered in Pune, India. The Group provides business process outsourcing (BPO) services to the finance and accounting business sector with operations in India and US. The Group's principal areas of operations are Accounts Receivable Management (ARM), Enterprise Management Tools and Services (EMTS), and Insurance and tax advisory services.

2. Basis of preparation of consolidated financial statements

The Consolidated Financial Statements are prepared in accordance with the Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis and in compliance with the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India (the 'ICAI'), to the extent applicable.

3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

4. Principles of consolidation

The consolidated financial statements include the financial statements of HOV Services Ltd and all it's subsidiaries, which are more than 50% owned or controlled and have been prepared in accordance with the consolidation procedures laid down in Accounting Standard 21 – 'Consolidated Financial Statements' issued by ICAI.

The consolidated financial statements have been prepared on the following basis:

- The financial statements of the parent and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting profits in full. Unrealized profits or losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.
- The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for its separate financial statements.
- Most of the accounting policies of the reporting company and that of its subsidiaries are similar. However, since certain subsidiaries are in the business, which are distinct from that of the reporting company, and function in a different regulatory environment, certain policies in respect of goodwill recognition, depreciation/ amortization etc. differ. The accounting policies of all the companies are in line with generally accepted accounting principles in India.
- **Goodwill arising on consolidation**

  The excess of cost to the parent of its investment in subsidiaries over its portion of equity in the subsidiaries at the respective dates on which investment in subsidiaries was made is recognized in the financial statements as goodwill. The parent's portion of equity in the subsidiaries is determined on the basis of the value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

5. Members of the Group:

HOV Services Ltd's subsidiaries, step down subsidiaries are listed below:

Name of Subsidiaries	Country of incorporation	Percentage of holding
HOV Service LLC	USA	100% held by Parent
Bay Area Credit Service LLC	USA	100% held by HOV Services LLC
Bay Area (I) Pvt Ltd	India	100% held by Parent
Meridian Consulting Group, LLC	USA	100% held by Savant Consulting Group.
Savant Consulting Group, Inc	USA	100% held by HOV Services LLC
Complex Property Advisors Corporation	USA	100% held by HOV Services LLC
Glen Daniels Corporation (Doing business as Imperial Collection services)	USA	100% held by HOV Services LLC
Digital BoardWalk, LLC	USA	100% held by Savant Consulting Group

Control was acquired by the holding company effective 1st January, 2006.

6. Revenue recognition

The revenue from Finance and Accounting segment of the BPO sector including software development and support services is recognized as per the work orders/agreements entered into with its US associates.

Revenue arising from collection services in ARM segment is recognized when the cash is collected on behalf of the clients.

Revenue from EMTS and insurance advisory segment for project consulting services, staff augmentation and reimbursable expenses incurred on consulting services charged to client is recognized when services are rendered.

Revenue from tax advisory services for property tax services, cost segregation services, real and personal property appraisals, market studies and reimbursable expenses incurred on consulting services charged to clients is recognized when services are rendered.

7. Fixed assets

Tangible: Fixed assets are stated at historical cost less depreciation. Replacements are either capitalized or charged to revenue depending upon their nature and long term utility.

The company evaluates the recoverability of its assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets, which is measured on a discounted cash flow basis.

Intangible: Costs that are directly associated with identifiable and unique software products controlled by the Company, whether developed in-house or acquired, and have probable economic benefits exceeding the cost beyond one year are recognized as software products.

8. Method of Depreciation / Amortization

For the Parent, depreciation is provided under Straight Line Method and in the manner prescribed in the Schedule XIV of the Companies Act, 1956.

For subsidiaries, depreciation and amortization for financial statement purposes is computed on a straight-line basis. The estimated useful lives of property and equipment by major classification are as follows:

Type of Fixed Assets	Useful life in years
Computers and office equipment	2 – 5
Leasehold Improvements	2 – 10
Furniture and fixtures	2 – 7
Software	3 – 5
Vehicles	5 – 7

9. Investments

Investments are classified into long term and current investments. Long-term investments are carried at cost and provision is made to recognize any decline in the value other than temporary. Current investments are carried at the lower of the cost or fair value and provision is made to recognize any decline in the value of the investment.

10. Retirement Benefits

The Company has retirement benefits such as Gratuity, Leave Encashment and Provident Fund. Gratuity and Leave Encashment are covered by a scheme with Life Insurance Corporation of India. Defined contributions for provident fund are charged to the Profit and Loss account based on contributions made in terms of applicable schemes.

Liability towards Leave Encashment Benefit and Gratuity to employees is provided for as at the Balance Sheet date as per the actuarial valuation taken at the end of the year.

In respect of employees in foreign subsidiary companies, contribution to defined contribution pension plans are recognized as an expense in the profit and loss account as incurred.

11. Accounting for Taxes on Income

Provision for current income tax is made on the basis of the estimated taxable income for the current accounting period in accordance with the specific applicable laws. Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to crystallize. Deferred tax assets are recognized and carried forward only if there is a virtual/ reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each Balance Sheet date. The deferred Tax Assets /Liabilities and tax expenses are determined separately for parent and each subsidiary company, as per their applicable laws and then aggregated.

Provision for Fringe Benefit Tax (FBT) in the parent company is made on the basis of expenses incurred on employees/ other expenses as prescribed under the Income Tax Act, 1961.

12. Translation of Foreign Currency Items

a) Transactions in foreign exchange are accounted for at the exchange rates prevailing on the date of transaction.

b) Exchange differences arising on settlement of foreign currency transactions are recognized in the profit and loss account, except exchange differences pertaining to the acquisition of fixed assets.

c) Assets and liabilities expressed in foreign currency are converted, if covered by forward contract rates, at the rate contracted after adjusting the premium over the period of the forward contract, otherwise, at the year end rates. Exchange differences arising on such restatement are recognized in the profit and loss account except exchange differences pertaining to acquisition of fixed assets.

All the activities of the foreign subsidiaries are carried out with a significant degree of autonomy from those of the Parent. Accordingly, as per the provisions of AS – 11 “Effects of changes in foreign exchange rates”, these operations have been classified as ‘Non integral operations’ and therefore all assets and liabilities, both monetary and non-monetary, are translated at the closing rate while the income and expenses are translated at the average rate for the year. The resulting exchange differences are accumulated in the foreign currency translation reserve except those arising on account of net current assets, which are recognized as income or expense in the profit and loss account for the year.

13. Borrowing Costs

Borrowing costs attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such assets up to the date when such asset is ready for its intended use. Other borrowing costs are charged to profit and loss account.

14. Unbilled Revenue

Revenue recognized over and above the billings on a customer is classified as unbilled revenue.

15. Leases

Where the Group has substantially acquired all risks and rewards of ownership of the assets, leases are classified as financial lease. Such assets are capitalized at the inception of the lease, at the lower of the fair value or present value of minimum lease payment and liability is created for an equivalent amount. Each lease rent paid is allocated between liability and interest cost so as to obtain constant periodic rate of interest on the outstanding liability for each year.

Where significant portion of risks and reward of ownership of assets acquired under lease are retained by lessor, leases are classified as Operating Lease. Lease rentals for such leases are charged to Profit and Loss account.

16. Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources.

B. NOTES TO ACCOUNTS

1. In the opinion of the board, current assets, 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.

2. Certain balances in Sundry Debtors, Sundry creditors, advances and trust liability (collection due to client) are, however, subject to confirmations and adjustments, if any. Such adjustments, in the opinion of the management, are not likely to be material and will be carried out as and when ascertained.

3. The Parent Company's undertaking is registered with STPI and accordingly its profits from exports are exempt Under Section 10B of the Income Tax Act, 1961.

4. Deferred Tax Asset/(Liability):

The break-up of net deferred tax (liability) / asset for the Group is as under:

(Rs. in Million)

Deferred Tax Asset/(Liability)	**As at March 31, 2006**
Parent Company	
Fixed Assets (Depreciation / Amortization)	(0.46)
Deferred Tax Asset /(Liability)	(0.46)
Subsidiary Company	
Carry Forward Losses	4.49
Deferred Tax Asset/(Liability)	4.49
Net Deferred Tax Asset	**4.03**

5. Goodwill:

a) The Parent Company took control over HOV Services, LLC and its subsidiaries as of January 1, 2006. Accordingly, goodwill has been arrived at on the basis of audited financial statements of the respective subsidiaries as of and for the period ended December 31, 2005 of the respective subsidiaries and consolidated profit and loss account includes figures for three months ended on March 31, 2006 of these subsidiaries.

b) One of the subsidiaries in January 2006 had to foreclose its lease facility, which was continuing from the time of its prior acquisition. This resulted in liability of Rs. 17.12 million, payable towards remaining period of the lease, has been considered as acquisition cost and therefore has been added to goodwill arising on consolidation.

Goodwill arising on consolidation	**Rs. in Million**
Arising as of 1/1/06	708.21
Add: Additions during the quarter upon payment of lease rents (refer note 'b' above)	17.12
Closing balance	**725.33**

6. Earnings Per Share:

The numerators and denominators used to calculate Basic and Diluted Earnings Per Share:

	For the year ended March 31, 2006
Profit attributable to Equity Shareholders (Rs. in million)	58.00
Weighted average number of Equity Shares outstanding during the year (Nos.)	4,379,045
Nominal value of Equity Shares (Rs.)	10
Basic and Diluted Earning Per Equity Share (Rs.)	13.24

7. Other Income:

During the last quarter, Bay Area Credit Service, LLC sold its 100% subsidiary to HOF 4 LTD. and the resultant capital gain of Rs. 6.56 million is included in Other Income.

8. Related Party Transactions:

Related parties with whom transactions have been entered into in the ordinary course of business:

a) Associates:

Sr. No.	**Name of Associates**
1	Ace Computers & Systems
2	IT Cube Solutions (P) Ltd
3	HOV GPM, LLC
4	Digital Boardwalk, Inc
5	Baybang, LLC
6	HOV Re
7	HOVFS
8	HOV
9	ALG, LLP
10	HOF 4 LTD.
11	HOF 3

b) **Associates (upto December 31, 2005) and Subsidiaries thereafter:**

Sr. No.	Name of Subsidiaries
1	Bay Area Credit Service (I) Pvt. Ltd.
2	Bay Area Credit Service, LLC
3	Savant Consulting Group, Inc.
4	Meridian Consulting Group, LLC
5	Complex Property Advisors Corporation
6	Imperial Collection Services

c) **Parent Company's Directors/Key Managerial Persons and their relatives:**

Sr. No.	Name
1	Mr. Ron Cogburn (President)
2	Mr. Sunil Rajadhyaksha (Director)
3	Mr. Anil Rajadhyaksha (Managing Director)
4	Mr. Karan Negi (COO)
5	Mr. Vikram Negi (CFO)

Transactions carried out with the related parties referred in (a), (b) and (c) above, in the ordinary course of business, are as under for the Parent Company:

(Rs. in Million)

Name of related party	March 31, 2006
Ace Computers & Systems Consultancy services paid	0.22
Bay Area Credit Service (I) (P). Ltd *Unsecured Loans Given*	45.69
Bay Area Credit Service, LLC Service Provided	29.21
Complex Property Advisors Corporation Services Provided	11.11
Meridian Consulting Group, LLC Services Provided	3.38
Imperial Collection Service Services Provided	0.27
HOV GPM, LLC Advance taken and Repaid	1.10
Savant Consulting Group Inc Services Provided	0.73
HOF 4 LTD., Mauritius Acquisition of Equity Shares of Bay Area India (P) Ltd.	53.30
Mr. Sunil Rajadhyaksha Loan Taken	2,21

(Rs. in Million)

Name of related party	**March 31, 2006**
Mr. Anil Rajadhyaksha *Salary & Commission* Consultancy Charges	 *1.22* 0.30
Mr. Karan Negi *Salary Paid*	 *0.01*
Mr. Vikram Negi *Salary Paid*	 *0.01*
Mr. Ronald Cogburn *Salary Paid*	 *0.01*
Mr. Surinder Rametra *Interest Paid*	 *0.11*

Balances with the related parties referred in (a) , (b) and (c) above, in the ordinary courses of business are as under for the Parent Company and its subsidiaries as of March 31, 2006:

(Rs. in Million)

Name of related party	**Balance as on March 31, 2006**
Digital Boardwalk, Inc (Advances given/taken)	5.19 (Dr.)
HOV GPM, LLC (Advances given/taken)	21.37 (Dr.)
Baybang, LLC (Advances given/taken)	0.13 (Dr)
HOV Re (Advances given/taken)	1.09 (Dr.)
HOVFS (Advances given/taken)	11.83 (Dr.)
HOV(Advances given/taken)	0.16 (Dr)
HOF 4 LTD. (Advances given/taken)	6.69 (Dr)
ALG, LLP (Advances given/taken)	10.00 (Dr)
HOF 3 (Advances given/taken)	4.94 (Cr)
Rapidigm (India) Ltd (Creditor)	2.18 (Cr)
Total Due from Affiliates	**49.34**
Mr. Anil Rajadhyaksha Commission & Consultancy Charges	 0.25 (Cr)
Mr Sunil Rajadhyaksha Loan Taken	 1.10 (Cr)
Mr. Surinder Rametra Loan Taken & Interest thereon	 11.66 (Cr)

Notes:

a) Related party relationship is as identified by the management and relied upon by the auditors.

b) No balance in respect of the related parties has been provided for/written back/written off.

9. Operating Leases

The lease arrangements in respect of property and other assets are renewable/cancellable at the groups' and / or lessors' option as mutually agreed.

10. Contingent Liability not provided for in respect of:

a. One of the subsidiary, Bay Area Credit Services, LLC is guarantor for Rs.22.31 million line of credit granted to Complex Property Advisors Corporation. The outstanding balance as on March 31, 2006 is Rs.22.31 million.

b. Claims/Disputed liabilities not acknowledged as debt of Rs. 3.6 million.

11. Segment Reporting

The Group is engaged only in the Finance and accounting segment of the BPO services and accordingly, AS 17 - Segment Reporting is not applicable.

12. Previous Year Figures

As no consolidated financial statements were prepared in the previous period, Cash Flow Statement and Previous Year figures have not been presented.

Annexure G

HOV Services Limited (Formerly Codec Communications (P) Limited)

Proforma Combined Summarised Income Statement

(Rs. in Million)

Particulars	For the year ended March 31,			
	2003	**2004**	**2005**	**2006**
Income				
Income from Operations	947.87	1,121.67	1,350.79	1,638.42
Other Income	0.12	17.86	68.02	12.28
	947.99	**1,139.53**	**1,418.81**	**1,650.70**
Expenditure				
Cost of Revenues (Including Staff Cost)	719.16	704.58	736.70	823.89
Selling, Distribution & Administration Expenses	208.23	358.35	516.39	616.82
	927.39	**1,062.93**	**1,253.09**	**1,440.71**
Profit before Interest, Depreciation & Tax	**20.60**	**76.60**	**165.72**	**209.99**
Interest	5.89	12.06	19.47	26.31
Profit before Depreciation & Tax	**14.71**	**64.54**	**146.25**	**183.68**
Depreciation	1.60	8.54	22.44	32.93
Profit before Tax	**13.11**	**56.00**	**123.81**	**150.75**
Tax	(1.41)	18.41	29.70	32.24
Fringe Benefit Tax				0.59
Deferred Tax				1.99
Profit after Tax	**14.52**	**37.59**	**94.11**	**115.93**

HOV Services Limited (Formerly Codec Communications (P) Limited)

Basis for Preparation of Proforma Combined Summarised Restated Financial Statements

1. The Proforma Combined Summarised Restated Financial Statements have been compiled as under:

   (a) Proforma Combined Summarized Restated Income Statement for the year ended March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 includes the following companies:

For the Year/ Period ended	**Companies Combined**
March 31, 2003	HOV Services Limited (Formerly Codec Communications (P) Limited), India
	Savant Consulting Group Inc, U.S.A. (from May 2002, includes its subsidiary: Digital BoardWalk, LLC, U.S.A. from March 2003)
March 31, 2004	HOV Services Limited (Formerly Codec Communications (P) Limited), India
	Savant Consulting Group, Inc, U.S.A. (includes its subsidiary: Digital BoardWalk, LLC, U.S.A.)
	Meridian Consulting Group, LLC, U.S.A. (from April 2003)
	Bay Area Credit Service, LLC, U.S.A. (from November 2003)
March 31, 2005	HOV Services Limited (Formerly Codec Communications (P) Limited), India
	Savant Consulting Group, Inc, U.S.A. (includes it's subsidiary: Digital BoardWalk, LLC, U.S.A.)
	Meridian Consulting Group, LLC, U.S.A.
	Bay Area Credit Service, LLC, U.S.A. (Includes its subsidiary Bay Area Credit Service (I) (P) Limited from October 2004)
	Complex Property Advisors Corporation, U.S.A. (from January 2005)
March 31, 2006	HOV Services Limited (Formerly Codec Communications (P) Limited), India
	HOV Services, LLC, USA.
	Savant Consulting Group, Inc, U.S.A. (Includes it's subsidiary Digital BoardWalk, LLC, U.S.A.)
	Meridian Consulting Group, LLC, U.S.A.
	Bay Area Credit Service, LLC, U.S.A. (Includes Bay Area Credit Service (I) (P) Limited)
	Complex Property Advisors Corporation, U.S.A.
	Glen Daniels Corporation, U.S.A. doing business as Imperial Collection Service (from September 2005)

2. The Proforma Combined Summarised Restated Financial Statements have been prepared on the following basis:

   a) The Income Statement for Indian companies is prepared in accordance with the Indian Generally Accepted Accounting Principles (Indian GAAP) under the historical cost convention on the accrual basis. Accounting Policies have been consistently followed and if a change in Accounting Standards issued by the Institute of Chartered Accountants of India requires change in accounting policy followed till date, necessary disclosures are being made for the same.

   For U.S.A. based companies, the Income Statement is prepared in accordance with the U.S. Generally Accepted Accounting Principles (U.S. GAAP) under the historical cost convention on the accrual basis. Accounting Policies have been consistently followed and necessary disclosures are made for change in accounting policy, if any.

   Refer to the significant accounting policies and notes attached to our report on Standalone Summarised Restated Financial Statements of the companies combined.

   b) For combination purpose, the financial statements have been combined on line-by-line basis, eliminating inter-company transactions.

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 the financial statements of HOV Services Limited ("HOVS") for the fiscal years ended March 31, 2003, 2004, 2005 and 2006, including the notes thereto; the financial statements of Bay Area Credit Service, LLC ("BACS") for the fiscal years ended March 31, 2004, 2005 and 2006, including the notes thereto; the financial statements of Meridian Consulting Group, LLC ("Meridian") for the fiscal years ended March 31, 2004, 2005 and 2006, including the notes thereto; the financial statements of Savant Consulting Group , Inc. ("Savant") for the fiscal years ended March 31, 2003, 2004, 2005 and 2006, including the notes thereto; and the pro forma combined financial statements of the Group for the fiscal years ended March 31, 2003, 2004, 2005 and 2006, including the notes thereto, which appear in this Red Herring Prospectus.

The fiscal years of HOVS, BACS, Meridian, Savant and the Group ended on March 31 of each year, so all references to a particular fiscal year are to a twelve month period ended March 31 of that year.

HOVS's financial statements have been prepared in accordance with Indian GAAP. BACS', Meridian's and Savant's financial statements have been prepared in accordance with U.S. GAAP. The pro forma combined financial statements of the Group have been prepared in accordance with Indian GAAP.

Overview

We and our Subsidiaries provide business process outsourcing ("BPO") services to the finance and accounting business sector with operations in India and the U.S. We provide these services to our U.S. based corporate clients through our three main operating business divisions: Accounts Receivable Management ("ARM"), Enterprise Management Tools and Services ("EMTS") and Insurance and Tax Services ("ITS").

Our operations are divided into three business divisions as follows:

- ARM: HOV Services Limited, Bay Area Credit Service, LLC, Bay Area Credit Service (I) Pvt. Ltd., and Imperial Collection Service;
- EMTS: HOV Services Limited and Savant Consulting Group Service, Inc.;
- ITS: HOV Services Limited, Meridian Consulting Group, LLC, and Complex Property Advisors Corporation.

Our ARM division provides accounts receivable management services to clients in the telecommunications, health care and financial services industries. We provide three basic services to our credit grantor clients: first party collections, third party collections and insurance eligibility verification, billing and follow-up.

Our EMTS division develops proprietary software products for use by our clients and by our other operating business divisions. EMTS directs the deployment of a suite of web-based enterprise management and productivity software tools to compile, report, analyze and manage accounts placed for collection or claims in the insurance sector.

Our ITS division provides consulting and project management services to the surety industry focusing primarily in the construction sector and property tax assessment management and consulting to the health care and other industries. ITS provides the following services to our insurance company clients: contract payment and performance bond claim investigations, property and casualty damage claim evaluations, technical support of construction-related litigation and construction project management. ITS also provides analysis, appraisal, expert testimony and appeals management of property tax assessments for our health care and entertainment corporate clients.

On a pro forma combined basis, in the year ended March 31, 2006, we and our Subsidiaries had total revenues and profit before interest, depreciation and tax of Rs. 1,650.69 million and Rs. 209.98 million, respectively.

Background and Basis of Presentation

HOVS was incorporated in 1989 under the Companies Act, 1956 as Codec Communications Private Limited. HOVS commenced its operations on January 10, 1989 as a software development and maintenance company focused on the domestic Indian market. It changed its name to HOV Services Limited in January 2006 following our corporate restructuring. The discussion that follows covers the Company and the Subsidiaries on a standalone basis and may not represent our financial position on a consolidated basis for the prior period. For information about our recently-completed corporate restructuring, please see the section entitled “History and Certain Corporate Matters” in this Red Herring Prospectus.

Our Promoters, together with certain other shareholders, acquired 100% of the issued and outstanding shares held by the prior shareholders of HOVS in October 2003. Our accounting policies have been consistently followed and if a change in Accounting Standards issued by the Institute of Chartered Accountants of India requires a change in our accounting policies, necessary disclosures are made.

HOV Services Limited

Revenues

We derive revenues from providing BPO services to our Group Companies who are principally in the accounts receivable management, software development and maintenance, and insurance and tax consulting businesses.

Our revenues are affected by economic conditions and the levels of business activity in the industries our Group serves, as well as by the amount of business that our Group’s customers decide to outsource. We report our financial results in Rupees. All of our revenues are derived from customers in the U.S. with billing and payment in U.S. dollars, while a substantial portion of our expenses are in Rupees. This exposes us to currency exchange risks.

At present we do not have a currency hedging strategy and we post exchange gains or losses to our accounts at the end of each fiscal year. The exchange rate between the Rupee and U.S. dollar has shown a lot of fluctuations in the past and may continue to fluctuate in future. At present we do not have any contracts with our customers which offer protection to us from adverse Rupee/U.S. dollar movement.

Most of our agreements with our clients provide for billing based on hours worked and software deployed. Most of these agreements provide for fixed billing rates which can subject us to losses if we estimate cost of our services incorrectly.

We recognize revenues as per the work orders/agreements entered into with our Group Companies.

Expenditures

Our expenditures consist of our employee cost, connectivity cost and general and administration expenses.

Employee Cost

Employee cost consists primarily of compensation of our personnel. It includes salaries, which are the fixed component of employee compensation, and a variable part of employee compensation. The variable compensation component is in the form of monthly cash incentives and is based on a ranking system to measure employee performance. Employee cost also includes contribution to retirement plans and benefits such as employee welfare, food, transport and medical insurance.

General and Administration Expenses

General and administration expenses include all the expenses we incur other than employee cost such as rental fees on facilities, connectivity costs, employee training, general office expenses and facility maintenance. Our connectivity cost includes both fixed and variable usage charges for telecommunications and internet connectivity. We have negotiated contracts with major telecommunications and internet service providers which require a high level of service while minimizing our cost of usage. In India at present there is a downward trend in telecommunication charges, which may have a positive impact on our operating margins.

Other Income

Other income includes interest on bank fixed deposits and currency exchange gains.

Taxation

Indian Taxes

In 2000, HOVS was granted permission to operate as a 100 per cent Export Oriented Unit (“EOU”) under the Software Technology

Park scheme. This entitles HOVS to avail itself of tax exemptions under section 10(B) of the Income Tax Act.

Under this section, a deduction is available to 100 per cent export oriented units for a period of 10 consecutive years beginning with the assessment year relevant to the previous year in which the company begins to manufacture or produce articles or computer software. Our Section 10(B) deduction will expire in fiscal year 2009.

Profits derived from exports are exempt under section 10(B). In fiscal year 2004, HOVS' deduction was set at 90% of the profits and gains derived by us from our export income. For all other periods, the deduction has been 100% of the profits derived from export revenue.

Critical Accounting Policies

Revenue Recognition: Revenue from software development and support services is recognized as per the work orders/ agreements entered into with our US associates.

Depreciation and Amortization: Depreciation is provided under straight line method and in the manner prescribed in the Schedule XIV of the Companies Act, 1956. If the asset is purchased on or before the 15th of the month, proportionate depreciation is provided for that month, otherwise, if the asset is purchased after the 15th of the month, then depreciation is provided for that asset from the next month onwards. Assets below Rs.5,000 are depreciated fully in the year of purchase.

Retirement Benefits: Defined contributions for provident fund are charged to the profit and loss account based on contributions made in terms of applicable schemes. Liability towards Leave Encashment Benefit and Gratuity to employees is paid/provided for as at the Balance Sheet date.

Foreign Exchange Transactions: Transactions in foreign exchange are accounted for at the exchange rates prevailing on the date of the transaction. Exchange differences arising on settlement of foreign currency transactions are recognized in the profit and loss account, except exchange differences pertaining to the acquisition of fixed assets.

Results of Operations of HOV Services Limited

You should read the following discussion of HOV Services Limited's financial condition and results of operations together with the financial statements of HOV Services Limited for the fiscal years ended March 31, 2002, 2003, 2004, 2005 and 2006 including the notes thereto, which appear in this Red Herring Prospectus.

HOV's fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. As used in this section, the term "HOVS" means HOV Services Limited on a standalone basis, without giving effect to the consolidation of any subsidiaries and the term "revenues" refers to the item titled "income" in our financial statements prepared in accordance with Indian GAAP.

HOV Services Limited (Formerly Codec Communications (P) Limited)

Standalone Summarised Restated Income Statement

(Amount in Rs. millions)

Particulars	For the year ended March 31,			
	2003	2004	2005	2006
INCOME				
Income from Operations	7.16	19.52	48.46	44.71
Other Income	0.12	0.11	0.18	1.81
	7.28	**19.63**	**48.64**	**46.52**
EXPENDITURE				
Staff Cost	5.07	12.06	13.86	9.97
General and Administration Expenses	2.55	4.93	7.72	9.08
	7.62	**16.99**	**21.58**	**19.05**
Profit/(Loss) before Interest, Depreciation and Tax	**(0.33)**	**2.65**	**27.06**	**27.47**
Less: Interest	-	-	0.01	0.17
Less: Depreciation	0.17	0.16	0.84	1.12
Profit/(Loss) before Tax	**(0.50)**	**2.49**	**26.21**	**26.18**
Tax pertaining to earlier years	-	-	0.03	(0.005)
Less: Provisions for taxes				
Current Tax	-	0.17	0.07	0.005
Deferred Tax	(0.19)	0.12	0.38	(0.04)
Fringe Benefit Tax	-	-	-	0.11
Profit/(Loss) after Tax	**(0.31)**	**2.20**	**25.73**	**26.11**

Comparison of the Fiscal 2006 to Fiscal 2005

Revenues

HOVS' total revenues decreased by 4.4% from Rs. 48.64 million in fiscal 2005 to Rs. 46.52 million in fiscal 2006. HOVS derives its revenues from fees charged to Group Companies. Software sales contributed to the growth in revenues in fiscal 2005. In fiscal 2005, HOVS had revenue from software sales comprising 23.5% of its total revenues while in fiscal 2006, the revenue from software sales was 15% of its total revenues.

Other Income

HOVS' other income in fiscal 2006 was Rs. 1.81 million compared to Rs. 0.18 million in fiscal 2005. The majority of other income in fiscal 2006 was foreign exchange fluctuation gains and interest on bank deposits. Other income in fiscal 2005 consisted mainly of interest on bank deposits.

Expenditures

HOVS' total expenditures in fiscal 2006 were Rs. 19.05 million, a decrease of 11.72% from total expenditures of Rs. 21.58

million in fiscal 2005. Total expenditures as a percentage of total revenues decreased from 44.4% in fiscal 2005 to 40.95% in fiscal 2006.

Employee Cost

HOVS' employee cost was Rs. 9.97 million in fiscal 2006, a decrease of 28.1% from employee cost of Rs. 13.86 million in fiscal 2005. The main reasons for this decrease in employee cost was the transfer of approximately 60 employees to Bay Area Credit Service (I) Pvt. Ltd. and the partial capitalization of the salaries of HOVS' software development team. HOVS is in the process of developing proprietary software and the related costs have been capitalized in its books of accounts. Disregarding the capitalization impact, employee cost would show a decline of 3.6% from fiscal 2005 to fiscal 2006.

General and Administration Expenses

For fiscal 2006, HOVS' general and administration expenses were Rs. 9.08 million, an increase of 17.61% from expenses of Rs. 7.72 million in fiscal 2005. In fiscal 2006, HOVS leased a new facility which resulted in an increase in rent expense by approximately 61% over fiscal 2005. Along with the rent increase, internet charges also increased by approximately 15%. HOVS is in the process of developing proprietary software and the related costs have been capitalized in its books of accounts. Without this capitalization impact, general and administration expenses would show an increase of 60% in fiscal 2006 from fiscal 2005, mainly due to increases in repair and facilities maintenance costs, increased rent expense, legal and professional fees, internet costs and management travel expenses.

Profit Before Interest, Depreciation and Tax (PBIDT)

HOVS' PBIDT was Rs. 27.47 million in fiscal 2006, an increase of 1.51% from Rs. 27.06 million in fiscal 2005. HOVS' PBIDT as a percentage of total revenues was 59.04% in fiscal 2006 and 55.6% in fiscal 2005.

Interest

HOVS' interest expense, which consisted of interest on a vehicle loan, was Rs. 0.17 million in fiscal 2006, compared to Rs. 0.009 million in fiscal 2005.

Depreciation

HOVS' depreciation cost was Rs. 1.12 million in fiscal 2006, a 33.3% increase from depreciation cost of Rs. 0.84 million in fiscal 2005. During fiscal 2006, asset additions were Rs. 3.3 million.

Profit Before Tax (PBT)

HOVS' PBT for fiscal 2006 was Rs. 26.18 million, which showed a slight decrease of 0.11% from PBT of Rs. 26.21 million in fiscal 2005. PBT as a percentage of total revenue was 56.3% in fiscal 2006 and 53.9% in fiscal 2005.

Income Tax

HOVS' income tax expense for fiscal 2006 was Rs. 0.11 million compared to Rs. 0.07 million in fiscal 2005. HOVS claims tax exemption under section 10B of Income Tax Act, 1961. During fiscal 2006, HOVS reversed deferred tax of Rs. 0.04 million.

Profit after Tax

HOVS' profit after tax was Rs. 26.11 million in fiscal 2006, an increase of 1.5% over profit after tax of Rs. 25.73 million in fiscal 2005. Profit after tax as a percentage of total revenue was 56.59% in fiscal 2006 and 52.9% in fiscal 2005.

Comparison of Fiscal 2005 to Fiscal 2004

Revenues

HOVS' total revenues increased by 147.7% from Rs. 19.64 million in fiscal 2004 to Rs. 48.64 million in fiscal 2005. HOVS developed and implemented two software products in fiscal 2005, which contributed approximately 24% of its revenues in fiscal 2005. Also, the acquisition of Bay Area Credit Service, LLC by our Promoters in October 2003 led to an increase in revenues from servicing this additional Group Company. Finally, the shift in HOVS' focus from domestic business to export services, and the resulting increase in service fees charged to Group Companies, contributed to the increase in revenues. In fiscal 2004, 66% of HOVS' total revenue was derived from domestic customers and by fiscal 2005, 100% of its revenue came from export services.

Expenditures

HOVS' total expenditures in fiscal 2005 were Rs. 21.58 million, an increase of 27.0% over total expenditures of Rs. 16.99 million in fiscal 2004. Total expenditures as a percentage of total revenues was 44.4% in fiscal 2005 compared to 86.5% in fiscal 2004.

Employee Cost

In fiscal 2005, HOVS' employee cost was Rs. 13.86 million, an increase of 15% from employee cost of Rs. 12.06 million in fiscal 2004. Employee cost increased both because HOVS' average number of employees increased and its employees' salaries increased.

General and Administration Expenses

During fiscal 2005, HOVS' general and administration expenses were Rs. 7.72 million, an increase of 56.59% from Rs. 4.93 million in fiscal 2004. The overall increase in the administrative expenses which includes connectivity cost was in line with its growth in operations.

Profit Before Interest, Depreciation and Tax (PBIDT)

HOVS' PBIDT was Rs. 27.06 million in fiscal 2005, a substantial increase of 922.7% over PBIDT of Rs. 2.65 million in fiscal 2004. PBIDT as a percentage of total revenues was 55.6% in fiscal 2005 and 13.5% in fiscal 2004. The addition of new export customers, development of new products, expansion of existing lines of business and management of costs, resulted in HOVS' PBIDT growth.

Interest

During fiscal 2005, HOVS' interest expense was Rs. 0.009 million. HOVS incurred no interest expense in fiscal 2004.

Depreciation

HOVS' depreciation cost of Rs. 0.84 million in fiscal 2005 increased from Rs. 0.16 million in fiscal 2004. During fiscal 2005, asset additions were Rs. 3.28 million.

Profit Before Tax (PBT)

HOVS' PBT in fiscal 2005 was Rs. 26.21 million, which showed an increase of 953% from PBT of Rs. 2.49 million in fiscal 2004. PBT as a percentage of total revenues was 53.9% in fiscal 2005 and 12.7% in fiscal 2004.

Income Tax

Income tax expense in fiscal 2005 was Rs. 0.07 million, a decrease of 60.0% from tax expense of Rs. 0.17 million in fiscal 2004. HOVS claims tax exemption under section 10B of Income Tax Act, 1961. During fiscal 2005, HOVS provided for deferred tax of Rs. 0.38 million compared with a provision of Rs. 0.12 million in fiscal 2004.

Profit after Tax

HOVS' profit after Tax in fiscal 2005 was Rs. 25.73 million, which showed an increase of 1,069% from profit after tax of Rs. 2.20 million in fiscal 2004. Profit after tax as a percentage of total revenues was 52.9% in fiscal 2005 and 11.2% in fiscal 2004.

Comparison of Fiscal 2004 to Fiscal 2003

Revenues

HOVS' total revenues increased by 170% to Rs. 19.64 million in fiscal 2004 from Rs. 7.28 million in fiscal 2003. During fiscal 2004, HOVS began to change its customer focus to the export market from the domestic market, which led to higher service fees and thus higher revenues. During fiscal 2003, the share of domestic sales in total revenue was 83%, which decreased to 66% during fiscal 2004.

Expenditure

HOVS' total expenditure in fiscal 2004 was Rs. 16.99 million, an increase of 123.2% from total expenditure of Rs. 7.61 million in fiscal 2003. Total expenditure as a percentage of total revenue was 86.5% in fiscal 2004 and 104.6% in fiscal 2003.

Employee cost

In fiscal year 2004, HOVS' employee cost was Rs. 12.05 million, which increased 138% from employee cost of Rs. 5.07 million in fiscal 2003. This increase in fiscal 2004 was due to increases both in HOVS' number of employees and its employees' salaries.

General and Administration Expenses

During fiscal 2004, our general and administration expenses were Rs. 4.93 million, an increase of 93.33% from expenses of Rs. 2.55 million in fiscal 2003. This increase was mainly due to increased facility rental expenses from an additional facility in Pune.

Profit Before Depreciation, Interest and Tax (PBIDT)

In fiscal 2004, HOVS' PBIDT was Rs. 2.64 million, while during fiscal 2003, it posted a loss of Rs. 0.3 million. PBIDT as a percentage of total revenue was 13.5% in fiscal 2004.

Depreciation

Depreciation of Rs. 0.16 million decreased slightly during fiscal 2004 compared to depreciation of Rs. 0.17 million in fiscal 2003.

Profit Before Tax (PBT)

HOVS' PBT was Rs. 2.48 million in fiscal 2004 compared to a loss of Rs. 0.5 million in fiscal 2003. PBT as a percentage of total revenue was 12.7% in fiscal 2004.

Income Tax

HOVS claims tax exemption under section 10B of Income Tax Act, 1961. During fiscal 2004, HOVS provided for deferred tax of Rs. 0.1 million plus Rs. 0.17 million as tax on domestic income. Because of its loss in fiscal 2003, HOVS created a deferred tax asset of Rs. 0.19 million.

Profit after Tax

HOVS' profit after tax was Rs. 2.2 million in fiscal 2004 compared to a loss of Rs. 0.3 million in fiscal 2003. Profit after tax as a percentage of total revenue was 11.2% in fiscal 2004.

Results of Operations of Bay Area Credit Service, LLC

You should read the following discussion of the results of operations of Bay Area Credit Service, LLC ("BACS") together with the financial statements of BACS for the fiscal years ended March 31, 2004, 2005 and 2006, including the notes thereto, prepared in accordance with U.S. GAAP, which appear in this Red Herring Prospectus.

BACS' fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. BACS was acquired by some of our promoters and certain other shareholders in October 2003, as a result the financial statements for the 2004 fiscal year include results from five months of operations, from November 2003 through March 2004. Therefore BACS' financial results from fiscal year 2004 are not comparable to fiscal year 2005.

As used in this section, the term BACS means Bay Area Credit Service, LLC and Bay Area Credit Service (I)Private Limited on a consolidated basis for the above periods as applicable.

Overview

BACS provides accounts receivable management services to Fortune 500 clients in the telecommunications, health care and financial services industries. BACS provides three basic services to its credit grantor clients: first party collections, third party debt collections, and insurance eligibility verification, billing and follow-up.

Results of Operations

BAY AREA CREDIT SERVICE, LLC

Consolidated Summarised Restated Income Statement for

(Rs. in millions)

Particulars	5 Months Period ended March 31,	Year Ended March 31,	
	2004	2005	2006
INCOME			
Income from operations	265.98	599.31	645.07
Other Income	17.75	67.91	9.10
	283.73	**667.22**	**654.17**
EXPENDITURE			
Cost of Revenues (Including Staff Cost)	113.91	294.24	289.21
General and Administration Expenses	133.74	338.07	355.05
	247.65	**632.31**	**644.26**
Profit/(Loss) before interest depreciation and tax	**36.08**	**34.91**	**9.91**
Interest expense	0.03	3.28	5.98
Depreciation Expenses	6.41	18.93	26.87
Profit/(Loss) before Tax	**29.64**	**12.70**	**(22.94)**
Less : Provisions for taxes			
Fringe Benefit Tax			0.48
Income Tax	11.23	0.56	(5.79)
Profit/(Loss) after Tax	**18.41**	**12.14**	**(17.63)**

Comparison of the Fiscal 2006 to Fiscal 2005

Revenues

BACS' total revenues in fiscal 2006 were Rs. 654.17 million compared to Rs. 667.22 million in fiscal 2005, a decrease of 1.96%. BACS derives its revenues by providing collections services to its clients. The main reason for this increase in revenues in fiscal 2006 was higher collections achieved by BACS as compared to fiscal 2005.

Expenditures

BACS' total expenditures in fiscal 2006 were Rs. 644.26 million compared to Rs. 632.31 million in fiscal 2005, an increase of 1.89%. Bay Area Credit Service (I), which is a wholly owned subsidiary of BACS, was formed in October 2004 and therefore, its expenses included in total expenditures in fiscal 2005 were only for six months of the period. Total expenditures as a percentage of revenues in fiscal 2006 was 99.87% compared to 94.8% in fiscal 2005.

Staff Cost

BACS' staff cost decreased by 1.71% to Rs. 289.21 million in fiscal 2006 from Rs. 294.24. million in fiscal 2005. This decrease was primarily due to the shifting of some of the operations from the U.S. to India where costs are lower.

Operating and Other Expenses

BACS' operating expenses were Rs. 355.05 million fiscal 2006 compared to Rs. 338.07 million in fiscal 2005, an increase of 5.0%. As a percentage of total revenues BACS' operating expenses were 54.3% in fiscal 2006 compared to 50.7% in fiscal 2005. Operating and other expenses consist primarily of facilities, fees paid to HOVS for services received, administration, communications and general office expenses. This increase is primarily due to the addition of Bay Area Credit Service (I) in October 2004 and the expansion of operations which resulted in higher operating expenditures in fiscal 2006 as compared to fiscal 2005.

Profit Before Interest, Depreciation and Tax

BACS' posted a PBIDT of Rs. 9.90 million in fiscal 2006 compared to a PBIDT of Rs. 34.91 million in fiscal 2005.

Depreciation and Interest Expense

BACS' depreciation charge was Rs. 26.87 million in fiscal 2006 compared to Rs. 18.93 million in fiscal 2005, an increase of 41.9%. This increase is primarily due to BACS' significant investment in new technology and a significant purchase of software in fiscal 2006, which are depreciated on a five-year straight line basis.

BACS' interest expense in fiscal 2006 was Rs. 5.98 million compared to Rs. 3.28 million in fiscal 2005, an increase of 82.3%. This increase was primarily due to the increased drawdown under its short-term bank lines of credit to support the expansion plans as discussed above.

Profit Before Tax

During fiscal 2006, BACS posted a loss of Rs. 22.94 million as compared to a profit before tax of Rs. 12.70 million in fiscal 2005. This decrease in profit is primarily due to increased expenses and increased depreciation as discussed above.

Income Tax

BACS has income tax benefit of Rs. 5.80 million in fiscal 2006. Its income tax expense was Rs. 0.56 million in fiscal 2005.

Profit After Tax

BACS posted a net loss of Rs. 17.63 million in fiscal 2006 compared to a net profit of Rs. 12.14 million in fiscal 2005.

Comparison of Fiscal 2005 to Fiscal 2004

Revenues

BACS' revenues were Rs. 599.31 million in fiscal 2005 and Rs. 265.98 million in fiscal 2004. Collection services provided by BACS are provided from the U.S. and Pune. In October 2004, BACS formed its wholly owned subsidiary in India to better serve its customers at a lower cost and achieve higher operational efficiencies.

Expenditures

Expenses in fiscal 2005 were Rs. 632.31 million compared to Rs. 247.65 million in fiscal 2004. Total expenditures, as a percentage of total revenues in fiscal 2005 were 94.8% compared to 87.3% in fiscal 2004.

Staff Cost

BACS' staff costs were Rs. 357.29 million in fiscal 2005 compared to Rs. 138.3 million in fiscal 2004.

Operating and Other Expenses

BACS' operating expenses were Rs. 275.02 million for fiscal 2005 as compared to Rs. 109.35 million in fiscal 2004. As a percentage of total revenues BACS' operating expenses were 41.2% in fiscal 2005 compared to 38.5% in fiscal 2004. Operating and other expenses consist primarily of facilities, administration, communications and general office expenses.

Profit Before Interest, Depreciation and Tax

BACS' PBIDT for fiscal 2005 was Rs. 34.91 million compared to Rs. 36.08 million in fiscal 2004.

Depreciation and Interest Expense

BACS' depreciation charge was Rs. 18.93 million in fiscal 2005 compared to Rs. 6.41 million in fiscal 2004.

BACS' interest expense in fiscal 2005 was Rs. 3.28 million compared to Rs. 0.03 million in fiscal 2004.

Profit Before Tax

During fiscal 2005, BACS posted a profit of Rs. 12.70 million as compared to a profit before tax of Rs. 29.64 million in fiscal 2004.

Income Tax

BACS had income tax expense of Rs. 0.56 million in fiscal 2005 and Rs. 11.23 million in fiscal 2004.

Profit After Tax

BACS posted a net profit of Rs. 12.14 million in fiscal 2005 compared to a net profit of Rs. 18.41 million in fiscal 2004.

Results of Operations of Meridian Consulting Group, LLC

You should read the following discussion of the results of operations of Meridian Consulting Group, LLC ("Meridian") together with the financial statements of Meridian for the fiscal years ended March 31, 2004, 2005 and 2006, prepared in accordance with U.S. GAAP, including the notes thereto, which appear in this Red Herring Prospectus.

Meridian's fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. As used in this section, the term Meridian means Meridian Consulting Group, LLC on a standalone basis, without giving effect to the consolidation of any subsidiaries.

Overview

Meridian serves the surety insurance industry in the United States focused primarily on the construction sector. Meridian specializes in providing services such as contract payment and performance bond claim investigations, property/casualty damage claim evaluations, technical support of construction related litigation and construction project management.

Results of Operations

MERIDIAN CONSULTING GROUP

Standalone Summarised Restated Income Statement for the

(Rs. in millions)

Particulars	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Revenues			
Income from Operation	243.71	398.36	506.32
Other Income	-	-	1.33
Total	**243.71**	**398.36**	**507.65**
Expenditure			
Cost of Revenue (Including Staff Cost)	144.02	213.82	259.17
Selling, General & Administration Expenses	68.98	99.31	139.34
Total	**213.00**	**313.13**	**398.51**
Profit Before Interest, Depreciation & Tax	**30.71**	**85.23**	**109.14**
Less: Interest	4.09	9.66	12.30
Less: Depreciation	0.23	0.61	1.75
Income From Operation	**26.39**	**74.97**	**95.09**
Income Tax	9.23	24.17	25.67
Income After taxes	**17.16**	**50.80**	**69.42**

Comparison of Fiscal 2006 to Fiscal 2005

Revenues

Meridian's total revenues increased by 27.4% to Rs. 507.66 million in fiscal 2006 from Rs. 398.36 million in fiscal 2005. Meridian derives its revenues from providing consulting services to the insurance industry. The majority of this increase was due to the growth in business from Meridian's existing clients and an increase in the proportion of Meridian's higher-value services such as surety consulting and litigation support, which on average are priced approximately 40% higher than Meridian's other services.

Expenditures

Cost of Revenue

Meridian's cost of revenues increased by 21.2% to Rs. 259.17 million in fiscal 2006 from Rs. 213.83 million in fiscal 2005. The main reason behind this increase is the increments done and the bonus paid to employees. Also, the increase in our revenues have led to a proportionate increase in our third-party consultant fees.

Operating Expenses

Meridian's operating expenses rose to Rs. 139.34 million in fiscal 2006 from Rs. 99.31 million in fiscal 2005, an increase of 40.31%. Meridian's operating expenses increased to 27.52% of its total revenues in fiscal 2006 as compared to 24.3% of its total revenues in fiscal 2005. Meridian's operating expenses consist primarily of facilities costs, back office staff expenses and general office expenses. The primary reason for the increase in operating expenses was increase in the number and salaries of back-office staff and increased lease payments on Meridian's new offices to support its growth in business as described above.

Profit Before Interest, Depreciation and Tax

Meridian's PBIDT for fiscal 2006 was Rs. 109.14 million compared to Rs. 85.23 million in fiscal 2005, an increase of 28.1%. This increase was mainly due to higher revenues as described above along with the management of expenses to control costs while servicing business growth.

Depreciation and Interest

Meridian's depreciation expenses were Rs. 1.75 million in fiscal 2006 compared with Rs. 0.61 million in fiscal 2005. This increase is primarily due to significant investment in software technology to better support its clients. Meridian's interest expense was Rs. 12.30 million in fiscal 2006, an increase of 27.3% over the prior period expense of Rs. 9.66 million. This increase was due to higher costs associated with increased drawdowns under its line of credit to fund its expansion plans as described above.

Profit Before Tax

Meridian's profit before tax was Rs. 95.10 million in fiscal 2006 compared to Rs. 74.97 million in fiscal 2005, representing an increase of 26.9%.

Income Tax

Meridian's income tax expense was Rs. 25.68 million in fiscal 2006 compared to Rs. 24.17 million in fiscal 2005, and increase of 6.2%. Income tax expense was 5.1% of revenues in fiscal 2006 against 6.1% of revenues during fiscal 2005.

Profit After Tax

Meridian's profit after tax was Rs. 69.42 million in fiscal 2006, which showed healthy growth of 36.7% compared to profit after tax of Rs. 50.80 million in fiscal 2005. Higher revenue growth coupled with expense management during the year contributed to this increase.

Comparison of Fiscal 2005 to Fiscal 2004

Revenues

Meridian's total revenues increased by 63.4% to Rs. 398.36 million in fiscal 2005 from Rs. 243.72 million in fiscal 2004. Meridian derives its revenues from providing consulting services to the insurance industry. The majority of this increase was due to the growth in business from Meridian's existing clients and an increase in the proportion of Meridian's higher-value services such as surety consulting and litigation support, which on average are priced approximately 40% higher than Meridian's other services.

Expenditures

Cost of Revenue

Meridian's cost of revenues increased by 48.5% to Rs. 213.82 million in fiscal 2005 from Rs. 144.02 million in fiscal 2004. Meridian's cost of revenues decreased as a percentage of revenues, however, from 59.1% in fiscal 2004 to 53.7% in fiscal 2005. As Meridian's cost of revenues consists primarily of consulting staff costs, the increase in cost of revenues in fiscal 2005 was primarily due to an increase in employee costs, both in number of employees and employees' salaries, required to service the growth in business in fiscal 2005.

Operating Expenses

Meridian's operating expenses rose to Rs. 99.31 million in fiscal 2005 from Rs. 68.98 million in fiscal 2004, an increase of 44.0%. Meridian's operating expenses decreased slightly to 24.9% of its total revenues in fiscal 2005 as compared to 28.3% of its total revenues in fiscal 2004. Meridian's operating expenses consist primarily of facilities costs, back office staff expenses and general office expenses. The primary reason for the increase in operating expenses was increase in the number and salaries of back-office staff and increased lease payments on Meridian's new offices to support its growth in business as described above.

Profit Before Interest, Depreciation and Tax

Meridian's PBIDT for fiscal 2005 was Rs. 85.23 million compared to Rs. 30.71 million in fiscal 2004, an increase of 177.5%. This increase was mainly due to higher revenues as described above along with the management of expenses to control costs while servicing business growth.

Depreciation and Interest

Meridian's depreciation expenses were Rs. 0.61 million in fiscal 2005 compared with Rs. 0.23 million in fiscal 2004. This increase is primarily due to significant investment in software technology to better support its clients.

Meridian's interest expense was Rs. 9.66 million in fiscal 2005, an increase of 136.2% over the prior year expense of Rs. 4.09 million. This increase was due to higher costs associated with increased drawdowns under its line of credit to fund its expansion plans as described above.

Profit Before Tax

Meridian's profit before tax was Rs. 74.97 million in fiscal 2005 compared to Rs. 26.40 million in fiscal 2004, representing an increase of 184.0%.

Income Tax

Meridian's income tax expense was Rs. 24.17 million in fiscal 2005 compared to Rs. 9.23 million in fiscal 2004, and increase of 161.86%. Income tax expense was 6.1% of revenues in fiscal 2005 against 3.8% of revenues during fiscal 2004.

Profit After Tax

Meridian's profit after tax was Rs. 50.80 million in fiscal 2005, which showed healthy growth of 196.0% compared to profit after tax of Rs. 17.16 million in fiscal 2004. Higher revenue growth coupled with expense management during the year contributed to this increase.

Results of Operations of Savant Consulting Group, Inc.

You should read the following discussion of the results of operations of Savant Consulting Group, Inc. ("Savant") together with the financial statements of Savant for the fiscal years ended March 31, 2003, 2004, 2005 and 2006, prepared in accordance with U.S. GAAP, including the notes thereto, which appear in this Red Herring Prospectus.

Savant's fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. As used in this section, the term Savant means Savant Consulting Group, Inc. and Digital Boardwalk, LLC on a consolidated basis, for the periods above, as applicable.

Overview

Founded in 1997 as an IT consulting company, Savant Consulting Group, Inc. primarily catered to the short-term project staffing needs of large corporations in the U.S.

Since its acquisition by some of our promoters and certain other shareholders, Savant has shifted its focus from the lower margin project staffing business to the higher margin enterprise products and services business that can be better served from Pune.

Results of Operations

Savant Consulting Group, Inc.

Consolidated Summarised Restated Income Statement for

(Rs. in millions)

Particulars	2003	2004	2005	2006
Revenues	940.71	595.13	300.69	204.75
Cost of revenues (Including Staff Cost)	714.10	437.27	217.90	144.80
Gross margin	226.61	157.86	82.79	59.95
Selling, general & administrative expenses	205.68	150.69	62.66	39.29
Operating income (EBITDA)	20.93	7.17	20.13	20.66
Depreciation and amortization	1.43	1.74	1.41	0.85
Income before interest & taxes (EBIT)	19.50	5.43	18.72	19.81
Interest expense	5.89	7.94	6.44	4.35
Income before income taxes	13.61	(2.51)	12.28	15.46
Income taxes	(1.22)	(2.35)	3.95	4.14
Income after taxes	14.83	(0.16)	8.33	11.32
Declared Dividend	0.73	-	-	-
Profit carried to balance sheet	**14.10**	**(0.16)**	**8.33**	**11.32**

Revenue

During the preceding four fiscal years, Savant's revenue has declined. In fiscal 2003, 2004, 2005 and 2006, revenues were Rs. 940.71 million, Rs. 595.13 million, Rs. 300.69 million and Rs. 204.75 million, respectively. The decline in revenues was mainly on account of the shifting of focus away from the staffing business.

Cost of Revenues

During the preceding four fiscal years, Savant's cost of revenues has also declined. In fiscal 2003, 2004, 2005 and 2006, cost of revenues was Rs. 714.10 million, Rs. 437.27 million, Rs. 217.90 million and Rs. 144.80 million, respectively. The decline in cost of revenues was also due to the shifting of focus away from the staffing business.

Profit After Tax

In fiscal 2003, 2005 and 2006, Savant had a net profit of Rs. 14.83 million, Rs. 8.33 million, respectively and Rs. 11.32 million. In fiscal 2004, Savant had a net loss of Rs. 0.16 million.

The HOV Group has made a conscious decision to focus its business on enterprise management products and service work such as development of web-based reporting tools and collection systems. Already three developed products eLadin, Dashboard and HOV Oasis are in various stages of implementation at client sites and have begun to generate revenue streams within the group companies and their existing clientele.

Liquidity and Capital Resources

Liquidity

Our growth has been financed largely from cash generated from operations. As of March 31, 2006, HOVS had Rs. 2.91 million in cash and cash equivalents and Rs. 56.97 million in working capital. As of March 31, 2006, HOVS had outstanding long-term debt of Rs. 0.88 million, consisting of automobile loans, and our Group Companies had outstanding combined long-term debt of Rs. 59.7 million. We believe that in addition to our existing borrowing limits and net proceeds from the issue, we will have sufficient cash and cash generated from operations to meet our working capital requirements for at least the next 12 months.

Cash flows

The table below summarizes HOVS' cash flows for the fiscal years 2003, 2004, 2005 and 2006:

(Rs. in millions)

Cash Flow	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Net cash from (used in) operating activities	(0.61)	2.84	(0.39)	0.15
Net cash from (used in) investing activities	0.06	(0.81)	(3.19)	(65.78)
Net cash from (used in) financing activities	0.02	1.46	1.70	65.29
Cash and Cash Equivalents, end of period	1.57	5.07	3.19	2.85

Cash Flow from Operating Activities

Net cash generated from operations was Rs. 0.15 million in Fiscal 2006. Net cash used in operating activities was Rs. 0.39 million in fiscal 2005. Although our profits increased in fiscal 2005 versus fiscal 2004, we had a significant increase in accounts receivable due to higher sales in the last quarter of fiscal 2005. Net cash generated from operations was Rs. 2.84 million in fiscal 2004. The Company generated increased profits in fiscal 2004 and the increase in payables was greater than the increase in accounts receivable. Net cash used in operating activities was Rs. 0.61 million in fiscal 2003.

Cash From/Used in Investing Activities

Net cash used in investing activities was Rs. 65.78 million in Fiscal 2006 and consisted primarily of investments in furniture and fixtures to outfit our new facility in Pune. Net cash used in investing activities was Rs. 3.19 million in fiscal 2005, most of which consisted of investments in fixed assets due to the expansion in facilities in both India and the U.S.

Sundry Debtors

Sales increased from Rs 19.52 million in fiscal 2004 to Rs 48.46 million in fiscal 2005.

	FY 2003	FY 2004	FY 2005	FY 2006
Revenue	7.16	19.52	48.46	44.71
Sr. Debtors	0.27	1.41	24.65	22.28

In FY2005, Sundry Debtors were higher because of sale of products is more in last quarter.

The break-up of our debtors is provided below:

Rs. In Millions

Particulars	FY2003	FY2004	FY2005	FY2006	Relationship with Promoters
MIDC	0.17	1.26	0.02		NIL
Phaltan Industries Pvt. Ltd.	0.02				NIL
IT Cube			0.16		NIL
Ashtech Infotech Ltd.	0.02				NIL
HEM Agencies	0.02				NIL
SAI Services	0.04				NIL
SES Technology		0.04			NIL
Waman Hari Pethe		0.12			NIL
Bay Area Credit Service, LLC			19.02	8.78	Indirect Subsidiary of the Company
Meridian Consulting Group, LLC			2.84	3.4	Indirect Subsidiary of the Company
Savant Consulting Group, Inc.			2.61	0.73	Indirect Subsidiary of the Company
Complex Property Advisors Corporation				9.10	Indirect Subsidiary of the Company
Glen Daniels Corporation				0.27	Indirect Subsidiary of the Company
Total	**0.27**	**1.42**	**24.65**	**22.28**	

Future Capital Expenditure

Please refer to the section entitled "Objects of the Issue" in this Red Herring Prospectus for a description of our future capital expenditure plans.

Indebtedness

HOVS had Rs. 13.65 million indebtedness as of March 31, 2006. For a description of the indebtedness of our Group Companies, please see the section entitled "Indebtedness" in this Red Herring Prospectus.

Quantitative and Qualitative Disclosure About Market Risk

Foreign currency risk

We are exposed to foreign currency exchange risk in the ordinary course of business, as we earn revenues in U.S. dollars and incur most of our expenses in Rupees. We have not entered into currency hedging contracts, in accordance with our treasury policy, so our results are affected by both positive and negative currency exchange rate movements.

Significant economic/regulatory changes

The Finance Act, 2000, phases out the 10-year tax holiday over a 10 year period from 2000 to 2009. Accordingly, facilities set up in India on or before March 31, 2000 have a 10-year holiday, new facilities set up on or after March 31, 2001 have a nine-year tax holiday and so forth until March 31, 2009. After March 31, 2009, the tax holiday will no longer be available to new facilities. Our current tax holiday expires in stages by 2009. For companies opting for the partial taxable income deduction for profits derived from exported BPO services. Finance Act, 2000, phases out the deduction over five years beginning April 1, 2000. Currently we benefit from the above tax holidays and taxable income deductions. When our tax holiday and taxable income deduction expire or terminate, our tax expense will materially increase, reducing our profitability. Further, the Government of India could enact laws in the future that may adversely impact our tax incentives and consequently, our tax liabilities and profits. For example, in 2004, the Government of India reduced the tax shelter incentive from 100% to 90%. Although the shelter was restored to 100% in 2005, there can be no assurance that the Government of India will not reduce our tax benefit again in the future. For more details, please refer to the section entitled "Statement of Tax Benefits" in this Red Herring Prospectus.

Other than as stated above, there are no significant economic changes that materially affect our revenues or profits.

Seasonality of business

The business of the Company is generally not seasonal, however, there could be significant variations in our quarterly revenues and profits because of various factors, including those described in the section entitled "Risk Factors" in this Red Herring Prospectus.

Known trends or uncertainties

In the section entitled "Risk Factors", we have explained the anticipated trends and uncertainties which impact our business. Some of these key factors are general economic conditions, budgets of our clients, competitive behaviour, emergence of new technologies and our ability to utilize them, exchange rate fluctuations, and the proportion of work performed onshore in India to offshore in the U.S.

All of our revenue is derived from clients in the United States and we expect that this trend will continue. Therefore any adverse impact of changes in U.S. laws and regulations governing debt collections or prohibiting BPO work would be a damper on our revenues. A limited number of clients contribute a significant portion of our revenues and any reduction of business or any adverse developments in the businesses of these clients may impact our revenues and margins.

Future relationship between costs and income

Other than as described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Red Herring Prospectus, to our knowledge there are no known factors which will have a material adverse impact on the operation and finances of the Company.

Total turnover of each major industry segment in which the Company operates

We do not report industry segments under unconsolidated financial statements prepared in accordance with Indian GAAP.

New product or business segment

Other than as described in the section entitled "Business" in this Red Herring Prospectus to our knowledge, there are no new products or business segments.

Dependence on single or few suppliers/customers

As described in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer" and "Business" in this Red Herring Prospectus, our revenues are dependent on a small number of clients.

Competitive conditions

The Company expects to compete with other Indian as well as foreign BPO companies. For further details, please refer to the discussion of our competition in the sections entitled "Risk Factors" and "Business" in this Red Herring Prospectus.

Significant developments after March 31, 2006 that may affect our future results of operations

Except as stated elsewhere in this Red Herring Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to affect, the trading or profitability of the Company and its subsidiaries (taken as a whole), or the value of their consolidated assets or their ability to pay their material liabilities within the next 12 months.

Except as stated elsewhere in this Red Herring Prospectus, there is no subsequent development after the date of the Auditor's Report which we believe is expected to have a material impact on the reserves, profits, earnings per share and book value of the Company and its subsidiaries (taken as a whole).

Changes in accounting policies after March 31, 2006

There have been no major changes in accounting policies since March 31, 2006.

INDEBTEDNESS

Details of Secured Borrowings

The secured borrowings for our group as of March 31, 2006 are as follows:

S. No.	Nature of Borrowing/Debt	Amount (in USD million)	Outstanding (in USD million)	Repayment and Interest	Security
1.	Revolving Line of Credit dated August 03, 2005 with San Jose National Bank for Bay Area Credit Service, LLC.	2.0	1.67	Regular monthly payments of accrued interest through August 04, 2006. The interest rate for the monthly payments is 1.00 percentage point over the Prime rate as reported in the Wall Street Journal. Initial rate of 7.25%. Principal and all accrued unpaid interest is due on August 04, 2006.	Secured by lien over assets of subsidiary Bay Area Credit Service, LLC
2.	Loan and Security Agreement dated June 21, 2002 and Amended and Restated Loan and Security Agreement effective as of July 1, 2004 by Savant Consulting Group, Inc., Savant Consulting Group, LLC. Meridian Consulting Group, LLC. and Digital Boardwalk, LLC with Entrepreneur Growth Capital, LLC	2.0	1.4	Automatic annual renewal unless cancelled by lender on renewal date or by borrower in writing 60 days prior to renewal date. Minimum monthly interest payment of the higher of $15,000 or 5.00 percentage points over the Prime rate as reported by Citibank N.A.	Secured by creation of a continuing security interest on the assets of Savant Consulting Group Inc., Savant Consulting Group, LLC. Meridian Consulting Group, LLC. and Digital Boardwalk, LLC
3.	Business Loan Agreement (Asset Based) dated August 04, 2004 among Bay Area Credit Service, LLC with San Jose National Bank	0.4	0.2	To be repaid as follows: 6 monthly consecutive interest payments, followed by 54 monthly consecutive principal and interest payments through August 04, 2009. The interest rate for the monthly payments is 1.50 percentage points over the Prime rate as reported in the Wall Street Journal. Initial rate of 5.75%.	Secured by creation of security interests over the assets of Bay Area Credit Service, LLC
4.	Revolving line of credit through loan taken on December 14, 2005 among Complex Property Advisors Corporation with San Jose National Bank	0.5	0.5	Regular monthly payments of accrued interest through December 15, 2006. The interest rate for the monthly payments is 1.00 percentage point over the Prime Rate as reported in the Wall Street Journal. Initial rate of 8.00%. Principal and all accrued unpaid interest is due on December 15, 2006.	Secured by creation of security interests over property of Complex Property Advisors Corporation

S. No.	Nature of Borrowing/Debt	Amount (in USD million)	Outstanding (in USD million)	Repayment and Interest	Security
5.	Business Loan Agreement (Asset Based) dated December 20, 2004 amended by a Change in Terms Agreement for the principal amount of $ 480,000 dated December 30, 2004 among Glen Daniels Corporation dba Imperial Collection Services with Community Bank of the Bay	0.48	0.39	As per the Change in Terms Agreement, the repayment is as follows: 10 monthly consecutive interest payments, followed by 60 monthly consecutive principal and interest payments through October 20, 2010. The interest rate for the monthly payments is 2.50 percentage points over the Community Bank of the Bay Prime rate. Initial rate of 8.00%.	Secured by granting of security interest over assets of Glen Daniels Corporation dba Imperial Collection Services and assignment of Life Assurance Policy dated December 20, 2004 taken by Glenn J. Daniels
6.	Promissory Note dated April 12, 2005 among Glen Daniels Corporation dba Imperial Collection Services with Community Bank of the Bay	0.06	0.03	Regular monthly payments of accrued interest through April 30, 2006. The interest rate for the monthly payments is 8.75%. Principal and all accrued unpaid interest is due on April 30, 2006.	

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below and in the notes to the financial statements in this Red Herring Prospectus, there are no contingent liabilities not provided for, outstanding litigation, disputes, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debentureholders, fixed deposits and arrears on cumulative preference shares issued by the Company, 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, 1956) and show cause notices/ orders from SEBI against the Company, its Directors, its Promoters, its subsidiaries and its Group companies except the following:-

1. Bay Area Credit Service, Inc.

Bay Area Credit Service, Inc. is a defendant in 14 civil suits filed in various States of the United States of America arising from its debt collections business. The plaintiffs have alleged violations of the Fair Debt Collections Practices Act, bankruptcy laws and other state laws relating to debt collections. The damages claimed by the plaintiffs in each of these cases range from US$1,500 to US$3,750. BACS is actively defending each of these claims.

2. Meridian Consulting Group

Meridian Consulting Group is a co-defendant (along with its client Pikeville United Methodist Hospital) in a civil case filed by plaintiff Milner Electric Company on October 7, 2005 in Pike Circuit Court in the Commonwealth of Kentucky, USA. Milner is an electrical contractor who performed electrical work in a building owned by Pikeville Hospital as part of a construction project managed by Meridian. The plaintiff claims that Pikeville and Meridian caused delays in the construction project which caused it to incur losses due increased costs and time spent on the project, and is claiming damages of US$ 55,707. Meridian and Pikeville are actively defending the suit.

3. Imperial Collection Services

Imperial Collection Services is a defendant in a civil case filed by plaintiff Zenella Beverly on August 18, 2005 in Contra Costa County Court in the State of California, USA. Ms. Beverly is a former employee of Imperial who claims that she was wrongly terminated from her job and was the victim of workplace harassment and discrimination. Imperial denies these claims and is actively defending the suit. Ms. Beverly is claiming damages in excess of US$25,000.

Our Promoter and Executive Director, Parvinder S Chadha was the past Chairman and CEO of Osicom Technologies, Inc. Our Promoter and Chairman, Surinder Rametra was the past Chairman and CEO of Interparm Holdings, Inc. In their capacities as the officers of these two companies respectively, Parvinder Chadha and Surinder Rametra were named as defendants in separate class action suits under the United States Securities Exchange Act. These cases were dismissed and closed in 2000 and 2003 respectively. There is no pending litigation against any of our Directors and Promoters at this time.

LICENSES AND APPROVALS

In view of the approvals listed below, we can undertake this issue and our current business activities and no further major approvals from any Government authority or RBI are required to continue those activities.

(I) HOV Services Limited

1. Certificate of Incorporation No. 11 – 50304 of 1989 given by the Additional Registrar of Companies, Maharashtra at Bombay to Codec Communications Private Limited on January 10, 1989.
2. Fresh Certificate of Incorporation Consequent on Change of Name from Codec Communications Private Limited to HOV Services Private Limited dated February 27, 2006 given by the Assistant Registrar of Companies, Maharashtra, Pune.
3. Certificate of Registration of Special Resolution passed for Alteration of Objects dated February 27, 2006, given by the Assistant Registrar of Companies, Maharashtra, Pune to Codec Communications Private Limited.
4. Certificate of Change of Name dated March 9, 2006 issued by the Assistant Registrar of Companies, Maharashtra, Pune for change of name from HOV Services Private Limited to HOV Services Limited.

A. Government approvals applied for and received

I. STPI and related approvals

Codec Communications Private Limited

(i) Letter No. STP/PVIII(A)(434)/2000/3606 dated December 6, 2005 from STPI, Pune to Codec Communications Pvt. Ltd., Unit No. 32, Electronic Co-operative Estate, Pune, Satara Road, Pune extending the approval Letter No. STP/P/VIII(A)(434)/2000/941 dated March 30, 2000 issued to Codec Communications Pvt. Ltd. for setting up a STP unit, for 5 years effective from April 1, 2005.

(ii) Letter dated August 24, 2005 from Codec Communications Pvt. Ltd. to the Superintendent of Customs and Central Excise, Div IX, Pune intimating that the company will debond partially the premises of Codec Communications Pvt. Ltd., Unit No. 32, First floor, Electronics Co.Op. Estate, Pune, Satara Road, Pune, and referring to the permission letter obtained from STPI, No. STP/P/VIII(A)(434)/2000/568 dated August 8, 2005 for partial debonding of these premises.

(iii) Certificate of Importer-Exporter Code (IEC) dated November 5, 2001 issued by Regional Joint Director of Foreign Trade, Pune to Codec Communications Private Limited for IEC Number 3101006392.

(iv) Permission granted to Codec Communications Private Limited by the Department of Telecommunications, vide letter No. 10-762/2004-OSP and Registration No. 10-762/2004-OSP dated February 16, 2004, to set up an international call centre at Unit No. 33, Electronic Estate Co-Operative Society, Pune under the Other Service Provider (OSP) category with the foreign end at Bay Area Credit Service located at San Jose, California for 2 Mbps International Private Leased Circuits (IPLC) (voice and data) from the authorized International Long Distance Provider (ILD), including for load balancing and redundancy. This permission is valid for 20 years.

(v) Permission granted to Codec Communications Private Limited by the Department of Telecommunications, vide Registration No 10-1097/ 2005-OSP dated October 21, 2005 to set up an international call centre at 3rd Floor, Sharda Arcade, Pune-Satara Road, Bibwewadi, Pune – 411 037 under the Other Service Provider (OSP) category with the foreign end at Bay Area Credit Service, LLC, USA located at San Jose, California for 2 Mbps International Private Leased Circuits (IPLC) (voice and data) from the authorized International Long Distance Provider (ILD). The permission is valid for 20 years.

(vi) Letter No. F. No. VIII (Cus) 118/Codec-STP/IX/03 dated May, 2006 for renewal of License for Private Customs Bonded Warehouse located at Second Floor, Electronic Co-op Estate, Pune, Satara Road, Pune by the Assistant Commissioner, Customs and Central Excise Division (Div. IX), Pune renewed with effect from October 4, 2005 and effective until April 18, 2007. Further, change of name of the licensee to HOV Services Ltd. was also granted.

II. RBI and allied approvals

(i) Letter No. EC.CO.FID(I)3091/10L.I.07.02/200(531)/2001-2002 dated October 11, 2003 issued by the RBI to M/s. Codec Communications Private Ltd. in relation to transfer of 1,694 equity shares of Rs. 100/- each from residents to non-resident.

(ii) Letter No. FC 8(2002)/EOP/(6)/2002 dated April 18, 2002 issued by the Secretariat of Industrial Assistance (SIA) for foreign investment amounting to Rs. 0.169 million.

III. Miscellaneous

(i) Letter No. MH/PUN/121269/ENF Circle/I/II/III/7484 dated February 18, 2005 issued by the Assistant Provident Fund Commissioner, Pune addressed to Codec Communications Private Limited granting Code No. MH/PUN/121269 for the purpose of compliance with the provisions of the Employee Provident Fund and Miscellaneous, Provisions Act, 1952.

(ii) Permanent Account Number (PAN) AAACC8675N assigned to Codec Communications Private Limited.

(iii) Letter dated March 28, 2000 issued by Deputy Commissioner of Income Tax, TDS - I Range, Pune granting No. C-1452-D Pune as Tax Deduction Account Number (TAN).

(iv) Certificate of Registration, issued by the Inspector of Shops and Establishments, Pune dated May 15, 1999 valid till December 31, 2005 and bearing No. Parvati / II / 5061 for Codec Communications Pvt Ltd, Unit No 32, Electronic Co-op Estate, Pune, Satara Road, Pune, 411 009 under the Bombay Shops and Commercial Establishments Act, 1948. Renewal obtained until December 31, 2006.

(v) Certificate of Registration, issued by the Inspector of Shops and Establishments Pune dated December 6, 2005 valid up to December 31, 2006 bearing No. PN0057935 for Bay Area Credit Service (I) Pvt Ltd, for Location 3rd Floor, Sharda Arcade, Bibwewadi, Pune, Satara Road, Pune – 411 037.

(vi) Permission Letter No. PC/356/3526 dated July 22, 2004 of Electrical Inspector, PWD, Pune, Division granting permission to Codec Communications Pvt Ltd to set up a Diesel Generator (DG) set of 26 bhp and for Powerica Make BHP 25 Diesel Generator (DG) set of capacity 20 KVA of Bay Area Credit Service (I) Pvt Ltd as a back up for the above Generator.

IV. We have made applications for renewal of the following approvals:

Nil

B. Government approvals applied for but not yet received

Application through Form 24B to the Central Government with challan number A01304682 dated June 14, 2006 for obtaining prior consent for appointment of Anil Rajadhyaksha from April 1, 2006 to March 31, 2011 as Assistant Vice President and Advisor to the Chairman.

C. Government approvals applied for but rejected

Nil

D. Government approvals not yet applied for

Nil

(II) Group Companies

A. Government approvals applied for and received

I. *HOV Services, LLC*

Certificate from Nevada Secretary of State certifying that HOV Services, LLC filed the Articles of Organization for a Limited Liability Company on March 23, 2005 and that these Articles contain all the provisions required by the laws governing Limited Liability Companies in the State of Nevada.

II. *HOF 2, LLC*

Certificate of Amendment to Articles of Organization for HOF 2, LLC filed on December 1, 2005 in the Office of the Secretary of State, State of Nevada.

III. *HOF 3, LLC*

Certificate of Amendment to Articles of Organization for HOF 3, LLC filed on December 2, 2005 in the Office of the Secretary of State, State of Nevada.

IV. *Savant Consulting Group, LLC*

Certificate of Business: Fictitious Firm Name dated November 25, 2005 filed with Santa Clara County certified by the Notary Public – California to Savant Consulting Group, LLC certifying that it is conducting a holding company business under the fictitious firm name of GDC Holdings, LLC.

V. *Savant Consulting Group, Inc.*

Certificate of Incorporation of Savant Consulting Group, Inc. dated May 22, 1997 granted by the Department of State, State of New Jersey.

VI. *XMAC, LLC*

Certificate of Business: Fictitious Firm Name dated November 25, 2005 filed with Santa Clara County certified by the Notary Public – California to XMAC, LLC certifying that it is conducting a holding company business under the fictitious firm name of CPAC Holdings, LLC.

VII. *Complex Property Advisors Corporation*

Certificate of Incorporation of Complex Property Advisors Corporation dated December 30, 1996 issued by the Secretary of State, State of Texas.

VIII. *Bay Area Credit Service (India) Private Limited*

1. Certificate of Incorporation No. U 72200 PN 2004 PTC 019789 for Bay Area Credit Service (India) Private Limited dated September 24, 2004 given by the Registrar of Companies, Pune.
2. Bonded Warehouse License No. PN IX / CUS /02/ STP/ 05-06 dated May 3, 2005 granted by the Deputy Commissioner of Central Excise and Customs, Pune – IX Division to Bay Area Credit Services (India) Pvt Ltd, Third Floor, Sharda Arcade, Bibwewadi , Pune-Satara Road, Pune – 411037, valid up to December 31, 2007.
3. Certificate of Registration, issued by the Inspector of Shops and Establishments, Pune to Bay Area Credit Service (I) Pvt. Ltd. dated December 12, 2005 valid for December 31, 2006 No. PN 0057935 under the Bombay Shops and Commercial Establishments Act, 1948 for 3rd Floor, Sharda Arcade, Bibwewadi, Pune, Satara Road, Pune – 37.
4. Certificate of Registration, issued by the Inspector of Shops and Establishments, Pune to Bay Area Credit Service (I) Pvt. Ltd. dated November 11, 2004 valid until 2007 with No. PN 0222696 under the Bombay Shops and Commercial Establishments Act, 1948 for Plot No. 89B, Araneyshwar Park, Sahakar Nagar, No. 1, Pune-9.
5. No Objection Certificate No. STP/P/VIII(A)(976). 2004/157 dated April 10, 2006 from the Software Technology Parks of India, Pune for partial-debonding of Unit 38, First Floor, Electronic Cooperative Estate, Pune, Satara Road, Pune.
6. Letter No. F. No: VIII(Cus) STP/ Bay Area/38 IX/2005 dated May 16, 2006 from the Office of the Assistant Commissioner of Central Excise, Pune IX Division for cancellation of Customs Bonded Warehouse License No. PN IX/Cus/09/STP/ 04-05 dated February 9, 2005 for Unit No. 38, Electronic Estate, Pune-Satara Road, Pune 411 009 and for the cancellation of the bond furnished for Rs. 3,00,000.

IX. *Bay Area Credit Service, LLC*

1. Bay Area Credit Service, LLC incorporated in the State of California with No. 200330710055 and filing date as October 29, 2003.

Debt Collection Licenses

1. Alaska

   Certificate No. 377 issued by the Division of Occupational Licensing; Department of Commerce, Community & Economic Development, State of Alaska on January 5, 2005 certifying that Bay Area Credit Service, LLC is a licensed collection agency, and the expiry date is June 30, 2008.

2. Arkansas

   (i) Certificate from Secretary of State, State of Arkansas certifying that Bay Area Credit Service, LLC has filed an application for registration of limited liability company on March 15, 2005. It is also certified that Bay Area Credit Service, LLC, which is a foreign limited liability company, having complied with all statutory requirements in the State of Arkansas, is qualified to transact business in the State of Arkansas.

   (ii) Certificate dated June 23, 2005 from the Arkansas State Board of Collection Agencies certifying that Bay Area Credit is licensed by the Arkansas State Board of Collection Agencies under license number 2773, expiring on June 30, 2007.

3. Colorado

   Bay Area Service, LLC holds collection agency licence bearing No. 989040 dated April 18, 2005 for the State of Colorado, issued by the Colorado Collection Agency Board which was originally valid up to July 1, 2005 and has been subsequently renewed until July 1, 2007.

4. Connecticut

   Banking Commissioner License No. 15398 dated October 1, 2005 issued by Department of Banking, State of Connecticut certifying that Bay Area Credit Service, LLC is licensed to engage in business as a consumer collection agency and that the license will remain in force until September 30, 2007.

5. District of Columbia

   Certificate of Registration dated November 16, 2004 was issued by the Department of Consumer and Regulatory Affairs, Government of the District of Columbia to Bay Area Credit Service, LLC.

6. Florida

   Consumer Collection Agency Registration through certificate from the Commissioner, Office of Financial Regulation, State of Florida, for Bay Area Credit Service, LLC with the effective date as January 1, 2006 and the date of expiration being December 31, 2006.

7. Hawaii

   Certificate of Authority issued by Director of Commerce and Consumer Affairs, Department of Commerce and Consumer Affairs, Sate of Hawaii; dated December 7, 2004 certifying that Bay Area Credit Service, LLC has complied with all registration requirements and is duly registered to transact business in the State of Hawaii as a foreign limited liability company effective November 29, 2004.

8. Idaho

   License with permit number CFP-4458 issued by Idaho Foreign Permittee Collection Agency, Department of Finance, State of Idaho, certifying that Bay Area Credit Service, LLC is authorised to carry on a collection agency business in the State of Idaho, commencing May 4, 2005 and continuing until revoked or suspended. The effective dates of the license are May 4, 2005 and March 15, 2006.

9. Indiana

   (i) Application for Certificate of Authority of Bay Area Credit Service, LLC, a foreign limited liability company, to transact business in the State of Indiana, dated November 10, 2004. The date of organization of Bay Area Credit Service, LLC in the domiciliary state is October 29, 2003.

   (ii) Collection Agency License No. 9451 issued by Secretary of State, State of Indiana on January 19, 2005, authorising Bay Area Credit Service, LLC to operate the business of soliciting and/or collecting accounts. The effective date is May 23, 2001 and the expiration date is December 31, 2007.

10. Iowa

    Acknowledgement issued to Bay Area Credit Service, LLC by the Secretary of State, Iowa, of receipt of Certificate of Authority, filed on August 17, 2004 to be effective as of August 27, 2004.

11. Kansas

Certificate having certificate ID 28303, from the Secretary of State, State of Kansas dated March 14, 2005 certifying that Bay Area Credit Service, LLC, a foreign limited liability company with Business Entity ID number 3656576 was filed in this office on November 8, 2004 and is in good standing and authorised to transact business within this State.

12. Louisiana

Certification from the Secretary of State, State of Louisiana certifying that the Application Form for Certificate of Authority of Bay Area Credit Service, LLC was filed and recorded on December 20, 2004, authorizing the company to exercise the same rights and privileges accorded to similar domestic limited liability companies.

13. Michigan

(i) Certificate dated February 2, 2005 issued by Director of Bureau of Commercial Services, Michigan Department of Consumer and Industry Services certifying that Bay Area Credit Service, LLC was validly authorised to transact business in Michigan on February 2, 2005.

(ii) Collection Agency License issued by the Collection Practices Board, Department of Labour and Economic Growth, State of Michigan with manager ID 2402001931 Richard Hunter, to Bay Area Credit Services, LLC with permanent ID No. 2401001969 and expiring on June 30, 2007.

14. Minnesota

(i) Certificate of Authority to Transact Business issued on November 29, 2004 by Secretary of State, State of Minnesota certifying that Bay Area Credit Service, LLC is authorised to do business in Minnesota.

(ii) Certification from the Commissioner of Commerce for the Department of Commerce, State of Minnesota dated June 23, 2005 certifying that Bay Area Credit Service, LLC is hereby licensed to transact the business of collection agency under license No. CA-20493938. The license will remain in effect until June 30, 2007.

15. Montana

Letter from Secretary of State, State of Montana dated November 16, 2004 approving the filing of the Certificate of Authority for Bay Area Credit Service, LLC, filed on November 15, 2004 under filing number E-44715 291629. The letter serves as the certificate of filing for Bay Area Credit Service, LLC.

16. Nebraska

Collection Agency License No. 464 issued by the Nebraska Collection Agency Licensing Board, certifying that Bay Area Credit Service, LLC is a licensed collection agency for the year 2006.

17. Nevada

Certificate of Registration of Foreign Limited Liability Company dated July 12, 2005 issued by Secretary of State, State of Nevada certifying that Bay Area Credit Service, LLC qualified on June 28, 2005 and is currently registered to transact business in the State of Nevada as a limited liability company.

18. New Hampshire

Bay Area Credit Service, LLC with business ID No. 528262 and created on December 17, 2004.

19. New York

Bay Area Credit Service, LLC was registered as a foreign limited liability corporation having initial DOS filing date of July 26, 2004.

20. North Carolina

License issued under Collection Agency Permit No. 4059 issued on July 1, 2005 by Commissioner of Insurance, Department of Insurance, North Carolina to Bay Area Credit Service, LLC authorising it to act as a collection agency. License expires on June 30, 2007.

21. North Dakota

    (i) Certificate of Authority issued on November 26, 2004 by Secretary of State, State of North Dakota to Bay Area Credit Service, LLC authorising it to transact business in this State

    (ii) Collection Agency License No. CA101116 dated December 10, 2004 issued by Commissioner, Department of Financial Institutions, State of North Dakota to Bay Area Credit Service, LLC authorising it to do business.

22. Ohio

    Certificate No. 1511882 dated January 3, 2005 from the Ohio Secretary of State to Bay Area Credit Service, LLC for Registration of Foreign Limited Liability Company.

23. Oklahoma

    Certificate of registration of Limited Liability Company dated November 23, 2004 issued by the Secretary of State, to Bay Area Credit Service, LLC evidencing the registration of this company to transact business in the State.

24. Oregon

    Certificate issued by the Acting Administrator, State of Oregon to Bay Area Credit Service, LLC certifying that the company is registered as a collection agency by the Division of Finance and Corporate Securities with Registration No. CA49135. The certificate expires on December 31, 2006.

25. Pennsylvania

    Bay Area Credit Service, LLC with entity No. 3262543 has a creation date of November 12, 2004.

26. South Carolina

    Certificate of Authorisation dated August 11, 2004 from the Office of Secretary of State, State of South Carolina, certifying that Bay Area Credit Service, LLC was issued a certificate of authority to transact business in South Carolina on August 6, 2004.

27. South Dakota

    Certificate of Authority to transact authority dated August 6, 2004 issued by the Office of the Secretary of State, State of South Dakota to Bay Area Credit Service, LLC (CA).

28. Tennessee

    Certificate of the Tennessee Collection Service Board issued to Bay Area Credit Service, LLC with ID No. 00000627 and the expiration date as December 31, 2005. As on May 31, 2006 the license for the company was active.

29. Vermont

    Certificate dated January 28, 2005 from the Office of Secretary of State, State of Vermont certifying that the amended certificate of authority for Bay Area Credit Service, LLC changing its company name to Bay Area Credit Service, LLC was filed for record in this office as a California Corporation.

30. Wyoming

    Collection Agency License No. 327 dated December 14, 2005 certifying that Bay Area Credit Service, LLC Cheyenne, WY is licensed to continue in business as a collection agency from the effective date of February 9, 2006 through February 9, 2007.

X. *Bay Area Credit Service Inc.*

Debt Collection Licenses

1. Hawaii

    Collection Agency License COLAX-312 from State of Hawaii, Department of Commerce and Consumer Affairs to Bay Area Credit Service Inc. due to expire on June 30, 2008.

2. Maryland

   Certificate from Commissioner of Financial Regulation, Department of Labour, Licensing and Regulation, State of Maryland, certifying that Bay Area Credit Service, Inc. is an authorised collection agency licensee with license registration certificate No. 3150. The effective date of the certificate is January 5, 2006 and the expiration date is November 24, 2007.

3. New Mexico

   (i) Collection Agency License 00954 issued by the Regulation and Licensing Department, Financial Institutions Division, State of New Mexico on July 21, 2006 and expiring on June 30, 2007.

4. Washington

   (i) License issued by the State of Washington to Bay Area Credit Service, Inc. dba Bay Area Credit Service renewing it as a foreign profit corporation with unified business ID number 601 606 930 and business ID number 001. The license was first issued on February 24, 1995 and the date of expiry is April 30, 2007.

   (ii) License dated May 9, 2006 issued by the State of Washington to Bay Area Credit Service, Inc. dba Bay Area Credit Service, a foreign profit corporation being an Out-of-State Collection Agency.

XI. *Imperial Collection Service*

1. Glen Daniels Corporation with number C1523219 filed as a corporation in California on April 23, 1992 and having address at 2300 Clayton Rd Ste 200, Concord, CA 95420.

Debt Collection Licenses

1. Alaska

   (i) Certificate No. 283 issued by the Division of Corporations, Business and Professional Licensing; Department of Commerce, Community and Economic Development; State of Alaska certifying that Imperial Collection Services is a licensed collection agency with effective date as May 23, 2006 and date of expiry as June 30, 2008.

   (ii) Alaska Business License issued by Alaska Department of Commerce, Community and Economic Development under which Imperial Collection Services holds Alaska Business License Number 284412 covering the period of December 2, 2004 through December 31, 2006 in the line of business of administrative, support, waste management and remediation services. Glen Daniels Corporation is described as the owner of Imperial Collection Services.

2. Arkansas

   License No. 2963 dated May 12, 2006 certifying that Imperial Collection Service is licensed by the Arkansas State Board of Collection Agencies with the expiration date for the license being June 30, 2007.

3. California

   Certificate of Membership 2004-2005 issued to Imperial Collection Services, Concord, California with member No. 3043373.

4. City of Buffalo

   Collection Agency License No. 515617 issued on September 10, 2004 by the Office of Licenses of the Department of Permit & Inspection Services to Glenn Daniels, Glen Daniels Corporation for collection services. The license expires on September 30, 2006.

5. City of New York

   Debt Collection Agency License No. 1087859 issued by Department of Consumer Affairs City of New York to Glen Daniels Corporation with the trade name Imperial Collection Service, issued on December 8, 2004 and expiring on January 31, 2007.

6. City of Antioch

   Business License No. 3001954 issued by the City of Antioch, Finance Department valid until February 28, 2007.

7. Colorado

   Renewal License 2005-2006 issued by the Colorado Collection Agency Board certifying that Glen Daniels Corporation dba Imperial Collection Services is authorised to act as a collection agency in the State of Colorado having license No. 989208. The license and expires on July 1, 2007.

8. Connecticut

   License No. 9177 dated October 1, 2005 issued by the Banking Commissioner, certifying that Imperial Collection Services Glen Daniels Corporation dba is licensed to engage in business as a consumer collection agency. The license will remain in effect until September 30, 2007.

9. Idaho

   Permit No. CFP-3508 from the Idaho Foreign Permittee Collection Agency issued on March 13, 2006 certifying that Glen Daniels Corporation doing business under the firm name of Imperial Collection Services is authorised to carry on a collection agency business in the State of Idaho. The permit commenced on February 27, 2001 and will continue until surrendered, revoked or suspended. The permit is valid till March 15, 2007.

10. Maine

    License No. DCL5831 under which Glen Daniels Corporation dba is licensed as a debt collector. The license was first issued on July 10, 2002 and subsequently issued on July 31, 2006 and the expiration date is July 31, 2008.

11. Maryland

    License issued by the Commissioner of Financial Regulation, Department of Labor, Licensing and Regulation, State of Maryland certifying that Glen Daniels Corporation dba Imperial Collection Service is an authorised collection Agency licensee with licence No. 2993 having the effective date of January 1, 2006 and expiration date of October 3, 2007.

12. Massachusetts

    Certificate No. 70903 and license No. DC0722 issued by the Division of Banks and Loan Agencies, the Commonwealth of Massachusetts dated September 14, 2005 certifying that a license to engage in the business of debt collector is issued to Glenn Daniels Corporation dba Imperial Collection Services. The license expires on September 30, 2006.

13. Michigan

    (i) Collection Agency Manager License issued by the Collection Practices Board to Glen Daniels Corporation dba/ Imperial Collection Services. The license is issued to Glenn John Daniels and the permanent ID No. is 2402002030 and the expiration date for the license is June 30, 2007.

14. Minnesota

    (i) Collection Agency License issued to Glen Daniels Corporation (dba Imperial Collection Services) having license number 20232069 with effective date of September 22, 2000 and expiration date as June 30, 2007.

    (ii) Certification from the Commissioner of Commerce for the State of Minnesota dated June 23, 2005 certifying that Glen Daniels Corporation doing business as Imperial Collection Services is licensed to transact the business of collection agency, having license No. CA-20232069. The license will be in effect until June 30, 2007.

    (ii) Certification from the Commissioner of Commerce for the State of Minnesota dated October 11, 2004 certifying that Glen Daniels Corporation doing business as Imperial Collection Services is licensed to transact the business of collection agency, having license No. CA-20232069. The license will be in effect until June 30, 2007.

15. Nebraska

Collection Agency License No. 501 dated January 1, 2006 issued by the Nebraska Collection Agency Licensing Board certifying that Glen Daniels Corporation of Antioch, CA is a licensed collection agency for the calendar year 2006.

16. Nevada

(i) Collection Agency Exemption Certificate No. XCA06109 dated February 10, 2006 issued by the Department of Business and Industry, State of Nevada certifying that Imperial Collection Services is exempt from licensing to conduct a licensed collection agency business. The certificate expires on February 10, 2007.

17. New Hampshire

Certificate of Authorization to do business in the State of New Hampshire was issued to Glen Daniels Corporation on April 12, 1999, as certified by the Secretary of State, State of New Hampshire in a Certificate of Authorization dated October 2, 2003.

18. New Mexico

(i) Collection Agency License No. 00930 dated May 15, 2006 issued by the Financial Institutions Division of the Regulation and Licensing Department, State of New Mexico certifying that Glen Daniels Corporation is authorised to conduct business under the name Imperial Collection Service. The license expires on June 30, 2007.

(ii) Collection Agency Manager's License No. 01506 dated May 15, 2006 issued by the Financial Institutions Division of the Regulation and Licensing Department, State of New Mexico certifying that Stephen D. Bass is a licensed manager for Glen Daniels Corporation dba Imperial Collection Service. The license expires on May 15, 2007.

19. North Carolina

Collection Agency Permit No. 3751 issued by the Commissioner of Insurance, Department of Insurance, North Carolina to Glen Daniels Corporation Imperial Collection Service dba. The permit was issued on July 1, 2005 and expires on June 30, 2007.

20. North Dakota

Collection Agency License No. CA101315 dated December 8, 2005 issued by Commissioner, Department of Financial Institutions, State of North Dakota to Glen Daniels Corporation dba Imperial Collection Services.

21. Oregon

Certification from Administrator, State of Oregon certifying that Glen Daniels Corporation with the assumed business name of Imperial Collection Services is registered as a collection agency by the Division of Finance and Corporate Securities with registration No. CA48754. The expiration date for the registration is April 30, 2007.

22. Tennessee

(i) Certificate of the Tennessee Collection Service Board to Collection Service Location Manager, Craig Steven Depretto certifying that all requirements of the State of Tennessee have been met. The license ID number is 00001019 and the date of expiration of the license is December 31, 2006.

(ii) Certificate of the Tennessee Collection Service Board to Collection Service Agency, Imperial Collection Services certifying that all requirements of the State of Tennessee have been met. The license ID number is 00000445 and the license is active.

23. Utah

(i) The notification received by the Utah Department of Financial Institutions effective January 31, 2006 and the notification expires on January 31, 2007. Notification provided by Imperial Collection Services in order to conduct consumer credit activities in Utah.

(ii) Certificate of Registration issued by the Division of Corporations & Commercial Code, Department of Commerce certifying that Imperial Collection Service has been filed and approved on July 7, 2001 and has been issued the registration No. 4916993-0131 with an expiration date of March 1, 2007.

24. Virginia

Certificate of Authority issued by the State Corporation Commission on May 2, 2002 to Glen Daniels Corporation for transacting business in Virginia.

25. Washington

License for tax registration issued by the Department of Licensing, State of Washington to the out of state collection agency Glen Daniels Corporation dba Imperial Collection Services with Unified Business ID No. 601 952 593 with expiration date as November 30, 2006.

26. West Virginia

Business Registration Certificate for the year beginning July 1, 2005 and ending June 30, 2007, issued by the West Virginia Tax Commissioner stating that Glen Daniels Corporation dba Imperial Collection Services is registered to conduct business in the State of West Virginia.

27. Wyoming

Collection Agency License No. 191 dated May 10, 2006 certifying that Glen Daniels Corporation dba Imperial Collection Services, Meeteetse, Wyoming is authorised to continue in business as a collection agency from the effective date of May 10, 2006 pending receipt of bond.

XII. *Meridian Consulting Group, LLC*

1. Meridian Consulting Group, LLC incorporated as a Domestic Limited Liability Company in Nevada with corporation number LLC4833-2003 and filing date being April 2, 2003. The expiration date is December 31, 2043.

B. Applications for renewal of the following approvals

I. *Bay Area Credit Service, LLC*

Debt Collection Licenses

1. Oregon

Application for Authority to Transact – Foreign Limited Liability Company filed by Bay Area Credit Service, LLC on December 20, 2004 with registry number 258178-91.

2. Alaska

Certificate No. 377 issued by the Division of Occupational Licensing; Department of Commerce, Community & Economic Development, State of Alaska on January 5, 2005 certifying that Bay Area Credit Service, LLC is a licensed collection agency, and the expiry date is June 30, 2006. The renewal for the same has been applied for and is awaited.

3. Maine

License No. DCL7424 issued on January 4, 2005 by the Office of Consumer Credit Regulation, Department of Professional and Financial Regulation, State of Maine qualifying Bay Area Credit Service, LLC as a licensed debt collector, with expiry date as July 31, 2006. The renewal for the same has been applied for and is awaited.

II. *Bay Area Credit Inc.*

Debt Collection Licenses

1. Arizona

License to transact business of a collection agency granted from the Superintendent of Banks of the State of Arizona to Bay Area Credit Service, Inc. on June 3, 2005 and has expired on January 31, 2006. The license is in the process of being renewed.

2. New Mexico

   (i) Collection Agency License 00605 issued by the Financial Institutions Division, Regulation and Licensing Department, State of New Mexico on July 11, 2005 certifying that Bay Area Credit Service, Inc. is authorised to conduct business under the name Bay Area Credit Service, Inc. The license expires on June 30, 2006 and is not transferable or assignable. The renewal for the same has been applied for and is awaited.

   (ii) Collection Agency Managers License 01122 issued by the Financial Institutions Division, Regulation and Licensing Department, State of New Mexico on July 11, 2005 certifying that Jeffrey D. Johnson is a licensed manager for Bay Area Credit Service, Inc. The license expires on June 30, 2006 and is not transferable or assignable. The renewal for the same has been applied for and is awaited.

III. *Imperial Collection Services*

Debt Collection Licenses

1. North Dakota

   Letter dated May 2, 2005 from the Commissioner, Department of Financial Institutions, State of North Dakota to Imperial Collection Service stating that the renewal application for renewal of license for Glen Daniels Corporation dba Imperial Collection Services has been approved for the licensing period of July 1, 2005 through June 30, 2006. The renewal for the same has been applied for and is awaited.

2. Wisconsin

   License No. 486 issued by Department of Financial Institutions, State of Wisconsin on July 1, 2005 licensing Glen Daniels Corporation D/B/A Imperial Collection Services dba to engage in business as a collection agency. The license is void after June 30, 2006. The renewal for the same has been applied for and is awaited.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The issue of Equity Shares in the Issue by the Company has been authorised by the resolution of the Board of Directors passed at their meeting held on March 9, 2006, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act. The shareholders approved the Issue at the general meeting of the shareholders of the Company held on March 10, 2006.

Prohibition by SEBI, RBI or governmental authorities

Our Company, our Directors, our Promoters, our Promoter Group companies, associates of our Promoter Group companies and other companies promoted by our Promoters and companies with which our Company's Directors are associated as directors 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.

Neither we nor our directors, associates, Promoters, Promoter Group companies or relatives of our Promoters have been detained as willful defaulters by the RBI or government authorities. There are no violations of securities laws committed by any of them in the past or pending against them.

Eligibility for the Issue

As per Clause 2.2.1 of SEBI Guidelines, an unlisted company may make an initial public offering of equity shares, only if it meets the following conditions; with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

a) The company has net tangible assets of at least Rs. 30 Millions 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 Rs. 10 Millions 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, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and

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 networth as per the audited balance sheet of the last financial year.)

The Company's unconsolidated net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Red Herring Prospectus under the section "Financial Statements", as at, and for the last five years ended FY 2006 are set forth below:

(In Rs. millions)

	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Net Tangible Assets (1)	71.03	33.72	5.89	2.11	2.59
Monetary Assets (2)	2.91	3.24	5.09	1.58	2.13
Distributable Profits	26.11	25.73	2.20	(0.31)	0.85
Net worth, as restated	111.15	30.03	4.30	2.20	2.59

(1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation

reserves), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).

(2) Monetary assets include cash on hand and bank. Detailed figures are given in the section titled "Financial Statements" on page 98 of this Red Herring Prospectus.

(3) The distributable profits of the Company as per section 205 of the Companies Act have been calculated from the audited financial statements of the respective years/period before making adjustments for restatement of Financial Statements.

We do not satisfy the eligibility criteria relating to Net Tangible Assets and Networth in terms of sub clause (a) and (c) respectively of clause 2.2.1of the SEBI Guidelines.

As we are an unlisted company not complying with some of the conditions specified in Clause 2.2.1, we may make an initial public offering of equity shares only if we meet both the conditions (a) and (b) of Clause 2.2.2 of the SEBI Guidelines.

Our Company is eligible for the Issue in accordance with Clause 2.2.2 of the SEBI Guidelines:

- The proposed Issue is being made through the book-building process, with at least 50% of the Issue being allotted to QIBs, failing which the full subscription monies will be refunded.
- The minimum post-issue face value capital of the Company will be Rs. 100 million.

The Company, directors, our associates and companies with which our directors are associated as directors or promoters, are not prohibited from accessing the capital market under any order or directions passed by SEBI. None of our Promoters and none of the directors of the companies in our Promoter Group are prohibited from accessing the capital market under any order or direction passed by SEBI.

Disclaimer Clause

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE 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 RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER DSPML AND THE CO-BOOK RUNNING LEAD MANAGER JMMS HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER AND THE CO-BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER DSPML AND THE CO-BOOK RUNNING LEAD MANAGER JMMS HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED April 13, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. **"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

3. **WE CONFIRM THAT:**

- **THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
- **THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A <u>WELL-INFORMED DECISION</u> AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
- **BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**
- **WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."**

4. **WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.**

   ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY."

   THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES IN THE NATURE OF LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER AND THE CO-BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

Note:

Our Company, our Directors, the BRLM and the CBRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in any advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.hovservices.com, would be doing so at his or her own risk.

The BRLM and the CBRLM accept no responsibility, save to the limited extent as provided in the memorandum of understanding entered into among the BRLM, the CBRLM and us dated April 12, 2006 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us, the BRLM, the CBRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at Bidding centres.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India), who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including FIIs, NRIs and other eligible foreign investors. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or purchase Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in 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 this Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Accordingly, the Equity Shares are only being offered or sold in Europe and Asia and outside the United States to certain Persons in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

DISCLAIMER CLAUSE OF THE NSE

As required, a copy of this offer document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref.: NSEILIST/22114-Y dated May 12, 2006 permission to the Issuer to use NSE's name in this prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The NSE has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE BSE

The Bombay Stock Exchange Limited, ("BSE") has given vide its letter dated May 4, 2006 permission to this Company to use the BSE's name in this offer document as one of the stock exchanges on which this Company's securities are proposed to be listed. The BSE has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
2. Warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
3. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this offer document has been cleared or approved by

BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC , Maharashtra at Pune located at Office of Registrar of Companies, PMT Building, IIIrd Floor, P.O. Box No. 819, Deccan Gymkhana, Pune 411 004.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of our Equity Shares.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight (8) days after our Company becomes liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company and every Director of the Company who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven working days of finalization of the basis of allocation for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Bankers to the Issue and Bankers to the Company; and (b) Book Running Lead Manager, the Co-Book Running Lead Manager, Syndicate Members, Escrow Collection Bank(s), Registrar to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the RoC and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Lodha & Co., Chartered Accountants, our Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for filing with the RoC.

Lodha & Co., Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the ROC.

Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

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

Activity	Expenses		
	(in Rs. Million)	(Percentage of total Issue expenses)	(Percentage of total Issue size)
Lead management, underwriting commission*	[●]	[●]	[●]
Advertising and Marketing expenses	[●]	[●]	[●]
Printing and stationery	[●]	[●]	[●]
Registrars fee, legal fee, etc.	[●]	[●]	[●]
Others	[●]	[●]	[●]
Total estimated Issue expenses	[●]	[●]	[●]

* Will be incorporated after finalisation of Issue Price

The lead management fees and the underwriting commissions shall be paid by the Company in the proportion to the number of shares sold to the public as part of the Issue. In addition to the above, listing fees will be paid by the Company.

Fees Payable to the BRLM and the CBRLM, Brokerage and Selling Commission

The total fees payable to the BRLM and the CBRLM including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between the Company, the BRLM and the CBRLM dated April 12, 2006, a copy of which is available for inspection at our Registered Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar's memorandum of understanding dated March 16, 2006 copy of which are available for inspection at our Registered Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post or speed post or under certificate of posting.

Underwriting commission, brokerage and selling commission on previous issues

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous Rights and Public issues

Our Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

Previous issues of shares otherwise than for cash

Other than as disclosed in the section entitled "Capital Structure" on page 14 of this Red Herring Prospectus, our Company has not made any previous issues of shares for consideration otherwise than for cash

Companies under the same management

Except as stated in "Our Promoters" and "Promoter Group" on page 73 and page 78 respectively of the Red Herring Prospectus, there are no companies under the same management.

Promise versus Performance

This is the first public Issue of the Company.

Issues otherwise than for cash

Other than as stated in "Capital Structure" on page 14 of the Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Purchase of Property

Except as stated in the section entitled "Objects of the Issue" in this Red Herring Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Red Herring Prospectus.

Except as stated in the section entitled "Related Party Transactions" on page 95 of this Red Herring Prospectus, we have not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Stock Market Data for Our Equity Shares

This being the initial public Issue, the Equity Shares are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Karvy Computershare Private Limited giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the respective Syndicate Member or collection centre where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue to address routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Bhuvanesh Sharma, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

3rd Floor, Sharda Arcade,
Pune-Satara Road
Bibwewadi,
Pune 411037
Maharashtra, India
Tel: (91 20) 2422 1460
Fax: (91 20) 2422 1470
Email: investor.relations@hovservices.com

Changes in Auditors

The details of the changes in our auditors are as follows:

Name of Auditor	Date of Appointment	Reasons for change
M/s. V.A Dudhedia & Co.	September 30, 1998	Appointment
M/s. V.A Dudhedia & Co.	September 30, 2005	Resignation
M/s. Lodha & Co.	September 30, 2005	Appointment

Capitalisation of Reserves or Profits

Except as stated below we have not capitalised our reserves in the last five years, which have been utilised for the issue of bonus shares currently outstanding:

Date of AGM/EGM	No. of Bonus Shares Issued
September 30, 2004	7,627
January 3, 2006	2,910,825

Revaluation of Assets

We have not revalued our assets in the past five years.

Payment or benefit to our officers

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

Other than as disclosed in the section titled "Financial Statements" on page 98 of this Red Herring Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

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 terms of the Red Herring Prospectus, the Prospectus, the Bid cum Application Form, the 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 the laws as applicable, guidelines, notifications and regulations relating to the issue of equity capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, the RoC and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For a description of our Articles of Association, please refer to "Main Provisions of our Articles of Association" on page 230 of this Red Herring Prospectus.

Mode of Payment of Dividend

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

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholders

Subject to applicable laws, regulations, rules and guidelines and the Memorandum and Articles of Association, the equity shareholders shall have the following rights:

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

For a detailed description of our Articles of Association of the Company dealing with voting rights, dividend, forfeiture, surrender and lien, transfer and transmission and/ or consolidation/ splitting, please refer to "Main Provisions of our Articles of Association" on page 230 of this Red Herring Prospectus.

Market Lot and Trading Lot

Under existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors and hence, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form in multiples of one Equity Share subject to a minimum allotment of 25 Equity Shares.

Nomination Facility to the Investor

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

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

a. to register himself or herself as the holder of the Equity Shares; or

b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to register himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicants would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

Further, in accordance with clause 2.2.2 A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts / authorities in Pune, India.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

ISSUE STRUCTURE

Issue of 4,050,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●]. The Issue will constitute 32.3% of the fully diluted post issue paid-up capital of the Company.

The Issue is being made through the book building process.

	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares(1)	At least 2,025,000 Equity Shares	Up to 607,500 Equity Shares	Up to 1,417,500 Equity Shares
Percentage of Issue size available for allocation	At least 50% to QIBs of which, 5% will be available for allocation to Mutual Funds and the remaining QIB portion shall be available for allocation to the QIB bidders including Mutual Funds	Up to 15% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders	Up to 35% of Issue or Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000	25 Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the size of the Issue, subject to applicable limits	Such number of Equity Shares not exceeding the size of the Issue subject to applicable limits	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Bid Lot	25 Equity Shares and in multiples of 25 Equity Shares	25 Equity Shares and in multiples of 25 Equity Shares	25 Equity Shares and in multiples of 25 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply(2)	Public Financial Institutions, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development, financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations and insurance companies registered with the Insurance Regulatory and Development Authority, provident funds	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions, societies and trusts.	Resident Indian individuals, HUF (in the name of Karta) and Eligible NRIs.

	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law		
Terms of Payment	Margin Amount of at least 10% at the time of submission of Bid cum Application Form to the members of the Syndicate	Full Bid Amount at the time of submission of Bid cum Application Form to the members of the Syndicate	Full Bid Amount at the time of submission of Bid cum Application Form to the members of the Syndicate

(1) Subject to valid Bids being received at or above the Issue Price. Except to the extent of QIBs subscribing to a minimum of 50% of the Issue, under-subscription, if any, in any other category, would be allowed to be met with spill over from any other categories at the discretion of our Company, in consultation with the BRLM, the CBRLM and the Designated Stock Exchange.

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

Withdrawal of the Issue

We in consultation with the BRLM and the CBRLM, reserves the right not to proceed with the Issue at anytime after the Bid/ Issue Opening Date but before Allotment, without assigning any reason.

Bid/Issue Programme

BID/ISSUE OPENS ON	**:**	**MONDAY,**	**SEPTEMBER 04,**	**2006**
BID/ISSUE CLOSES ON	**:**	**THURSDAY,**	**SEPTEMBER 07,**	**2006**

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

We reserve the right to revise the Price Band during the Bidding/ Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20%.

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

ISSUE PROCEDURE

The Red Herring Prospectus reflects the changes made to the SEBI Guidelines in relation to the refunds to the applicants by way of ECS/RTGS/NEFT pursuant to the SEBI Circular SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006. However, we may make certain other changes in the relevant sections of the Red Herring Prospectus to reflect the position arising out of the amendments brought in to the SEBI Guidelines by the terms of the SEBI circular dated January 20, 2006, pursuant to further internal consultations with Stock Exchanges, the Registrar and other intermediaries

Book Building Procedure

This Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be available for allocation on a proportionate basis to QIB, including 5% of the QIB Portion which shall be available for allocation to Mutual Funds only. Further, up to 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and up to 15% of the issue shall be allocated on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through a member of the Syndicate. QIB Bids can be submitted only through Syndicate members. In the case of QIB Bidders, the BRLM and the CBRLM may reject any Bid at the time of acceptance of the Bid cum Application Form, provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Bids would be rejected only on technical reasons.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form, bearing the stamp of a member of the Syndicate for the purpose making a Bid in terms of this Red Herring Prospectus. The Bidders 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 CAN and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis	White
Non-Residents, including Eligible NRIs, FVCIs and FIIs, applying on a repatriation basis	Blue

Who can Bid?

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
2. Hindu undivided families or HUFs, in the individual names 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 First or Sole Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta." Bids from HUFs will be considered at par with those from individuals;
3. Eligible NRIs, on a repatriation basis or a non-repatriation basis;
4. Companies, bodies corporate authorized to invest in Equity Shares;

5. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in Equity Shares;
6. Scientific and/or industrial research organizations in India authorized under their constitution to invest in equity shares; and
7. Indian financial institutions, scheduled commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
8. Mutual Funds;
9. FIIs registered with SEBI, on a repatriation basis;
10. Multilateral and bilateral development financial institutions;
11. Venture Capital Funds registered with SEBI;
12. Foreign Venture Capital Investors registered with SEBI;
13. State industrial development corporations;
14. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
15. Provident funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares; and
16. Pension funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares.

As per existing regulations, OCBs cannot Bid in the Issue.

Note: The BRLM, the CBRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM, the CBRLM, and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

Bidders are advised to ensure that any single Bid from them does not exceed the investments limits or maximum number of Equity Shares that can be held by them under applicable law, rules, regulations, guidelines and approvals.

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 101,250 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.

In accordance with the current regulations, the following restrictions are applicable for investments by mutual funds:

Bid cum Application Forms by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which bid 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 by index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

In terms of SEBI Guidelines, 5% of the QIB Portion (i.e. 101,250 Equity Shares) shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% share of the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid up equity capital of the Company (i.e. 10% of 12,554,045 Equity Shares). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total paid up capital or 5% of our total paid up capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of its total paid up equity capital. However, the Board and shareholders by way of a special resolution may approve FII investment up to the applicable sectoral cap. The applicable cap for the Information Technology / Business Process outsourcing sector is 100%, hence the Board and the shareholders may approve FII investment up to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment, subject to 'know your client' requirements. An FII or a sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any other person other than a regulated entity.

In accordance with the current regulations, the following restrictions are applicable for investments 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.

The above information is given for the benefit of the Bidders. We, the BRLM and the CBRLM are not liable for any amendments or modifications or changes in the applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Bids by Eligible NRIs

Eligible NRI Bidders should comply with the following:

1. Individual Eligible NRIs can obtain the Bid cum Application Forms from our registered office, our corporate office, members of the Syndicate or the Registrar to the Issue.
2. Eligible NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through NRO Accounts shall use the Bid cum Application Form meant for resident Indians (White in colour).

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders

The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter, so as to ensure that the Bid Amount (including revision of Bids, if any) payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The option to Bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) For Non-Institutional Bidders and QIB Bidders

The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid amount reduces to Rs. 100,000 or less due to a revision in the Bids or a revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation in the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed the option of bidding at the Cut-off Price.

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 Red Herring Prospectus.

Information for the Bidders

1. The Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
2. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
3. Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus along with the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.
4. Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLM, the CBRLM or Syndicate Members or their authorized agent(s) to register their Bids.
5. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

1. The Syndicate Members shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
2. Our Company, the BRLM and the CBRLM shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date and Price Band in the Red Herring Prospectus filed with RoC and publish the same in three widely circulated newspapers (one each in English, Hindi and Marathi). This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period (in accordance with the terms of the Syndicate Agreement).
3. During the Bidding/Issue Period, investors who are interested in subscribing to our Equity Shares should approach the members of Syndicate or their authorized agents to register their Bid.
4. Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details, please refer to the paragraph titled "Bids at Different Price Levels" on page 212 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
5. The Bidder cannot Bid on another Bid cum Application Form after Bid(s) on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding 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 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 "Build up of the Book and Revision of Bids" on page 214 of this Red Herring Prospectus.
6. The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
7. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account" on page 213 of this Red Herring Prospectus.
8. During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 200 to Rs. 240 per Equity Share, Rs. 200 being the floor of the Price Band and Rs. 240 being the cap of the Price Band. The Bidders can Bid at any price within the Price Band, in multiples of Re. 1 (Rupee One).
2. In accordance with the SEBI Guidelines, we, in consultation with the BRLM and CBRLM, can revise the Price Band during the Bidding/ Issue Period, in which case the Bidding/Issue Period shall be extended further for a period of three additional working days, subject to the total Bidding/Issue Period being a maximum of 10 working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.
3. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English, Hindi and Marathi), and also by indicating the change on the website of the BRLM, the CBRLM and at the terminals of the members of the Syndicate.
4. We, in consultation with the BRLM and the CBRLM, can finalize the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.
5. The Bidder has to Bid for the desired number of Equity Shares at a specific price. The Bidder can Bid at any price within the Price Band in multiples of Re.1. Retail Individual Bidders may Bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
6. Retail Individual Bidders who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders who Bid at Cut-off Price, shall receive the refund of the excess amounts from the respective Refund Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), with the 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.100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this 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 Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Refund Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 25 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

We and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders 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 Bid Amount/ Margin Amount from Bidders in a certain category would be deposited in the Escrow Accounts. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Banks for and on behalf of the Bidders. The

Escrow Collection Banks 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 Accounts to the Public Issue Account and the Refund Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the Escrow Mechanism is not prescribed by SEBI and has been established between us the BRLM, the CBRLM, the Syndicate Members, the Escrow Collection Banks(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder, shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph "Payment Instructions" on page 220 of this Red Herring Prospectus) and submit the same to a member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash/stock investment/money order shall not be accepted. The maximum Bid Amount has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Public Issue Account. The balance amount after transfer to the Public Issue Account of the Company shall be transferred to the Refund Account. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment, to the Bidders, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page 206 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the Syndicate Members by the BRLM and CBRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Rate for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city, where a stock exchange is located in India and where Bids are being accepted.
2. NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
3. The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centres. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
   - Name of the investor;
   - Investor category –Individual, Corporate, QIBs, Eligible NRI, FII or Mutual Fund, etc;
   - Numbers of Equity Shares bid for;
   - Bid price;
   - Bid cum Application Form number;
   - Whether Margin Amount/ Bid Amount has been paid upon submission of Bid cum Application Form; and
   - Depository participant identification number and client identification number of the beneficiary account of the Bidder.
5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
7. In case of QIB bidders, members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case on Non-Institutional Bidders and Retail Individual Bidders who Bid, Bids would not be rejected except on the technical grounds listed on page 222 of this Red Herring Prospectus.
8. It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM and CBRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, the Promoter, the management or any scheme or project of our Company.
9. It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by NSE or BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on NSE and BSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to NSE or BSE mainframe on a regular basis in accordance with market practice.
2. The book gets built up at various price levels. This information will be available with the BRLM and the CBRLM on a regular basis.
3. During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
4. Revisions can be made in both the desired number of Equity Shares and the Bid Price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

5. The Bidder can make this revision any number of times during the Bidding/ Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
6. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
7. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
8. Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In the event of discrepancy of data between the Bids registered on the online IPO system and the physical Bid cum Application Form, the decision of the Company in consultation with the BRLM and CBRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Issue Closing Date, the BRLM and the CBRLM shall analyse the demand generated at various price levels and discuss pricing strategy with us.
2. We, in consultation with the BRLM and the CBRLM, shall finalize the “Issue Price” (and the number of Equity Shares to be allocated in each investor category).
3. The allocation for QIBs for at least 50% of the Issue would be on a proportionate basis (with a minimum 5% allocation of the QIB Portion reserved for Mutual Funds, and such Mutual Funds can participate in the remaining allocation for QIBs), in consultation with the Designated Stock Exchange subject to valid Bids being received at or above the Issue Price, in the manner as described in the paragraph entitled “Basis of Allotment” on page 223 of this Red Herring Prospectus. The allocation to Non-Institutional Bidders and Retail Individual Bidders of up to 15% and 35% of the Issue respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
4. 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 BRLM, the CBRLM and the Designated Stock Exchange. However, if the aggregate demand by Mutual Funds is less than 101,250 Equity Shares, the balance Equity in the QIB Portion will be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.
5. The BRLM and the CBRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
6. Allotment to all investors, including Eligible NRIs, FIIs registered with SEBI or Mutual Funds or FVCIs registered with SEBI will be subject to applicable laws, rules, regulations, guidelines and approvals.
7. We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

Notice to QIBs: Allotment Reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated

Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Issuance of CAN

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM, the CBRLM or 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 may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, the investor should note that we shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLM, the CBRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the Margin Amount into the Escrow Account at the time of bidding shall pay the balance amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be Allotted to such Bidder.

(d) The Issuance of CAN is subject to "Allotment Reconciliation and Revised CANs" as setforth under the chapter "Terms of Issue" of this Red Herring Prospectus.

Signing of Underwriting Agreement and RoC Filing

We, the BRLM, the CBRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.

After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the RoC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Designated Date and Allotment of Equity Shares

(a) We will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Public Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within 15 days from Issue Closure.

(b) As per SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per provisions of the Companies Act in the Depositories Act.

After the funds are transferred from the Escrow Accounts to the Public Issue Account on the Designated Date, we will allot the Equity Shares to the Allottees.

Investors are advised to instruct their depository participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;

(b) Ensure that your Bid within the Price Band;

(c) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application From (blue in colour), as the case may be;

(d) Ensure that the details about your depository participant and beneficiary account are correct as Equity Shares will be Allotted in the dematerialized form only;

(e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(f) Ensure that you have been given a TRS for all your Bid options;

(g) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(h) If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act, and ensure that you have attached copies of your PAN card or PAN allotment letter with the Bid cum Application Form. In case the PAN has not been allotted, mention "Not allotted" in the appropriate place, and attach a copy of Form 60 or 61 as the case may be, together with permissible documents as address proof; and

(i) 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.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise the Bid to a price that is less than the lower end of the Price Band or more than the higher end of the Price Band;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid amount in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders for whom the Bid Amount exceeds Rs.100,000);

(g) 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 or under the terms of the Red Herring Prospectus; and

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable White colour for Resident Indians and Eligible NRIs applying on non-repatriation basis and Blue colour for Non Residents including, Eligible NRIs, FIIs registered with SEBI and FVCIs registered with SEBI, applying on repatriation basis.
2. Made in single name or in joint names (not more than three, and in the same order as their depository participant details).
3. 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.
4. The Bids from the Retail Individual Bidders must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
5. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws and regulations.
6. 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 Details and Bank Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM, the CBRLM nor the Company shall have any responsibility and undertake any liability for the same.

Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay on account of returned refund orders/allocation advice/CANs shall be at the Bidders sole risk and we, the BRLM and the CBRLM shall not have any responsibility nor undertake any liability for the same.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, the Bidder would 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 no corresponding record is available with the Depositories that match three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by Mutual Funds, venture capital funds registered with SEBI and FVCIs registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

The Company, in its absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that the Company, the BRLM and the CBRLM may deem fit.

Bids By Eligible NRIs/ FIIs Registered With SEBI / FVCIS Registered With SEBI on a Repatriation Basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (Blue in color), 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. By Eligible NRIs – Bids for a Bid amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of Allocation and for a Bid amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of Allocation.
4. By FIIs /FVCIs registered with SEBI – for a minimum of such number of Equity Shares and in multiples of 25 thereafter that the Bid Amount exceeds Rs. 100,000.
5. In the names of individuals, or in the names of FIIs or FVCIs, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. 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. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs, and all such Bidders will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

PAYMENT INSTRUCTIONS

The Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/allotment in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/allotment as per the following terms:

Payment into Escrow Accounts

1. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding/Issue Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLM and the CBRLM.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   (a) In case of Resident QIB Bidders: **"Escrow Account – HOV Public Issue – QIB Resident"**
   (b) In case of Non Resident QIB Bidders: **"Escrow Account – HOV Public Issue – QIB NR"**
   (c) In case of Resident Retail and Non-Institutional Bidders: **"Escrow Account – HOV Public Issue Resident"**
   (d) In case of Non Resident Retail and Non-Institutional Bidders: **"Escrow Account – HOV Public Issue - NR"**
4. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of the Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
5. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of a NRO Account.
6. In case of Bids by FIIs, FVCIs registered with SEBI the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.
7. 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 Account.
8. The monies deposited in the Escrow Accounts will be held for the benefit of the Bidders till the Designated Date.
9. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement into the Public Issue Account.

10. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
11. Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Accordingly, payment through stockinvest will not be accepted in the 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.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of Joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple master.
2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print out of the addresses will be taken to check for common names.
4. The applications will be scanned for similar DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.
5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also fathers/husbands names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.** In case the sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving license (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN") - MAPIN

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining unique identification number and the requirement to contain/quote the same under the SEBI (Central Database of Market Participants) Regulations, 2003 vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut-off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Right to Reject Bids

In case of QIB Bidders, we in consultation with the BRLM and the CBRLM may reject Bids provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, we have the right to reject Bids based on technical grounds only.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
2. Age of First Bidder not given;
3. Bids by minors;
4. PAN not stated if Bid is for Rs. 50,000 or more and GIR number given instead of PAN and proof of PAN is not attached to the Bid cum Application Form;

5. Bids for lower number of Equity Shares than specified for that category of investors;
6. Bids at a price less than lower end of the Price Band;
7. Bids at a price more than the higher end of the Price Band;
8. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
9. Bids for number of Equity Shares, which are not in multiples of 25;
10. Category not ticked;
11. Multiple Bids;
12. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Bids accompanied by Stockinvest/money order/postal order/cash;
14. Signature of sole and/or joint Bidders missing;
15. Bid cum Application Form does not have the stamp of the members of the Syndicate;
16. Bid cum Application Form does not have the Bidder's depository account details;
17. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Form;
18. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary account number;
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
20. Bids by OCBs;
21. Bids by U.S. residents or U.S. persons excluding "qualified institutional buyers" as defined in Rule 144A under the Securities Act; and
22. Bids by person who are not eligible to acquire Equity Shares of our Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional Bidders and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this portion is less than or equal to 1,417,500 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 1,417,500 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 1 (one) Equity Shares thereafter. The method of proportionate basis of allocation is stated below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to 607,500 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 607,500 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 1 (one) Equity Shares thereafter. The method of proportionate basis of allocation is stated below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (i.e. 101,250 Equity Shares) shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIBs shall be determined as follows:
    - (i) The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (ii) The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (iii) Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.
- The aggregate allocation to QIB Bidders shall be at least 2,025,000 Equity Shares. The method of proportionate basis of allocation is stated below.

Method of proportionate basis of allocation in the Issue

In the event of the Issue being over-subscribed, the Company shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM, the CBRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate allotment is less than 25 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 25 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the proportionate Allotment to a Bidder is a number that is more than 25 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

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 tripartite agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

(a) an agreement dated May 19, 2006 between NSDL, us and Registrar to the Issue;

(b) an agreement dated June 2, 2006 between CDSL, us and Registrar to the Issue.

Bidders will be Allotted Equity Shares only in dematerialized mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
2. 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.
3. 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.
4. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
6. 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.
7. 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.
8. The trading of the Equity Shares would be in dematerialized form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Pre-Issue and Post-Issue related problems

We have appointed Mr. Bhuvanesh Sharma, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue related problems. He can be contacted at the following address:

3rd Floor Sharda Arcade,
Pune - Satara Road
Bibwewadi,
Pune - 411037
Maharashtra, India
Tel: (91 20) 2422 1460
Fax: (91 20) 2422 1470
Email: investor.relations@hovservices.com

Disposal of Applications and Application Moneys and Interest In Case Of Delay

The Company shall ensure dispatch of Allotment advice, refunds and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 15 days from the Bid/Issue Closing Date.

Refunds shall be made in the manner described in the section entitled "Issue Procedure" on page 227 of this Red Herring Prospectus.

For this purpose, the details of bank accounts of applicants would be taken directly from the depositories' database. The registrar will send the electronic files with the refund data to the bankers to the issue and the bankers to the issue shall send the refund files to the RBI system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refund through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The 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 seven working days of finalization of the basis of Allotment.

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

Letters of Allotment or Refund Orders

We shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Closing Date / Issue Closing Date. We shall ensure refunds as per the modes of refund discussed in the paragraph given below.

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

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- **Dispatch of refund orders**

  Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk. We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue; and

- **Interest in case of delay in dispatch of allotment letters/refund orders**

  We shall pay interest @15% per annum 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, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from 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 where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Modes of Refund

The payment of refund, if any, shall be undertaken in any of the following manners:

1. **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.

2. **ECS**

   Payment of refund shall be undertaken through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the above mentioned fifteen centers.

3. **Direct Credit**

   Applicants having bank accounts with the Refund Banker(s), in this case being HSBC shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Bank(s) to the Issue for the same would be borne by the Issuer.

4. **RTGS**

   Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

   Note: We expect that all payments including where refund amounts exceed Rs. 1,000,000 (Rupees One Million) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 1,000,000 (Rupees One Million), refunds may be made through RTGS.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

   In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and by indicating the change on the web site of the BRLM and the CBRLM and at the terminals of the Syndicate.

UNDERTAKINGS BY THE COMPANY

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders /allotment letters to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of Bid/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

UTILIZATION OF ISSUE PROCEEDS

Our Board of Directors certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilized;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;

We shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and the FEMA and circulars and notifications issued thereunder. While the policy of the Government prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to residents. In our Company, as of date the aggregate FII holding cannot exceed 24% of the total post-Issue share capital.

Subscription by NRIs/ FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United

States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company (i.e., 10% of 12,554,045 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual.

As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With approval of our Board and that of the shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however as of the date of this Red Herring Prospectus no such resolution has been recommended to our shareholders for approval.

The above information is given for the benefit of the Bidders. Our Company, the BRLM and the CBRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

CAPITAL AND SHARES

Power to increase share capital

Article 3 provides that "the company has the power, from time to time , to increase or reduce its capital and to divide the shares in the capital for the time being into other classes and to attach thereto, respectively such preferential deferred, qualified or other rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Associations of the Company and to vary, modify or abrogate any such rights, privileges or conditions or restrictions in such manner as may for the time being be permitted by the Articles of Associations of the Company, or legislative provisions for the time being in force in that behalf.

Article 4 provides that "the Company in general meeting may, by ordinary resolution from time to time, increase the Capital by the creation of new shares and increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe, and in particular, such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at general meeting of the Company in conformity with Sections 87 and 88 of the Companies Act, 1956."

Kinds of capital

Article 5 provides that "neither the original capital nor any increased capital shall be of more than two kinds, namely (i) equity share capital and (ii) preference share capital, as defined in Section 85 of the Act."

Issue of shares with differential dividend, voting rights

Article 6 provides that "as provided in Section 86 of the Companies Act, 1956, the Company shall have a right to issue equity Share capital:

(a) with voting right or

(b) with differential rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed.

Article 7 provides that "except in so far as otherwise provided by the conditions of issue or by these Articles any capital raised by the creation of new shares, shall be considered as part of the existing capital and shall be subject to the provisions herein contained with reference to the payment of calls and installment, forfeiture, lien, surrender, transfer and transmission, voting and otherwise."

Redeemable Preference Shares

Article 8 provides that "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 to be liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption."

Article 9 provides that "On the issue of redeemable shares under the provisions of Article 8, the following provisions shall take effect:

(1) No such shares shall be redeemed except out of 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 redemption.

(2) No such shares shall be redeemed unless they are fully paid.

(3) The premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account before the shares are redeemed.

(4) Where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of the profits which would otherwise have been available for dividend, be transferred to a reserve fund to be called "The Capital Redemption, Reserve Account", a sum equal to the nominal amount of the shares redeemed and the provisions of the

Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act apply as if the capital redemption reserve account were paid up share capital of the Company.

(5) Subject to the provisions of Section 80 of the Act, the redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit."

Reduction of Capital

Article 10 provides that "the Company may (subject to the provisions of Sections 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by special resolution, reduce (a) its share capital, (b) any capital redemption reserve account or (c) any share premium account in any manner and with and subject to any incidents, for the time being, authorised and consent required by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted."

Buy Back of Shares

Article 11 provides that "as per Section 77A of the Act and the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 1998, subject to compliance with all applicable requirements of law, the Company has a right to buy back its own shares, provided that such acquisition/purchase shall not be construed as reduction of Equity Share Capital of the Company."

Consolidation, division, subdivision and cancellation of shares

Article 12 provides that "subject to the provisions of Section 94 of the Act, the Company in general meeting may from time to time by an ordinary resolution alter the conditions of its Memorandum as follows :

(a) increase its Share Capital by such amount as it thinks fit and expedient by issuing new Shares of such amount as may be deemed expedient and the new Shares shall be issued on 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 of Directors shall determine, and in particular such Shares maybe issued with a preferential right to Dividends and in the distribution of the assets of the Company;

(b) Consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(c) Sub-divide its shares, or any of them into shares of smaller amount than is fixed by the Memorandum, so however that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

(d) Cancel any shares which, at the date of passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. A cancellation of shares in pursuance of this sub-clause shall not be deemed to be reduction of share capital within the meaning of the Act.

Whenever the Company shall do any one or more of the things provided for in the foregoing sub-clauses (b), (c) and (d) the Company shall, within thirty days thereafter give notice thereof to the Registrar as required by Section 95 of the Act specifying, as the case may be, the share consolidated, divided, sub-divided or cancelled."

Modification of Rights

Article 13 provides that "whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act be varied, modified, commuted, affected or abrogated, or dealt with by consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class, and all the provisions hereafter contained as to general 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 was omitted. The rights conferred upon the holders of the shares (including preference shares, if any) of any class issued with preferred or other rights or privileges shall unless otherwise expressly provided by the terms of the issue of shares of that class, be deemed not to be modified, commuted, affected, abrogated, dealt with or varied by the creation or issue of further shares ranking *pari passu* there with."

Restriction on allotment and Return of allotment

Article 15 provides that "the Board of Directors shall observe the restrictions as to allotment of shares to the public contained in Sections 69 and 70 of the Act and shall cause to be made the returns as to allotment provided for in Section 75 of the Act."

Further issue of capital

Article 16(1) provides that "where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of 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 whether out of unissued share capital or out of increased share capital;

(a) Such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date;

(b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any 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 share offered to him;

After the 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 them of in such manner as they think most beneficial to the Company.

Article 16(2) provides that "notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) 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 that general meeting (including the casting vote if any, of the Chairman) by members, who being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

Article 16(3) provides that "nothing in sub-clause (c) of Clause (1) hereof shall be deemed:-

(a) to extend the time within which the offer should be accepted, or

(b) to authorise any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued or loans raised by the Company-

(a) to convert such debentures or loans into shares in the Company or

(b) to subscribe for shares in the Company (whether such option is concerned in these Articles or otherwise);

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term-

(a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans, or is in conformity with the rules, if any, made by that Government in this behalf; and

(b) in the case of the debentures or loans other than debentures issued to, or loans obtained from, the Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in general meeting before the issue of the debentures or the raising of the loans.

Shares under Control of Directors

Article 17 provides that "subject to the provisions of these Articles and of the Act, the shares shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons on such terms and conditions and at such times, as they think fit and with full power subject to the sanction of the Company in general meeting to give any person the option to call for or be allotted shares of any class of the Company either at a premium or at par or at a discount subject to the provisions of Sections 78 and 79 of the Act and for such time and for such consideration as the Directors 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 shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting."

Application of premium received on shares

Article 18 provides that (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 those shares shall be transferred to an account, to be called "The Securities 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 securities premium account were paid up share capital of the Company.

Power also to the Company in General Meeting to issue shares

Article 19(1) provides that "In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 17 and 18, the Company in a 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) be offered to such persons (whether members or not) in such proportion and on such terms and conditions and either at a premium or at par or at a discount (subject to compliance with the provisions of Sections 78 and 79 of the Act) 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 shares of any class of the Company either at a premium or at par or at a discount (subject to compliance with the provisions of Sections 78 and 79 of the Act) such option being exercisable at such time 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 such shares."

Article 19(2) provides that "the Company shall have the right to issue sweat equity shares / stock option shares to employees or directors on such terms and conditions as may be decided by the Board to the extent and in manner laid down under the Act."

Shares at a discount

Article 20 provides that the Company may issue at a discount shares of the Company of a class already issued, if:

(a) the issue of the shares at a discount is authorised by a resolution passed by the Company in general meeting and sanctioned by the Court;

(b) the resolution specifying the maximum rate of discount (not exceeding ten per cent or such higher percentage as the Central Government may permit in any special case) at which the shares are to be issued; and

(c) the shares to be issued at a discount are issued within two months after the date on which the issue is sanctioned by the Court or

(d) within such extended time as the Court may allow.

Installments on shares to be duly paid

Article 21 provides that "if by the conditions of any allotment of any shares the whole or any part of the amount or issue price thereof shall be payable by installments, every such installments shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the shares or his legal representatives."

The board may issue shares as fully paid-up

Article 22 provides that "subject to the provisions of the Act and these Articles, the Board may allot and issue shares in the capital of the Company as payment of any property sold or transferred or for service rendered to the Company in the conduct of its business and any shares which may be so issued shall be deemed to be fully paid-up shares."

Deposit and Call etc. to be a debt payable

Article 24 provides that "the money (if any) which the Board of Directors shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the inscription of the name of the allottee in the register of members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly."

Liability of Members

Article 25 provides that "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 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."

Company not bound to recognise any interest in share other than of registered holders

Article 29 provides that "except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof, any equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as the 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 3 persons) or the survivor or survivors of them.

No purchase of or loans on Company's shares

Article 30 provides that "none of the 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 shares in the Company or in its holding Company."

UNDERWRITING AND BROKERAGE

Commission may be paid

Article 31 provides that "subject to the provisions of Section 78 of the Act the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures in the Company, or procuring, or agreeing to procure subscriptions (whether absolute or conditional) for any shares or debentures of the Company, but so that the commission shall not exceed in the case of shares five per cent of the price at which the shares are issued and in the case of debentures two and a half per cent of the price at which the debentures are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or debentures as the case may be or partly in one way and partly in the other."

Brokerages

Article 32 provides that "the Company may on any issue of shares or debentures pay such brokerage as may be reasonable and lawful."

INTEREST OUT OF CAPITAL

Interest out of Capital

Article 34 provides that "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 provisions of any plant, which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid up, for the period, at the rate and subject to the conditions and restrictions provided by Section 208 of the Act, and may charge the same to Capital as part of the cost of construction of the work or building or the provision of the plant."

CALLS

Directors may make calls

Article 35 provides that "the Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by installments."

Notice of calls

Article 36 provides that fourteen days notice in writing of any call shall be given by Company specifying the time and place of payment and the person or persons to whom such call shall be paid."

Calls to date from resolution

Article 37 provides that "a call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board".

Liability of joint holders

Article 39 provides that "the joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof."

Directors may extend time

Article 40 provides that "the Board may from time to time, at its discretion, extend the time fixed for payment of any call, and may extend such time as to all or any of the members whom the Board may deem fairly entitled to such extension but no member shall be entitled to such extension save as a matter of grace and favour."

Calls to carry interest

Article 41 provides that "if any member fails to pay any 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 but nothing in his Article shall render it obligatory for the Board to demand or recover any interest from any such member."

Sums deemed to be calls

Article 42 provides that "any sum, which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified."

Proof on trial or suit for money due on shares

Article 43 provides that "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 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 is sought to be recovered, is alleged to have become due on the shares in respect of which such money is sought to be recovered, that the resolution making the call is duly recorded in the minutes book, and that notice of such call was duly given to the member or his representatives sued in pursuance of these Articles, and that it shall not be necessary to prove the appointment of the Directors who made such call, nor that a quorum of directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matters whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt."

Partial payment not to preclude forfeiture

Article 44 provides that "neither the receipt by the Company of a portion of any money which shall, from time to time, be due from any member to the Company in respect of his shares, either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares."

Payment in anticipation of Calls may carry interest

Article 45(a) provides that "the Board may, if it thinks fit, agree to and receive from any member willing to advance the same, all or any part of the amounts of his respective shares beyond the sums actually called up and upon the moneys so paid in advance, or upon so much thereof, from time to time and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made, the Board may pay or allow interest, at such rate as the member paying the sum in advance and the Board agree upon, the Board may agree to repay at any time an amount so advanced or may at any time repay the same upon giving to the member three months' notice in writing, provided that moneys paid in advance of calls on any shares may carry interest but shall not confer a right to dividend or to participate in profits."

Article 45(b) provides that "no member paying any such sum in advance, shall be entitled to voting right in respect of the moneys so paid by him until the same would, but for such payment, become presently payable."

LIEN

Company to have lien on shares

Article 46 provides that "the Company shall have a first and paramount lien upon all shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of the sale thereof, for all moneys (whether presently payable or not), called or payable at a fixed time in respect of such shares and no equitable interests in any such share shall be created except upon the footing and condition that this Article is to have full legal effect. Any such lien shall extend to all dividends from time to time declared in respect of shares. Provided that the Board of Directors may, at any time, declare any share to be wholly or in part exempt from the provisions of this Article."

Application of proceeds of sale

Article 49 provides that "the net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable, and that the residue, if any, shall be paid to the person entitled to the shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Share before the sale)."

FORFEITURE OF SHARES

If money payable on shares not paid, notice to be given to member

Article 50 provides that "if any member fails to pay any call or any installment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment."

If calls or installments not paid, notice may be given

Article 51 provides that "for the purpose of the provisions of these presents relating to forfeiture of shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such share on the day of allotment."

Form of notice

Article 52 provides that "the notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment and such interest thereon at such rate and expenses as aforesaid are to be paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed the shares in respect of which the call was made or installments is payable will be liable to be forfeited."

In default of payment of shares to be forfeited

Article 53 provides that "if the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited shares and not actually paid before the forfeiture."

Notice of forfeiture to a member

Article 54 provides that "when any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in this Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid."

Forfeited shares to be the property of the Company and may be sold

Article 55 provides that "any share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board of Directors shall think fit."

Members still liable to pay money owing at the time of forfeiture and interest

Article 56 provides that "any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding twelve per cent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation so to do."

Effect of forfeiture

Article 57 provides that "the forfeiture of a share shall involve extinction at the time of the forfeiture, of all interest in and all claims and demands against the Company in respect of the share and all other rights incidental to the share, except only such of those rights as by the Articles are expressly saved."

Power to annul forfeiture

Article 58 provides that "the Board of Directors may at any time before any share so forfeited shall have been sold; re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit."

Validity of forfeiture

Article 59(1) provides that "a duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or Secretary of the Company, and that a share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share."

Article 59(2) provides that "the Company may receive the consideration if any, given for the share on any sale, re-allotment or other disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of."

Article 59(3) provides that "the person to whom such share is sold, re-allotted or disposed of shall thereupon be registered as the holder of the shares."

Article 59(4) provides that "any such purchaser or allottee shall not (unless by express agreement) be liable to pay any calls, amounts, installments, interest and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interest or bonuses accrued or which might have accrued upon the share before the time of completing such purchase or before such allotment."

Article 59(5) provides that "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 any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the share."

Provision of these articles as to forfeiture to apply in case of non-payment of any sum

Article 60 provides that "the provisions of the Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share becomes payable at a fixed time, whether on account of the nominal value of a share or by way of premium, as if the same had been payable by virtue of a call duly made and notified."

Cancellation of shares certificates in respect of forfeited shares

Article 61 provides that "upon any sale, re-allotment or other disposal under the provisions of the Articles, the certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the persons entitled there to."

Surrender of shares

Article 62 provides that "the Directors may, subject to the provisions of the Act, accept a surrender of any share from or for any member desirous of surrendering on such terms as they think fit."

TRANSFER AND TRANSMISSION OF SHARES

Register of Transfers

Article 63 provides that "the Company shall keep a book, to be called the Register of Transfers, and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share."

Instrument of transfer

Article 64 provides that "every Instrument of transfer shall be as per prescribed Form 7B and should be duly signed by the Transferor and Transferee shall be deposited with the Company and subject to the provisions of Section l08 (3) of the Act, no transfer shall be registered until such instrument shall be so deposited together with the certificate of the shares to be transferred and together with any other evidence the Board may require to prove the title of the Transferor of his right to transfer the shares and no fee or sum whatever shall be payable for the registration of any transfer and the instrument of transfer shall registration be kept by the company but all the instruments of transfer which the Board may decline to register shall be returned to the person depositing the same."

Application for transfers

Article 65(1) provides that "an application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee."

Article 65(2) provides that "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."

Article 65(3) provides that "for the purpose of Article 65(2), notice to the transferee shall be deemed to have been duly given if it is dispatched by pre-paid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post."

To be executed by transferor and transferee

Article 66 provides that "every such instrument of transfer duly stamped shall be executed by or on behalf of both the transferor and the transferee and attested and the transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register of Members in respect thereof."

Transfer by legal representative

Article 67 provides that "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 the instrument of transfer."

Transfer of shares

Article 68 provides that "the Company shall issue share certificates duly transferred within one month from the date of lodgment of valid instrument of transfer."

Transfer books when closed

Article 69 provides that "the Board of Directors shall have power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situate to close the Transfer Books, the Register of Members or the Register of Debenture Holders at such time or times and for such period or periods not exceeding thirty days at a time, and not exceeding in the aggregate forty-five days in each year as it may seem expedient to the Board."

Death of one or more Joint holders of shares

Article 70 provides that "in case of the death of any one or more persons named in the Register of Members as the joint-holders of any share, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person."

Titles to shares of deceased member

Article 71 provides that "the executors' or administrators of a deceased member or the holder of a succession certificate or the legal representatives in respect of the shares of a deceased member (not being one of two or more joint-holders) shall be the only persons recognised by the Company as having any title to the shares registered in the names of such members, and the Company shall not be bound to recognise such executors or administrators or holders of a succession certificate of the legal representatives unless such executors or administrators or legal representatives shall have first obtained Probate or Letters of Administration, or Succession Certificate as the case may be, from a duly constituted Court in the Union of India provided that in any case where the Board of Directors in its absolute discretion thinks fit, the Board upon such terms as to indemnity or otherwise as the Directors may deem proper dispense with production of Probate or Letters of Administration or Succession Certificate and register under Article the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member."

Registration of persons entitled to shares otherwise than by transfer, (Transmission Clause)

Article 72 provides that "subject to the provisions of Article 71 any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these Articles, may with the consent of the Board of Directors (which it shall not be under obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under these, Articles, or of this title, as the Board of Directors shall require, and upon giving such indemnity as the Directors shall require either be registered as a member in respect of such share or elect to have some person nominated by him and approved by the Board of Directors registered as a member in respect of such shares."

The proviso to Article 72 provides that “if such person shall elect to have his nominee registered, he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained, and, until he does so, he shall not be freed from any liability in respect of such shares.”

Directors entitled to refuse to register transfer

Article 73 provides that “Subject to the provisions of Section 111A of the Act the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company. But in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the company on any account whatsoever except when the company has a lien on the shares. Transfer of shares / debentures in whatever form or reason shall not be refused. The Company shall be entitled to decline to register more than three persons as the holders of any share.”

DEMATERIALISATION OF SECURITIES

Dematerialization of Securities

Article 78(2) provides that “notwithstanding anything contained in the Articles, as and when any of the securities of the Company are listed on one or more recognized Stock Exchanges, the company shall be entitled to admit such securities issued by the Company to any Depository and to offer securities in a dematerialised form in pursuance to the Depositories Act, 1996.”

BORROWING POWERS

Power to borrow

Article 80 provides that “subject to the provisions of Sections 292 and 293 of the Act and of the Articles, the Board of Directors may, from time to time at its discretion, by a resolution passed at a meeting of the Board, accept deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company from any source. Provided that, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) exceed the aggregate of the paid-up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in general meeting. No debt incurred by the Company in the excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.”

The payment or repayment of moneys borrowed

Article 81 provides that “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 o f debentures or debenture stock of the Company, charged upon all or any part of the property of the Company, (both present and future), including its uncalled capital for the time being, and the debentures and the debenture stock and other securities may be made assignable free from any equities between the company and the person to whom the same may be issued.”

Terms of Issue of debentures

Article 82 provides that “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 general meetings, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in general meeting.”

Mortgage of Uncalled Capital

Article 83 provides that "if any uncalled capital of the Company is included in or charged by any Mortgage or other security, the Directors may, subject to the provisions of the Act and these Articles make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed."

SHARE WARRANTS

Power to issue share warrants

Article 86 provides that "the Company may issue share warrants subject to, and in accordance with the provisions of Sections 114 and 115, 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 person 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."

Deposit of Share warrant

Article 87(1) provides that "the bearer of a share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending and voting and exercising the other privileges of the member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the share included in the deposited warrant.

Privilege and disabilities of the holders of share warrant

Article 88(1) provides that "subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other privileges of a member at a meeting of the Company, or be entitled to receive any notice from the Company."

Article 88(2) provides that "the bearer of a share warrant shall he 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."

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

Transfer of stock

Article 91 provides that "the several holders of such stock may transfer their respective interest therein or any part thereof in the same manner and subject to the same regulations under which the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit, provided that the Board may, from time to time, fix the minimum amount of stock transferable, so however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose."

Rights of stock holders

Article 92 provides that "the holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred those privileges or advantages."

Regulations applicable to stock and share warrants

Article 93 provides that "such of the regulations of the Company as are applicable to paid up shares shall apply to stock and the words 'Share' and 'Share-holder' in these regulations shall include 'stock' and 'stock-holder' respectively."

MEETINGS OF MEMBERS

Annual General Meeting

Article 94(1) provides that "the Company shall in each year hold, in addition to any other meetings, a general meeting as its Annual General Meeting in accordance with the provisions of Sections 166 and 210 of the Act and shall specify the meeting as such in the notice calling it, except in the case where the Registrar has given an extension of time for holding any annual general meeting and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next."

Article 94(3) provides that "every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any general meeting which he attends on any part of the business which concerns him as auditor."

Report statements and Registers to be laid before the annual general meeting

Article 95 provides that "at every annual general meeting of the Company there shall be laid on the table the Directors' Report and Audited Statement of Accounts, Auditors' Report (if not already incorporated in the Audited Statement of Accounts), the proxy register with proxies, and the Register of Directors' Shareholdings."

Extra-ordinary general meeting

Article 96 provides that "all general meetings other than annual general meeting shall be called Extra Ordinary General Meetings."

Annual Return

Article 97(2) provides that "the Register of Members, Index of Members, the Register and Index of Debenture holders and copies of all Annual Returns prepared under Sections 159 and 161 of the Act together with the copies of certificates and documents required to be annexed thereto under Sections 159 and 161 of the Act shall be kept at the registered office of the Company, provided that such registers, indexes, returns and copies of certificates and documents of any one or more of them may instead of being kept at the registered office of the Company, be kept at any other place within the city or town in which the registered office of the Company is situate for the time being if such other place has been approved for this purpose by a Special Resolution passed by the Company in general meeting and; the Registrar has been given in advance a copy of the proposed Special Resolution.

Article 97(3) provides that "the Registers, indexes, returns and copies of certificates and other documents referred to in Article 97(2) shall, except when the Register of members or debenture holders is closed under the provisions of the Act, be open during the business hours (subject to such reasonable restriction as the Company may impose so that not less than two hours in each day are allowed for inspection) for inspection (i) of any member or debenture holder without fee and (ii) of any other person on payment of fee of one rupee for each inspection who may take abstract from the said document or require copy thereof in accordance with Section 163 of the Act.

Article 97(4) provides that "the Company shall cause any copy required by any persons under clause (b) of sub-clause (3) to be sent to that person within a period of ten days exclusive of non-working days, commencing on the day next after the day on which the requirement is received by the Company."

Extra-ordinary General Meeting by board and by requisition

Article 99 provides that "the Directors may, whenever they think fit convene an extra-ordinary general meeting and they shall on requisition of the members as provided in the Articles, forthwith proceed to convene extra-ordinary general meeting of the Company."

Voting to be by show of hands in the first instance

Article 112 provides that "at any general meeting, a resolution put to the vote of the meeting unless a poll 'is demanded under Article 114 be decided on a show of hands."

Chairman's declaration of result of voting on show of hands

Article 113 provides that "a declaration by the Chairman that in pursuance of Article 112, 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 proceeding of the Company shall be conclusive evidence of the fact, without proof of the number of proportion of votes in favour or against such resolution."

Demand for poll

Article 114(1) provides that "before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than fifty thousand rupees has been paid up."

Article 114(2) provides that "the demand for a poll may be withdrawn at any time by the person or persons who made the demand."

Time of taking poll

Article 115 provides that "a poll demanded on any question of adjournment shall be taken forthwith. A poll demanded on any other question (not being relating to the election of a Chairman which is provided for in Article 110 shall be taken at such time not being later than forty-eight hours from the time when the demand was made and in such manner and place as the Chairman of the meeting may direct."

Chairman's casting vote

Article 116 provides that "in the case of an equality of votes the Chairman shall both on a show of hands and a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a member."

Scrutineers at poll

Article 117 provides that "where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of the scrutineer arising from such removal or from any other cause."

Special Notice

Article 119 provides that "where by any provision contained in the Act or in these Articles special notice is required for any resolution, notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the meeting at which it is to be moved exclusive of the day on which the notice is served or deemed to be served and the day of the meeting. The Company shall immediately after the notice of the intention to move any such resolution has been received by it give its members notice of the resolution in the same manner as it gives notice of the meeting, or if that is not practicable, shall give them notice thereof either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents not less than seven days before the meeting."

VOTES OF MEMBERS

Members paying money in advance not to be entitled to vote in respect thereof

Article 122 provides that "a member paying the whole or a part of the amount remaining unpaid on to any shares held by him although no part of that amount has been called up, shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable."

Restriction on exercise of voting rights of members who have not paid calls

Article 123 provides that "no member shall exercise any voting rights in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien."

Number of votes to which member entitled

Article 124 provides that "subject to the provisions of Articles 121 and 122 every member of the Company holding any equity share capital and otherwise entitled to vote shall, on a show of hands when present in person (or being a body corporate present by a representative duly authorised) have one vote and on *a* poll, when present in person (including a body corporate by a duly authorised representative) or by an agent duly authorised under a Power of Attorney or by proxy, his voting right shall be in proportion to his share of the paid-up equity share capital of the Company. Provided however, if any Preference shareholder be present at any meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only on resolutions before the meeting which directly affect the rights attached to his preference shares. A member is not prohibited from exercising his voting rights on the ground that he has not held his shares or interest in the Company for any specified period preceding the date on which the vote is taken."

Vote of members of unsound mind

Article 125 provides that "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."

Vote of joint members

Article 126 provides that "if there be joint registered holders of any shares any one of such persons may vote at any meeting personally or by an agent duly authorised under a power of attorney or by proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting, and if more than one of such joint holders be present at any meeting either personally or by agent or by proxy, that one of the said person so present who stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint holder shall be entitled to be present at the meeting; provided always that a person present at any meeting personally shall be entitled to vote in preference to a person present by an agent duly authorised under a power of attorney or by proxy although the name of such person present by agent or proxy stands first or higher in the Register in respect of such shares. Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these Articles be deemed joint holders thereof."

Representation of body corporate

Article 127(1) provides that "a body corporate (whether a company within the meaning of the Act or not) may, if it is member or creditor of the Company (including a holder of debentures), authorise such person as it thinks fit by a resolution of its Board of Directors or other Governing Body to act as its representative at any meeting of the creditors of the Company or debenture holders of the Company. A person authorised by resolution as aforesaid shall be entitled to exercise the same rights and power (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member, creditor or holder of debentures of the Company."

Article 127(2) provides that "where the President of India or the Governor of a State is a member of the Company, the President or, as the case may be, the Governor may appoint such person as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of members of the Company and such a person shall be deemed to be a member of the Company and shall be entitled to exercise the same rights and powers, including the right to vote by proxy, as the President, or as the case may be, the Governor could exercise as a member of the Company."

Votes in respect of deceased or insolvent members

Article 128 provides that "any person entitled under the Transmission Clause in the Articles to transfer any shares may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares, provided that at least forty eight hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the Directors of his rights to transfer such shares and give such indemnity (if any) as the Directors may require unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof."

Proxies

Article 131 provides that "any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself provided that a proxy so appointed shall not have any right whatever to speak at the meeting. Every notice convening a meeting of the Company shall state that a member entitled to attend and vote is entitled to appoint one or more proxies."

Proxy either for specified meeting or for a period

Article 132 provides that "an instrument of proxy may appoint a proxy either for the purposes of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purposes of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting."

Deposit of instrument of appointment

Article 134 provides that "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 office forty-eight hours before the time for holding the meetings 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 appointing a proxy shall be valid after the expiration of twelve months from the date of its execution."

Form of Proxy

Article 135 provides that "every instrument of proxy whether for specified meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act, and signed by the appointer or his attorney duly authorised in writing or, if the appointer is a body corporate be under its seal or be signed by any officer or attorney duly authorised by it."

Validity of votes given by proxy notwithstanding revocation of authority

Article 137 provides that "a vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of any power of attorney or authority under which such proxy was signed, or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer shall have been received at the Office before the commencement of the meeting, or adjourned meeting at which the proxy is used."

DIRECTORS

Number of Directors

Article 141 provides that "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 (excluding Debenture Directors, Special Directors and Corporation Directors, if any) shall be not less than 3 and not more than 12."

Directors

Article 142(1) provides that "until otherwise determined by the Company in a General Meeting and subject to Sections 252 and 259 of the Act, the number of Directors (excluding Alternate Directors) shall not be less than 3 and not more than 12. The composition of the Board (including the number of Directors who are Indian Nationals) will be in accordance with all applicable Requirements of Law."

Article 142(2) provides that "Group shall be entitled to appoint one third of the members of the Board (minimum 2 Group Nominees) who shall be Non-Retiring Directors."

Article 142(3) provides that "if a Group Nominee retires, resigns, is removed or otherwise vacates office at any time then, subject to Article 148, Group shall be entitled to nominate a replacement Director upon the retirement, removal or resignation of their Nominee Director."

Article 142(4) provides that “the Group Nominees shall hold office at the pleasure of Group, and be subject to removal by the Group. Their appointment and removal shall be effective by a notice in writing addressed to the Board, under the hand of one of the authorized representatives of the Group and the same shall take effect forthwith upon being delivered to the Company. As and when there is a vacancy on the Board of the Company for any cause or reason out of the Directors nominated by Group, such vacancy shall be filled by Group.”

Directors may be Directors of Companies promoted by the Company

Article 166 provides that “a Director may be or become a Director of any Company or in which it may be interested as a Vendor, shareholder, or otherwise, and no such Director shall be accountable for any benefits received as Director or shareholder of such Company except in so far as Section 309(6) or Section 314 of the Act may be applicable.”

Company may increase or reduce the number of Directors or remove any Director

Article 173 provides that “subject to the provisions of Sections 252, 255 and 259 of the Act, the Company may, by ordinary resolution, from time to time, increase or reduce the number of Directors and may alter qualifications.”

MANAGING DIRECTOR WHOLE TIME DIRECTOR

Board may appoint Managing Director or Managing Director(s) or Whole time Director(s)

Article 179 provides that “subject to the provisions of Article 45 and Sections 267, 268, 269, 309, 310, 311, 316 and 317 and other applicable provisions and Schedule XIII of the Act and of these Articles, the Group shall have the right by a notice in writing signed by its Manager or a Nominee addressed to the Board, the right to designate one or more of the Group Nominees as the Managing Director(s) or Manager or Executive/ Wholetime Director(s) of the Company and the Board shall within one week of the date of receipt of such letter, appoint such designate or designates as the Managing Director(s) or Manager or Executive/ Wholetime Director(s) of the Company. The Group shall have the right by a similar notice to require the Board to remove any Managing Director(s) or Manager or Executive/ Wholetime Director(s) of the Company and the Board shall within one week of the date of receipt of such notice take steps to remove such person from such office with the Company. On a vacancy being caused in the office of the Managing Director(s) or Manager or Executive/ Wholetime Director(s), whether by resignation, death, removal or otherwise, the Group shall have the right to designate another Group Nominee for such appointment and the Board shall proceed to appoint such Group Nominee in the same manner as prescribed above. The terms of appointment of Managing Director(s) or Manager or Executive/ Wholetime Director(s) shall be as are specified, (with the power to vary such terms) by the Group from time to time and these shall be the terms on which such persons shall be appointed by the Board. The Managing Director(s) or Manager or Executive/ Wholetime Director(s), as the case may be, so appointed, shall be responsible for and in charge of the day to day management and affairs of the Company and subject to the provisions of the Act and these Articles, the Board shall vest in such Managing Director/s or Manager or Executive/ Wholetime Director(s), as the case may be, all the powers vested in the Board generally.”

Chairman

Article 187(1) provides that One Group nominee shall be the non-retiring Chairman of the Board so long as he is willing to be a Director and Chairman of the Company and shall not be liable to retire by rotation. The Chairman shall preside at all meetings of the Board and the General Meeting of the Company. In the absence of the Chairman at any meeting of the Board, one of the Group Nominees shall preside at such meeting as the Chairman.

Article 187(2) provides that “if for any reason he is unable to continue as the Chairman, the members of the Board of Directors shall appoint one of the Group Nominees as the Chairman.”

Issue of ADRs/GDRs

Article 203 provides that “the Company shall, subject to the provisions of the Act, compliance with all applicable laws, rules and regulations and the consent of the Board, have power to issue ADRs or GDRs on such terms and in such manner as the Board deems fit including their conversion and repayment.”

NOMINATION OF SHARES

Article 204(1) provides that "every holder of Shares in, or holder of Debentures of, the Company may, at any time, nominate, in the manner prescribed under the Act, a Person to whom his Shares in, or Debentures of, the Company shall vest in the event of his death."

Article 204(2) provides that "where the Shares in, or Debentures of, the Company are held by more than one Person jointly, the joint holders may together nominate, in the manner prescribed under the Act, a Person to whom all the rights in the Shares or Debentures of the Company shall vest in the event of death of all the joint holders."

Article 204(3) provides that "notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such Shares in or Debentures 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 Shares in, or Debentures of, the Company, the nominee shall, on the death of the Member or debenture holder of the Company or, as the case may be, on the death of the joint holders become entitled to all the rights in the Shares or Debentures of the Company or, as the case may be, all the joint holders, in relation to such Shares or Debentures of the Company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner under the Act 182"

Article 204(4) provides that "where the nominee is a minor, the holder of the Shares or Debentures concerned, can make the nomination to appoint in prescribed manner under the Act, any Person to become entitled to the Shares or Debentures of the Company in the event of his death, during the minority."

MANAGEMENT OF COMPANY'S AFFAIRS

Article 205 provides that "subject to the provisions of the Act and these Articles, the Members of the Company shall entrust the entire management of the Company's affairs including all decisions and resolutions to its Board of Directors. All matters arising at a meeting of the Board of Directors, other than those otherwise specified in these Articles if any shall be decided by a majority vote, subject to any casting vote of the Chairman in the event of a tie."

DIVIDEND WARRANTS

Division of profits

Article 210(1) provides that "subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of the shares."

Article 210(2) provides that "no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.

Article 210(3) provides that "all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly."

The Company in general meeting may declare dividends

Article 211 provides that "the Company in general meeting may declare dividends, to be paid to members according to their respective right and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors, but the Company may declare a lesser rate of dividend in general meeting."

Dividends out of profits only

Article 212(1) provides that "no dividend shall be declared or paid by the Company for any financial year except out of the profits of the Company for that year arrived at after providing for depreciation in accordance with the provision of sub-clause (2) or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with those provisions and remaining undistributed or out of both or out of moneys provided by the Central Government or State Government for the payment of dividends in pursuance of a guarantee given by the Government.

Interim Dividend

Article 213 provides that "the Board of Directors may from time to time, pay to the members such interim dividends as in their judgment the position of the Company justifies."

Debts may be deducted

Article 214 provides that "the Director may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists."

Capital paid up in advance interest not to earn dividend

Article 215 provides that "where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right, to dividend or to participate in profits."

Dividends in proportion to amount paid up

Article 216 provides that "all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly."

Retention of dividends until completion of transfer under Article 72

Article 217 provides that "the Board of Directors' may retain the dividend payable upon shares in respect of which any person under Article 72 has become entitled to be a member, or any person under that Article is entitled to transfer, until such person becomes a member, in respect of such shares or shall duly transfer the same."

No member to receive dividend whilst indebted to the Company and the company's right of reimbursement thereof

Article 218 provides that "no member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any member all such sums of money so due from him to the Company."

Effect of transfer of shares

Article 219 provides that "a transfer of shares does not pass the right to any dividend declared thereon before the registration of the transfer."

Dividend to joint holders

Article 220 provides that "any one of several persons who are registered as joint holders of any share may give effectual receipts for all dividends or bonus and payments on accounts of dividends in respect of such share."

Dividend how remitted

Article 221 provides that "the dividend payable in cash may be paid by Cheque or Warrant sent through Post direct to registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint-holders which is first named on the register of members or to such person and to such address as the holder or the joint-holder may in writing direct. The Company shall not be liable or responsible for any Cheque or Warrant or pay slip or receipt lost in transmission or for any dividend lost, to the member or person entitled thereto by forged endorsement of any Cheque or Warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means."

Notice of dividend

Article 222 provides that "notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holder of share in the manner herein provided."

Dividend to be paid within thirty days

Article 223(1) provides that "the Company shall pay dividend or send the warrant in respect thereof to the shareholder entitled to the payment of dividend, within thirty days from the date of the declaration unless the dividend could not be paid by reason of the operation of any law; where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; where there is a dispute regarding the right to receive the dividend; where the dividend has been lawfully adjusted by the Company against any sum due to it from the shareholder, or 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.

Article 223(2) provides that "where the dividend has been declared but not paid or the warrant in respect thereof has not been posted within 30 days from the date of the declaration to any shareholder entitled to the payment thereof, the Company shall within 7 days from the date of expiry of the said period of 30 days transfer the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted within the said period of 30 days, to a Special Account to be opened by the Company in that behalf in any Scheduled Bank to be called "Unpaid Dividend Account of HOV SERVICES LIMITED."

No interest on dividend

Article 224 provides that "no unpaid dividend shall bear interest as against the Company."

Unclaimed dividend

Article 225 provides that "no unclaimed dividend shall be forfeited by the Board unless the claim thereto becomes barred by law and the Company shall comply with all the provisions of Section 205-A of the Companies Act, 1956 in respect of any unclaimed or unpaid dividend."

Dividend and call together

Article 226 provides that "any general meeting declaring a dividend may on the recommendations 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 time as the dividend; and the dividend may, if so arranged between the Company and members, be set off against the calls."

CAPITALISATION

Article 227(1) provides that "the Company in General Meeting may, upon the recommendation of the Board, resolve: that it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the Profit and Loss account or otherwise available for distribution; and that such sum be accordingly set free for distribution in the manner specified in Article 227(2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions."

Article 227(2) provides that "the sum aforesaid shall not be paid in cash but shall be applied subject to the provision contained in clause (3) either in or towards:

(i) paying up any amount for time being unpaid on any shares held by such members respectively;

(ii) paying up in full unissued shares of the Company to be allocated and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid; or

(iii) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause(ii).

Article 227(3) provides that "a share premium account and a Capital Redemption Reserve Account may, for the purposes of this regulation, only be applied in paying up of unissued share to be issued to members of the Company as fully paid bonus Shares."

Article 227(4) provides "the Board shall give effect to the resolution passed by the Company in pursuance of this regulation.".

Fractional Certificates

Article 228(1) provides that "whenever a resolution for capitalisation has been passed, the Board shall:

(a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares, and

(b) generally do all acts and things required to give effect thereto.

Article 228(2) provides that "the Board shall have full power :

(a) to make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, in the case of shares becoming distributable in fractions; and also

(b) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalisation, or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares.

Article 228(4) provides that "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 questions or difficulties that may arise in regard to any issue including distribution of new equity shares and fractional certificates as they think fit."

WINDING UP

Distribution of Assets

Article 248 provides that "if the Company shall be wound up, and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in the proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively, and if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up, or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions."

Distribution in specie or kind

Article 249(1) provides that "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 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 sanction shall think fit."

Article 249(2) provides that "if thought expedient any such division may subject to the provisions. of the Act be otherwise than in accordance with the legal rights of the contributories (except where un-alterably 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 upon, any contributory who would be prejudiced 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."

Article 249(3) provides that "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."

Right of shareholders in case of sale

Article 250 provides that "a special resolution sanctioning a sale to any other Company duly passed pursuant section 294 of the Act, may subject to the provisions of the Act in like manner as aforesaid determined that any shares or other consideration receivable by the Liquidator be distributed amongst 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 section."

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company between 10.00 am and 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

Material Contracts to the Company

1. Board Resolution dated March 9, 2006 for the appointment of , Surinder Rametra as Chairman.
2. Board Resolution March 9, 2006 for the appointment of Parvinder S. Chadha as Executive Director.
3. Board Resolution March 9, 2006 for the appointment of Sunil Rajadhyaksha as Executive Director.

Material Contracts to the Issue

1. Engagement Letters for appointment of DSPML and JMMS as BRLM and CBRLM respectively.
2. Memorandum of Understanding amongst our Company, the BRLM and the CBRLM and dated April 12, 2006.
3. Memorandum of Understanding executed by our Company and the Registrar to the Issue dated March 16, 2006.

Material Documents

1. Certified true copies of the Memorandum and Articles of Association of the Company as amended from time to time.
2. Shareholders' resolution dated March 10, 2006 in relation to this Issue and other related matters.
3. Resolutions of the Board of Directors dated March 9, 2006 in relation to this Issue and other related matters.
4. Letter dated April 12, 2006 from Lodha & Co., Chartered Accountants on expenditure incurred as of December 31, 2005.
5. Reports of the statutory Auditors dated May 15, 2006 prepared as per Indian GAAP and mentioned in this Red Herring Prospectus, and consents of the Auditor Lodha & Co., Chartered Accountants, for inclusion of their report on accounts in this Red Herring Prospectus.
6. General Power of Attorney executed by the Directors of our Company in favour of Person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
7. Consents of BRLM, CBRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Company, International Legal Counsel to the Underwriters, Domestic Counsel to the Underwriters, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
8. Initial listing applications dated April 13, 2006 and April 13, 2006 filed with NSE and BSE.
9. In-principle listing approvals dated May 12, 2006 and August 24, 2006 from NSE and May 4, 2006 from BSE.
10. Tripartite agreement between NSDL, our Company and the Registrar to the Issue dated May 19, 2006.
11. Tripartite agreement between CDSL, our Company and the Registrar to the Issue dated June 2, 2006.
12. Due diligence certificate dated April 13, 2006 to SEBI from DSPML and JMMS.
13. SEBI observation letter no. CFD/DIL/ISSUES/V/71329/2006 dated July 11, 2006 and our reply to the same dated August 1, 2006.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

We, the Directors of the Company, hereby declare that all relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the 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 Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and fair.

SIGNED BY ALL DIRECTORS

Surinder Rametra

Sunil Rajadhyaksha

Parvinder S Chadha

BR Gupta

Ajay Madan

Rajeev Gupta

Signed by the Chief Financial Officer

Signed by the Chief Operating Officer

Date: August 24, 2006

Place: Mumbai

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