PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated April 3, 2006
100% Book Building Issue

R SYSTEMS INTERNATIONAL LIMITED

(Originally incorporated as R Systems (India) Private Limited on May 14, 1993 under the Companies Act, 1956, with registration number 55-053579, with its registered office at B-104A, Greater Kailash - I, New Delhi - 110 048. Subsequently, the name was changed to R Systems (India) Limited on April 13, 2000. The name was changed to R Systems International Limited on August 7, 2000.)
Registered Office: B-104A, Greater Kailash - I, New Delhi - 110 048.

Corporate Office: C-40, Sector-59, Noida, Uttar Pradesh - 201 307. Tel.: +91 120 430 3500 Fax: +91 120 258 7123
Contact person: Mr. Nand Sardana, Company Secretary-cum-Compliance Officer
Website: www.rsystems.com Email: iporsystems@india.rsystems.com

PUBLIC OFFER OF 4,408,355 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PREMIUM OF RS. 240 PER EQUITY SHARE AND AT A PRICE OF RS. 250 PER EQUITY SHARE AGGREGATING RS. 1102.09 MILLION, COMPRISING FRESH ISSUE OF 2,825,000 EQUITY SHARES OF RS. 10 EACH BY R SYSTEMS INTERNATIONAL LIMITED (REFERRED TO AS THE "COMPANY") AND AN OFFER FOR SALE OF AGGREGATE 1,583,355 EQUITY SHARES OF RS. 10 EACH BY THE SELLING SHAREHOLDERS (AS DEFINED HEREIN) (THE FRESH ISSUE AND THE OFFER FOR SALE ARE JOINTLY REFERRED TO HEREIN AS THE "OFFER"). THE OFFER COMPRISES OF A RESERVATION FOR EMPLOYEES OF 440,355 EQUITY SHARES OF RS. 10 EACH AND A NET OFFER TO THE PUBLIC OF 3,968,000 EQUITY SHARES OF RS. 10 EACH (THE "NET OFFER"). THE OFFER WOULD CONSTITUTE 32.57% OF THE FULLY DILUTED POST OFFER PAID-UP CAPITAL OF OUR COMPANY.

ISSUE PRICE : RS. 250 PER EQUITY SHARE OF FACE VALUE RS. 10 EACH.

THE OFFER PRICE IS 25 TIMES THE FACE VALUE

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

The Offer is being made through the 100% Book Building Process wherein up to 50% of the Net Offer to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Offer Price. Further, at least 15% of the Net Offer to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Offer to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price.

RISKS IN RELATION TO FIRST OFFER

This being the first Offer of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10 (Rupees Ten only) and the Offer Price is 25 times of the face value. The Offer Price (as determined by the Company and the Selling Shareholders, in consultation with the Book Running Lead Manager, 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 of the Company nor 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 Offer 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 Offer. For taking an investment decision, investors must rely on their own examination of the Company and the Offer including the risks involved. The Equity Shares offered in the Offer 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 Prospectus. We have not obtained any grading for this Offer of Equity Shares. Specific attention of the investors is invited to the summarized and detailed statements in Risk Factors beginning on page no. iii.

COMPANY'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the Company and the Offer, which is material in the context of the Offer, that the information contained in this 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 Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING ARRANGEMENT

The Equity Shares offered through this Prospectus are proposed to be listed on the NSE and BSE. We have received in-principle approval from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated March 6, 2006 and March 10, 2006 respectively. For purposes of this Offer, the Designated Stock Exchange is NSE.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
IL&FS INVESTSMART **IL&FS Investsmart Limited** The IL&FS Financial Centre Plot No. C-22, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. Tel.: +91 22 2653 3333 Fax: +91 22 5693 1862 Email: rsil.ipo@investsmartindia.com Website: www.investsmartindia.com	INTIME SPECTRUM REGISTRY LIMITED **Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai – 400 078. Tel.: +91 22 2596 0320 Fax: +91 22 2596 0329 Email: rsilipo@intimespectrum.com Website: www.intimespectrum.com

OFFER PROGRAMME

BID / OFFER OPENED ON : MARCH 28, 2006	BID / OFFER CLOSED ON : MARCH 31, 2006

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DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
"R Systems" or "the Company" or "our Company" or "R Systems International Limited"	R Systems International Limited, a public company incorporated under the Companies Act, 1956
"we" or "us" or "our"	Refers to R Systems International Limited and, where the context requires, its subsidiaries, namely, R Systems (Singapore) Pte. Ltd., R Systems, Inc., Indus Software, Inc. and ECnet Ltd.
"you"	Refers to the proposed investor

CONVENTIONAL AND GENERAL TERMS

Term	Description
Act or Companies Act	Companies Act, 1956 and amendments thereto
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
Baht	Official currency of Thailand
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996 as amended from time to time
DIP Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EBITDA	Earning Before Interest, Tax, Depreciation and Amortisation
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EPS	Earnings Per Share i.e. profit after tax divided by weighted average number of Equity Shares outstanding during the year
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FII(s)	Foreign Institutional Investors as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000 registered with SEBI under applicable laws in India
Financial Year/ Fiscal/ FY	Period of twelve months ended December 31 of that particular year
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product

Term	Description
GoI	Government of India
HK$	Hong Kong Dollar
HUF	Hindu Undivided Family
IEC	Importer Exporter Code
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
NT$	New Taiwan Dollar, Official Currency of Taiwan
Mn / mn	Million
N/A	Not Applicable
NAV	Net Asset Value being paid up Equity Share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by number of issued Equity Shares
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
RBI	The Reserve Bank of India
RM	Malaysian Ringgit
Rmb	Renminbi-Official Currency of China
RONW	Return on Net Worth
Rs. or INR	Indian Rupees
S$/SGD	Singapore Dollar
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SIA	Secretariat for Industrial Assistance
Stock Exchange(s)	NSE and/ or BSE as the context may refer to
US / USA	United States of America
USD or $ or US $	United States Dollar
U.S. GAAP	Generally accepted accounting principles of the United States
Won	Official Currency of Korea
Yen	Official Currency of Japan

OFFER RELATED TERMS

Term	Description
Allotment	Offer or transfer, as the context requires, of Equity Shares pursuant to the Offer to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being/have been issued or transferred
Bankers to the Offer	ICICI Bank Limited, HDFC Bank Limited and Standard Chartered Bank
Bid	An indication to offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Offer
Bid Closing Date / Offer Closing Date	The date after which the Members of the Syndicate will not accept any Bids for the Offer, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to Equity Shares and which will be considered as the application for allotment/ transfer of the Equity Shares in terms of the Prospectus
Bid Opening Date / Offer Opening Date	The date on which the Members of the Syndicate shall start accepting Bids for the Offer, which shall be the date notified in a widely circulated English national newspaper and Hindi national newspaper
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Prospectus
Bidding Period /Offer Period	The period between the Bid/Offer Opening Date and the Bid/Offer Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided in Chapter XI of the DIP Guidelines, in terms of which this Offer is made
BRLM	Book Running Lead Manager to the Offer, in this case being IL&FS Investsmart Limited, The IL&FS Financial Centre, Plot No. C-22, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051
CAN / Confirmation of Allotment Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The high end of the Price Band, above which the Offer Price will not be finalized and above which no Bids will be accepted
Cut-off/Cut-off Price	Any price within the Price Band finalized by us and the Selling Shareholders in consultation with the BRLM
Draft Red Herring Prospectus	Means the Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Offer. The Red Herring Prospectus will be filed with the RoC at least three days before the opening of the Offer and will become a Prospectus after filing with the RoC after the pricing and allocation.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Offer Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot and/or transfer Equity Shares to successful Bidders
Designated Stock Exchange	National Stock Exchange of India Limited

Term	Description
Employees	Includes (a) a permanent employee of the Company working in India or out of India, (b) a director of the Company, whether a whole time Director, part time Director and (c) an employee as defined in (a) and (b) above of a subsidiary of the Company, in India or out of India. The permanent employees should be on the rolls of the Company as on January 31, 2006 and the Directors should be a Director on the date of the Red Herring Prospectus.The Employee(s) may also be referred to as "Bidders in the Employees Reservation Portion" in the Red Herring Prospectus
Employees Reservation Portion	The portion of the Offer being a maximum of 440,355 Equity Shares available for allocation to Employees, subject to a maximum Bid amount of upto Rs. 2,500,000
Escrow Account	Account opened with an Escrow Collection Bank and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, the Selling Shareholders, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts from and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks 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 Offer Price will not be finalised and below which no Bids will be accepted
Fresh Issue or Primary Issue	The issue of 2,825,000 Equity Shares at the Offer Price by the Company pursuant to this Prospectus
Offer	Collectively, the Fresh Issue and the Offer for Sale
Offer Price	The price at which Allotment of Equity Shares will be made in this Offer, as determined by the Company and Selling Shareholders in consultation with the BRLM, on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 10% to 100% of the Bid Amount
Members of the Syndicate	The BRLM
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Funds Portion	5% of the QIB Portion or 99,200 Equity Shares available to allocation to Mutual Funds only, out of the QIB Portion
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
Non-Institutional Portion	The portion of the Offer being a minimum of 595,200 Equity Shares available for allocation to Non-Institutional Bidders
Offer for Sale	The offer for sale by the Selling Shareholders of 1,583,355 Equity Shares of Rs.10 each at the Offer Price
Pay-in Date	The last date specified in the CAN sent to Bidders receiving allocation, who pay less than 100% margin money at the time of bidding
Pay-in-Period	This term means (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 Pay-in-Date
Price Band	Being the price band of a minimum price (Floor Price) of Rs. 210 and the maximum price (Cap Price) of Rs. 250 (both inclusive), including revisions thereof

Term	**Description**
Pricing Date	The date on which the Company and the Selling Shareholders in consultation with the BRLM, finalise the Offer Price
Prospectus	The prospectus to be filed with the RoC containing, inter-alia, the Offer Price that is determined at the end of the Book Building Process, the size of the Offer and certain other information
Public Offer Account	The account opened with the Bankers to the Offer in terms of the SEBI Guidelines and Section 73 of the Companies Act, to receive moneys from the Escrow Account on the Designated Date
Qualified Institutional Buyers / 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 with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 mn., pension funds with minimum corpus of Rs. 250 mn.
QIB Portion	The portion of the Offer being 1,984,000 Equity Shares available for allocation to QIBs
QIB Margin	An amount representing 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid
Red Herring Prospectus	Means the Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. The Red Herring prospectus will be filed with the RoC at least three days before the opening of the Issue. It will become a Prospectus after filing with the RoC after the pricing and allocation
Refund Banker to the Offer	ICICI Bank Limited
Registrar or Registrars to the Offer	Intime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400 078
Registrar of Companies or RoC	Registrar of Companies, National Capital Territory of Delhi & Haryana
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options in the Offer
Retail Portion	The portion of the Offer being a minimum of 1,388,800 Equity Shares available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Selling Shareholders	Shareholders offering Equity Shares in the Offer for Sale including Intel, GE, GM Solutions Pvt. Ltd., O'Neil Nalavadi & Mrs. Meera Nalavadi, Ralph Kenney, Vivek Mannige & Shanth V. Mannige, G.S. Vittal Rao & Shanth V. Mannige, M. Vikram Rao, Vasanti S. Chandavarkar & Vivek Mannige & Shanth V. Mannige, Kalyani J. Basrur & Jaganath Basrur and Arun V. Rao
Stock Exchanges	NSE and BSE
Syndicate Agreement	The agreement to be entered into amongst the Company, the Selling Shareholders and the BRLM in relation to the collection of Bids in the Offer
Syndicate Member	IL&FS Investsmart Limited
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
Underwriting Agreement	The agreement dated April 3, 2006 amongst the Underwriters, the Selling Shareholders and the Company to be entered into on or after the Pricing Date

COMPANY/INDUSTRY RELATED TERMS

Term	Description
Articles	Articles of Association of our Company
Auditors	The statutory auditors of R Systems International Limited in this case being S.R. Batliboi & Associates, Chartered Accountants, B-26, Qutab Institutional Area, New Delhi - 110016
Board/Board of Directors	The Board of Directors of R Systems International Limited or a committee thereof
B.A	Bachelor of Arts
B.Com.	Bachelor of Commerce
BPO	Business Process Outsourcing
BSc.	Bachelor in Science
BS7799	British Standard 7799
C++	Object Oriented Programming Language
CA	State of California, United States
CAGR	Compounded Annual Growth Rate
CMM	Capability Maturity Model of the SEI
CMMI	Capability Maturity Model Integration of the SEI
Director(s)	Director(s) of our Company from time to time unless otherwise specified
EBA	Enterprise Business Applications
ECnet	ECnet Limited, a company incorporated under the laws of Singapore
Equity Shares	Equity Shares of the Company, unless otherwise specified in the context thereof
ERP	Enterprise Resource Planning
ESOP	Employee Stock Option Schemes of our Company
GE	GE Capital Mauritius Equity Investment, a company incorporated in Mauritius and having its registered office at Les Cascades, Edith Cavell Street, Port Louis, Republic of Mauritius
GEC	General Electric Capital Corporation
GE Group	GE Group includes all affiliates and subsidiaries of General Electric Corporation, USA where the Company has implemented its software solutions including but not limited to GEC, GE and GE Strategic Investments India
HP	Hewlett Packard Corporation
HR	Human Resources
IBM	International Business Machines Corporation, USA
Indus	Indus Software Private Limited
Indus Inc.	Indus Software, Inc., a company incorporated in the United States of America
Intel	Intel Pacific, Inc. having its registered office at 2200 Mission College, Blvd., Santa Clara, CA 95052 - 8119, USA
iplm	Integrated Product Lifecycle Management
IPR	Intellectual Property Rights
IP TV	Internet Protocol Television
ISO 9001	ISO 9001: 2000 Certification Standard

Term	Description
IT	Information Technology
ITES	Information Technology Enabled Services
LAN	Local Area Network
MA	Masters in Arts
MCA	Masters in Computer Application
M.Com.	Masters in Commerce
MIS	Management Information Systems
MSc.	Master of Science
Memorandum	Memorandum of Association of our Company
NASSCOM	National Association of Software and Services Companies
.NET	Programming Language provided by Microsoft
ODC	Offshore Development Centre
PhD	Doctor of Philosophy
Promoters	Mr. Satinder Singh Rekhi, Mrs. Harpreet Rekhi, RightMatch Holdings Ltd. and Satinder & Harpreet Rekhi Family Trust
Promoter Group	GM Solutions Pvt. Ltd., GMU Infosoft Pvt. Ltd., U Infosoft Private Limited, Guru Tegh Bahadur Irrevocable Trust, Guru Harkrishan Irrevocable Trust, Reena Baldev Singh Trust, Mr. Sartaj Singh Rekhi, Mr. Maninder Singh Uberoi, Mr. Gurjot Singh Uberoi, Mrs. Kuldeep Baldev Singh, Mrs. Anita Behl and Mrs. Darshan Uberoi
QA	Quality Assurance
R&D	Research and Development
RFP	Request for Proposal
R Systems Inc.	R Systems, Inc., a company incorporated under the laws of CA, USA
R Systems Singapore	R Systems (Singapore) Pte Ltd., a company incorporated under the laws of Singapore
Registered Office of the Company	B-104A, Greater Kailash - I, New Delhi - 110048
SEI	SEI Software Engineering Institute, Carnegie Mellon University
SLA	Service Level Agreement
STP	Software Technology Park
STPI	Software Technology Park of India
UPS	Uninterrupted Power Supply
VPN	Virtual Private Network

RISK FACTORS

CERTAIN CONVENTIONS: USE OF FINANCIAL AND MARKET DATA

In this Prospectus, the terms "we", "us", "our", the "Company", "our Company", "R Systems" or "R Systems International Limited", unless the context otherwise indicates or implies, refers to R Systems International Limited and where the context requires, its subsidiaries, namely, R Systems Singapore, R Systems Inc, Indus Inc and ECnet.

Unless stated otherwise, the financial data in this Prospectus is derived from our consolidated and restated unconsolidated financial statements prepared in accordance with Indian GAAP and the DIP Guidelines included in this Prospectus. Our fiscal year commences on January 01 and ends on December 31 of the same year, and all references to a particular fiscal year are to the twelve-month period ending December 31 of that year. In this 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 US GAAP. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the financial statements included in this 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 Prospectus should accordingly be limited.

All references to "India" contained in this Prospectus are to the Republic of India and all references to the "US", "USA", or the "United States" are to the United States of America.

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$" or "US Dollars" are to United States Dollars, the official currency of the United States of America. All references to "S$" are to Singapore Dollars, the official currency of Singapore.

Throughout this Prospectus, all figures have been expressed in millions, except in the Industry section of this Prospectus, where the figures have been expressed in billions.

For additional definitions used in this Prospectus, please refer to the section titled "Definitions and Abbreviations" on page no. A of this Prospectus. In the section titled "Description of Equity Shares and terms of the Articles of Association", defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data presented in this Prospectus was obtained from industry publications and internal company reports. 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 we believe that market data presented in this Prospectus is reliable, such data has not been independently verified. Similarly, internal company reports, while believed by us to be reliable, have not been verified by any independent sources.

GE is acting severally and not jointly with the other Selling Shareholder(s) in this Offer and takes responsibility for only those statements made with respect to the specific warranty on title to the Equity Shares of the Company held by it and being offered for sale in this Offer and as more particularly set out in this Prospectus. GE assumes no responsibility for any of the statements whatsoever made by the Company in this Prospectus including without limitation all statements relating to the Company, its businesses, its affairs and its disclosures.

FORWARD-LOOKING STATEMENTS

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

All forward-looking statements are subject to risk, uncertainties and assumptions about us 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:

- general economic and business conditions worldwide;
- our ability to successfully implement our strategy and our growth and expansion plans;
- changes in the value of the Indian rupee and other currencies, in particular the US Dollar;
- our ability to modify and enhance our suite of product or service offerings based on customer needs and evolving technologies;
- changes in our pricing policies or those of our competitors;
- our ability to retain our clients and acquire new clients;
- our ability to retain our employees and attract new employees;
- cancellations, contract terminations or deferrals of projects;
- unanticipated variations in the duration, size and scope of our projects;
- competition in and the conditions of the IT products and services industries;
- changes in the foreign exchange control regulations;
- disruptions in telecommunications and basic infrastructure;
- the loss of significant vendor relationships; and
- changes in political or social conditions in India.

For further discussion of factors that could cause our actual results to differ, please refer to the section titled "Risk Factors" on page no. iii of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. None of the Company, the Selling Shareholders, the Underwriter or any of their respective affiliates has any obligation to update or otherwise revise any statements to reflect circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that investors in India are informed of material developments until the grant of listing and trading permission by the Stock Exchanges.

GE assumes no responsibility for any of the statements whatsoever made by the Company in this Prospectus including without limitation all statements relating to the Company, its businesses, its affairs and its disclosures.

RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Prospectus, before making any investment decisions relating to our Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of our Equity Shares to fall significantly and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider all the information contained in this Prospectus, including the unrestated consolidated and restated unconsolidated financial statements included in this Prospectus beginning on page no. 113.

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

INTERNAL RISK FACTORS

Fluctuations in our revenue levels may cause fluctuations in the value of our Equity Shares.

Although we have enjoyed growth of revenues, fluctuations in revenue levels over short periods of time or over sustained periods of time due to any set of variable factors, including the maintenance of our competitive advantage in terms of cost and skill, retention of customers over multiple assignments, price reduction by existing customers, establishment of captive offshore centres by clients, industry fluctuations, the ratio of on-shore services to off-shore services that are provided by us and adverse regulatory changes cannot be ruled out. Any one of these circumstances could have a material adverse effect on our ability to sustain our revenue levels in the short-term as well as the long-term. A revenue plateau or decline due to any set of reasons would adversely affect our operating performance and may negatively affect investor perception. Furthermore, there may be instances in the future where our performance is below expectations of market analysts and our investors. This could lead to fluctuations or a decline in the market value of our Equity Shares over the short term or over a sustained period of time.

The IT-sector is characterized by intense competition, and this could have a negative impact on our revenue levels.

The IT-sector is a highly competitive sector. Our competitors include IT outsourcing firms in India as well as in other countries, national and multinational consulting and technology firms, Indian IT services firms, software firms and in-house IT departments of large companies. Our competitors include for instance, international companies such as Ness Technologies, as well as Indian companies such as Aztech, Symphony Services, Persistent Systems, Nucleus Software etc. A competitive advantage in the IT-sector is determined by a number of parameters. The IT-sector has witnessed significant acquisitions and strategic alliances, and we have competitors who have off-shore capabilities that pose competition to us in terms of cost-advantage. While we have met competitive challenges in the past and enjoyed a steady growth level, we cannot assure you that we will be able to evolve dynamically in order to meet our evolving competition or sustain our revenue or growth levels.

Retaining our technology skills and evolving with new technological developments will be crucial to our continued growth and profitability.

The IT-sector is a sector in which technological change occurs at a rapid rate, and accordingly the rate of evolution in market requirements for software products and services is also very high. Knowledge of nascent technologies, anticipation of technological changes and evolving requirements, and developing skill-sets in new forms of technology provides a competitive advantage. Our future growth and revenue levels hinge around our continued ability to innovate and to develop and implement IT and offshore development services and solutions which anticipate and keep pace with continuing technological changes, client preferences and industry standards. Our revenues and profitability may be adversely affected if we are unable to anticipate changes in technology, or innovate and diversify our product and service offerings in response to evolving market challenges. While we believe that our performance in the past has been influenced by our ability to anticipate and successfully respond to these challenges, and our future policy will involve hiring additional domain and market specialists, increased spending on training for our employees, and increasing our portfolio of technology alliances and partnerships in each area to enrich our product and service mix, we cannot be certain that we will successfully anticipate or respond to future technological developments in a timely manner on a continued basis.

Our revenues are dependent upon our meeting specific client requirements largely on a case-to-case basis.

Our assignments for providing services largely involve us providing business and software solutions on a case-to-case basis, depending upon the needs of each customer. Our inability to provide customized software solutions could lead to erosion of our market image and brand value, which could lead to clients discontinuing their work with us and stagnation of our client base, which in turn could harm our business and profitability. While our iplm services are designed to cater to the needs of software companies across the product lifecycle, and we also cater to a diverse clientele including companies in their pre-launch phase, our future growth will depend on our continued evolution of specific sets of customized services to deal with the rapidly evolving and diverse needs of our customers in a cost-competitive and effective manner.

Defects in our products could lead to negative publicity, financial loss and erosion of our customer-base.

Typically the products and services provided by us are critical to the operations of our customers' businesses. A defect in our software or in our customers' products, networks or computer systems could result in a claim against us for substantial damages. Such a claim could be brought even if prima facie we are not responsible for such a failure or defect. The contracts entered into by us typically contain clauses relating to some limitation of our liability in relation to the service and software product offerings by us, but we cannot assure you that such clauses relating to limitations on liability will be enforceable or sufficient to protect us from loss in all cases. While we maintain product liability insurance coverage, we cannot guarantee that such coverage will continue to be available on reasonable terms or will be sufficient to cover all claims made against us. Furthermore, any such claims would serve to erode our brand image and market perception, and may diminish our clientele.

Failure to adequately protect our intellectual property rights may adversely affect our growth and revenues.

Other than what has been set out in the section titled "Business Overview" beginning on page no. 47 of this Prospectus we have not registered some of our intellectual property under the relevant intellectual property laws and we are in the process of applying for the same. We have applied for the registration of the following three marks as our trade mark - iplm, products foremost, psuite framework. The name 'R Systems International Limited' has not been registered under the Trade Marks Act, 1999. We have also applied to the Registry of Trade Marks for the registration of our logo - R Systems as well as modification of our Indus trademark to "Indus Software a business of R Systems International Limited" and are yet to receive confirmation from the office of the Registry of Trade Marks in respect of the same.

We also rely on a combination of confidentiality agreements with employees and non-disclosure and contractual confidentiality obligations imposed on our customers, vendors and strategic partners, to protect our proprietary intellectual property rights. A misappropriation of our intellectual property rights would harm the competitive advantage we enjoy in relation to those intellectual property rights. The laws in certain countries in which we operate and to which we export our products and services, may not adequately protect our intellectual property rights. Furthermore, while we believe and it is our effort that our products and services do not infringe upon the intellectual property rights of other parties, we cannot assure you that such claims, leading to a material adverse impact upon us in the form of extended litigation, financial outflows and negative publicity, will not be asserted against us.

Our inability to contain security and data integrity risks may have a material adverse impact on our revenues.

The IT-industry is very sensitive to security risk and a real or perceived threat of a risk to the security and integrity of information available to us may adversely affect customer perception, give rise to litigation and reduce our customer base, thereby negatively affecting our revenues and profit margins. The contracts entered into by us typically hold us solely responsible for maintaining satisfactory standards of personnel competency, conduct and integrity and for taking required disciplinary action. While we typically take industry-standard security precautions such as ensuring that our employees and strategic partners enter into non-disclosure and confidentiality agreements with us, physically verifying that there is no information leakage, carrying out background checks and verifications, creating and maintaining data back-ups, and maintaining an adequate disaster recovery plan, we cannot ensure that the integrity of information will not be compromised, that our precautions will not be circumvented, that the contractual terms of the non-disclosure and confidentiality agreements will not be breached, or that computer viruses, worms and other such disabling procedures will not infiltrate our systems. Furthermore, there is some amount of outlay and expending of resources involved in maintaining the security precautions that we typically take.

A significant portion of our revenues is in the nature of export earnings and consequently this makes our profits dependent on exchange rate fluctuations and economic environments in other countries.

In the years 2002, 2003, 2004 and 2005, our revenue from exports has been Rs. 243.46 mn, Rs. 396.27 mn, Rs. 518.50 mn and Rs. 758.72 mn respectively, which indicates a steady increase in percentage of our revenue generated by exports. The growth in the use of IT products and services and consequently the demand for, and the prices of, our products and services may suffer in challenging economic environments or as a result of unfavourable exchange rates. Since a majority of our revenue is generated from export earnings, a change in the US Dollar and Rupee parity may have an impact on our revenues and margins. Consequently, we face the risk of reduction of the number of offshore development contracts that we enter into in the future. There can be no assurance that the Indian Rupee will not eventually appreciate in value to a level where our competitive cost advantage is entirely eroded.

Our revenues could be adversely affected if we are unable to effectively manage our growth rate.

We have grown significantly in size over a period of time, organically as well as by virtue of acquisitions. In 2005, our total number of employees (including the employees of our subsidiaries) grew from 864 to 1131. For details of our growth in financial terms, please refer to the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page no. 214 of this Prospectus. We have added both products and services to our bouquet of offerings, undertaken acquisitions in order to increase the scope and range of our operations and our markets, acquired new facilities and expanded our existing facilities. By virtue of our growth, the strain on our human and other resources has increased especially since our services contracts typically require us to provide the infrastructure for provision of our services. Furthermore, since our growth strategy involves expansion to other countries, there are additional variables like costing, variations in market forces and demands and legal compliances. Our contracts impose various obligations on us, such as compliance with various data protection laws, the European Commission Directive 95/46/EC on the transfer of personal data to processors established in third countries, and the Sarbanes-Oxley Act, 2002 which is a US legislation dealing with the adequacy of internal controls and accuracy of financial reporting for public companies. We feel that an inability on our part to effectively manage our growth could disrupt our business and reduce our profit margins, especially since there are growing challenges involved in growth, such as continuing to meet quality standards both in terms of products and services, retaining skilled personnel, preserving our corporate culture, maintaining the adequacy of our infrastructure and continuing to meet with client expectations.

Future strategic investments, including acquisitions and partnerships may not necessarily prove advantageous to either your interests or ours.

Our growth strategy in future may involve future strategic acquisitions and reconstructions, partnerships and exploration of mutual interests with other parties. These future 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 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 opportunities.

Continued relations with a specific number of customers determine our revenue flows, and the majority of our revenues come from a particular group of companies.

Our revenue flows are determined to a considerable extent upon our relationships with a limited number of customers and our customer-retention rate, given the fact that a sizeable percentage of our revenues comes from an identifiable and limited customer base. The percentage of total revenues during fiscal 2002, 2003, 2004 and 2005 that we derived from contracts with our top 5 customers is as follows:

Serial No.	Fiscal year	Percentage of total revenue
1.	2002	23.93%
2.	2003	23.51%
3.	2004	28.08%
4.	2005	33.95%

Further, our centres at Pune and Chennai are dependant primarily on revenues from one of our significant customers. Since we are reliant upon certain clients for a significant chunk of our revenues, we may not always be able to negotiate favourable and price competitive terms for ourselves.

Some of our assignments are fixed in nature and not continuing and this may have an impact on sustained revenue flows.

While most of our assignments are on the basis of time and material task orders, some proportion of the services provided by us is in the nature of fixed price task order assignments, and once these assignments are completed, our revenue flow depends on further assignments from our existing as well as new customers. Since there is no assurance or contractual obligation that a particular customer will approach us for multiple set of comparable assignments over different periods of time, this can have an effect on the predictability of our revenue levels and we may not match our historical rate of growth or consistently sustain our revenue levels for this reason. A customer who has generated significant levels of revenue over a period of time may not generate significant levels of revenue over subsequent periods of time.

Some of our assignments are executed using the fixed cost model and our inability to execute such projects within the estimated time frame may impact our profitability.

While most of our assignments are on the basis of time and material task orders, some proportion of the services provided by us is in the nature of fixed price task order assignments. Though we have experience and processes in place to estimate fixed-cost projects there can be no assurance that we will be able to execute fixed-cost projects within the anticipated timeframe without incurring cost overruns. In the event of cost over runs our profitability will be adversely affected.

We are at risk of termination of our contracts pursuant to a short notice period with no penalty, and consequently our revenue inflow is uncertain to an extent.

Our clients typically retain us through non-exclusive service contracts. These contracts are typically terminable by the client upon notice to us that is normally of a period of 30 days, without cause, upon the fulfilment of the notice period stipulation. In addition, some of the particular assignments under such contracts are terminable at shorter notice for instance, pursuant to a 15 day notice period. As a result, our contracts may be terminable due to circumstances beyond our control, such as changed strategic software requirements of the customer, financial constraints of the customer, a more competitive option offered by a competitor, a change in policy regarding outsourcing of software by the customer or a perceived failure to provide services and products as required by the customer. Additionally, our service agreements with clients are typically without any commitment to a specific volume of business or future work. The contracts entered into between us and our customers relate to particular assignments in relation to which a set of quality control norms and mechanisms as well as a time-frame for delivery is typically stipulated. If we are not able to provide our software products or services within these particular parameters, our customers may be able to terminate these contracts. There can therefore be no certainty that our revenue flow at a particular point of time will be sustained through a particular financial year or into the next financial year.

Reliance on re-seller agreements and strategic alliances is a part of our business strategy and consequently our revenue flow may be influenced by the continuation of such agreements or alliances.

Although a significant portion of our revenue is derived from direct contractual arrangements, our business strategy also relies, though to a very limited extent, on re-seller agreements and strategic alliances. We have entered into a re-seller agreement with a leading core-banking solutions company in North America to sell a particular suite of products in Asia and the Philippines, thereby leveraging the customer relations that the company enjoys in banking and retail finance in these locations. Similarly, we have subsisting arrangements with traditional US on-site service providers to provide iplm off-shore based services to their clients. We have also signed an alliance agreement with one of the largest IT-services providers in India to offer our products within our partner's solution stacks. We will continue to pursue opportunities for alliances and business partnerships that will enable us to expand our offering and generate new clients for existing services. While such strategic alliances have led to new opportunities for us, there can be no assurance that such arrangements will not be terminated or prove unfruitful for us in the future, as a result of which our future revenues could be adversely affected to some extent.

Our employee attrition rate may increase to a level where we are not able to sustain our deliverables at a given point of time.

The IT sector is highly competitive in terms of hiring strategy and incentives. We are highly dependent upon our pool of skilled professionals since our revenues are dependent on timely provision of services and software products and because the commercial contracts we have entered into typically require us to provide the required number of skilled personnel for the assignment. We try to mitigate the impact of attrition in the continuity of services to our clients by using our proprietary psuite framework, that allows our project teams to seamlessly share knowledge and collaborate on projects, and by relying on our global recruiting team that helps us to prospect and hire skilled professionals as needed. However in spite of these systems and processes a high attrition rate may affect our growth rate and ultimately our revenue flows. Further while we pay competitive compensation package and benefits to our employees, given the increasing wage levels in India we cannot assure you that our employee attrition rate will not increase to an unsustainable level or that we will be able to recruit experienced professionals to replace the professionals leaving at that particular point of time, and to retain them by adequately incentivising them. Although we typically have non-solicitation clauses in our service contracts, we cannot assure you that the terms of those contracts will not be breached. The training-cycle that has to be undergone upon induction of new employees is also a factor that may reduce our competitive advantage and increase our costs, given the fact that the service contracts entered into by us require that trained and skilled personnel capable of completing the assignment within the required parameters are provided by us at all times. Furthermore, we cannot assure you that no cessation of work due to personnel problems or unionization will occur, although at present our employees are not unionized, and we have reasonably good relations with our employees on the whole.

Our future success depends to a significant extent on key technical and managerial personnel and our ability to attract and retain new skilled personnel.

Our business model is reliant on the efforts and initiatives of our senior level marketing and management, and technical personnel, many of whom have been with us for a significant number of years. For details of the key managerial personnel, please refer to the section titled "Our Management" beginning on page no. 92 of this Prospectus. Our future performance and the market perception of us may be influenced by their performance and continued efforts. While we do maintain directors' and officers' liability insurance, we do not maintain any key person insurance for any of our key personnel. Since there is intense competition in the IT sector for senior level professionals, we also cannot assure you that we will be able to retain our skilled senior marketing and management or technical personnel or continue to attract new senior-level employees in the future.

Our business model depends on utilizing global work-force that involves relocation of personnel to different countries and compliance with immigration laws.

Our business model is dependent on utilizing global work-force that involves relocation of personnel to countries where our clients are located for extended periods of time or may involve hiring or transfers of personnel to one of our overseas subsidiaries. We have systems, processes and lawyers that help us to comply with immigration laws to hire foreign work-force or relocate existing personnel in such situations and meet our business needs. However immigration restrictions, quotas, denial of petitions to hire foreign work-force or to relocate our existing personnel would affect our ability to serve our customers and adversely impact or revenues and operating performance.

Our performance depends to a significant extent on our ability to effectively utilize the billable time of our technical and operating personnel.

Our business is reliant on our ability to effectively utilize the billable time of our technical and operating personnel in providing services to our clients. We have developed and invested in systems to track the billable time of such personnel to optimally utilize their time to provide services to our clients and generate revenues. However these systems and management efforts cannot guarantee optimal utilization of time at all times and in the event of fall in utilization our performance will be adversely affected.

Our business is dependent on services being provided from offshore delivery centers and data centres and any failure in infrastructure and connectivity will affect ability to serve our customers and would impact our revenues and earnings.

Our business is largely dependent on our three offshore delivery centers in India and the data center in Singapore to provide services to our customers. The offshore centers and the data centers are equipped with hardware and software including computer, telecommunication, office equipment and electrical generators that is acquired from a number of vendors like Dell, HP, Cisco, Nortel, Microsoft, Oracle, IBM, Sybase, Sun etc. In addition we extensively rely on high speed leased lines and VPN's for connectivity and providing services to our customers. While we have agreements with our vendors for these equipments and service, proactively maintain them and have back-up plans any prolonged failure with the hardware, software or telecommunication and data lines will affect our ability to serve our customers from our offshore and data centres and that would affect our revenues, earnings and customer relationships.

Our transfer pricing arrangements with our subsidiaries may be subject to challenge by regulatory authorities and thereby lead to higher rates of taxation being imposed on us than at present.

We have entered into certain transfer pricing agreements with our subsidiaries. For the details of these agreements please refer to the section titled "Shareholders and Other Agreements" beginning on page no. 87 of this Prospectus. Such transfer pricing agreements contain clauses relating to transfer pricing that we believe are at par with the prices that would be charged by unrelated parties sharing an arm's length relationship. While we believe that we operate in compliance with all applicable transfer pricing laws in all applicable jurisdictions, we cannot assure you that these transfer pricing agreements will not be challenged as not capturing an arm's length relationship. If they are so challenged, we may be required to re-determine the transfer prices, which could result in an increased tax liability for us and thereby adversely affect our profit margins.

Our failure to obtain and renew required regulatory approvals and to comply with the export obligations imposed upon our STPI units may detrimentally affect our business operations.

Certain registrations and permits are required by us for carrying on our business operations. For instance, our STPI units at Pune, Noida and Chennai are required to fulfil certain export obligations, failing which penalties are imposable. Although the volume of exports undertaken by us is significant, in the event such a default occurs, our business operations and profit margins may be adversely affected. Furthermore, as per our services contracts, we are typically responsible for obtaining all necessary regulatory approvals and permissions, and we may be in contractual default if we are unable to meet assigned targets because of such reasons. Further, since we are not clear as to whether the exemption to IT companies under the UP Information Technology Policy, 2004 apply to our Company, we are examining the applicability of registration under the Uttar Pradesh Shops and Commercial Establishments Act, 1962 and the Contract Labour Regulation and Abolition Act, 1970 and Contract Labour (Regulation and Abolition) Rules 1975 (Uttar Pradesh).

Some of our loan agreements have certain restrictive covenants.

There are restrictive covenants in the agreements that our Company has entered into with certain banks and financial institutions for short-term loans and long-term borrowings. Some of these restrictive covenants require the prior consent of the said banks/financial institutions and include, for example, restrictions pertaining to the declaration of dividends, alteration of the capital structure, entrance into any merger/amalgamation, expenditure in new projects, change in key personnel, change in the constitutional documents and the right to appoint a nominee director on the Board of Directors of our Company upon an event of default. Our Company has in accordance with such agreements obtained the consent of the State Bank of India.

The objects of the Issue for which funds are being raised have not been not appraised by any bank, financial institution or an independent organisation.

The requirement of funds as stated in the section titled "Objects of the Offer" beginning on page no. 27 of this Prospectus is based on the internal management estimates and has not been appraised independently by any bank, financial institution or any independent organisation. The deployment of funds is entirely at the discretion of our Board of Directors. Further, IL&FS Trust Company Limited has been appointed as the monitoring agency for monitoring the deployment of issue proceeds. All the figures included under the 'Objects of the Issue' are based on our own estimates.

We have not entered into any definitive agreement with respect to the acqusition of land related to the expansion of our Pune centre

The expansion of our Pune centre consists of acquisition of land adjoining our existing premises. However, no definitive agreement has been entered into with respect to this proposed acqusition of land. Any delay in acquitision of the same may adversely affect the implementation schedule and result in cost and time overrun.

There is a possibility that we may continue to be controlled by our Promoters and our other principal shareholders, who by virtue of their aggregate shareholding will collectively own a substantial portion of our issued Equity Shares at the completion of the Offer, as a result of which, the remaining shareholders may not be able to affect the outcome of shareholder voting.

At the completion of the Offer, the Promoters and other principal shareholders will collectively own a substantial portion of our issued Equity Shares. As significant shareholders, there is always the possibility that the Promoters and the principal shareholders may have interests that are divergent from your interests which may enable them to substantially determine the outcome of shareholder meetings.

Your shareholding may be diluted as a result of further issues of equity or due to our employee stock option scheme.

The percentage of shareholding held by you may be subsequently diluted in the event and to the extent that future offerings of Equity Shares are made by us and additional options are issued or options are converted into equity in terms of our employee stock option scheme.

There are legal proceedings and inquiries pending against us, that we believe, even if finally determined against us, will not have a material adverse effect on our business.

There are certain claims pending against us and our subsidiaries which are discussed under the section titled "Outstanding Litigations" beginning on page no. 229 of this Prospectus. Some of these actions against us may result in financial settlements affecting our earnings. We believe that these claims, even if finally determined against us, will not result in a material adverse effect on our business. A summary of the pending cases and disputes instituted against us and our subsidiaries has been set out hereunder:

Litigation/claims/notices involving our Company

S. No.	Nature of case	Name of Counter Party	Status	Claim involved
1.	Civil	Project Management and Collaboration Technologies Private Limited and Mr. Navamani V. Dhangsingh	Case is currently pending before the Madras High Court.	We are seeking to recover a sum of Rs. 7,000,000 along with interest at the rate of 10% per annum from the counter party.
2.	Dispute with statutory authorities	Noida Authority	The Noida Authority has raised a demand note for an amount of Rs. 387,368 in respect of amalgamation of our properties at C – 40, Sector 59, Noida and C- 1, Sector 59, Noida.	Rs. 387,368 (The Company has on March 6, 2006 paid Rs. 387,672 to the Nodia Authority).

S. No.	Nature of case	Name of Counter Party	Status	Claim involved
3.	Notice from regulatory authorities	RBI	We have received a letter from the RBI for compounding of contravention relating to late filing of Form FC - GPR. We have filed a compounding application dated February 22, 2006 with the compounding authority, RBI in this regard.	

Litigation/Claims/Notices involving our subsidiary, R Systems Inc.

S. No.	Nature of case	Name of Counter Party	Status	Claim involved
1.	Civil	Mrs. Ellen Zenobia	We are currently awaiting the outcome of an investigation by the Department of Labor being instituted as a result of a complaint filed by Mrs. Ellen Zenobia.	Mrs. Zenobia has claimed compensation for loss of wages, emotional distress and punitive damages.
2.	Dispute with statutory authorities	Department of Labor and Industries, State of Washington	Matter is currently pending before the Board of Industrial Appeals, State of Washington	USD 3,974.04

For more details, please refer to the section titled "Outstanding Litigations" beginning on page no. 229 of this Prospectus.

There is a possibility of potential claims being instituted against us due to our failure to comply with immigration laws operating in different countries.

Given the fact that we carry on our business in many countries, there is a possibility of claims being instituted against us as a result of our failure to comply with the applicable immigration and labour laws in force in such jurisdictions. We have had such claims instituted against us in the past which have been finally settled by us through payment of requisite penalty. Further, "quota restrictions" imposed under various immigration laws may also impede and restrict the growth of the industry.

Our auditors have qualified their report to consolidated financials for FY 2004.

We acquired ECnet, a company incorporated in Singapore during the year ended December 31, 2004. The acquisition resulted in goodwill of Rs 24.50 mn. The Auditor's Report for the year ended December 31, 2004 was qualified for non-amortization of the goodwill. During the year ended December 31, 2005, the Company had filed a petition with the Delhi High Court seeking its approval for writing down the investment value by Rs. 24.50 mn against the Share Premium so as to present the real value of the investment. Subsequent to this, the Hon'ble High Court of Delhi vide its order dated February 16, 2006, has given approval for such adjustment of investment against the Securities Premium Account. This adjustment has been carried out in the audited accounts for the year ended December 31, 2005.

The consolidated financial statements of our Company for the financial year ended December 31, 2003 reflect a loss.

Our consolidated financial statements for the financial year ended December 31, 2003 reflect an after tax loss of Rs. 36.69 million. For the same financial year, our consolidated cash flow statement also reflected a negative cash flow of Rs. 31.16 million from operating activities.

One of our subsidiaries, ECnet has a negative net worth.

Our company acquired ECnet in January 2004 and currently holds 98.63% of equity shares of ECnet. At the time of acquisition, ECnet had a net worth of Rs. 10.59 mn. As on December 31, 2005, ECnet has a negative net worth of Rs. 25.65 mn.

Some of our subsidiaries have incurred losses in the past.

The details of the losses incurred by our subsidiaries in the past are as under:

a. R Systems Inc. had incurred an after tax loss of Rs. 26.76 million and Rs. 21.13 million for the financial year ended December 31, 2003 and 2001 respectively;

b. R Systems Singapore had incurred an after tax loss of Rs. 2.28 million, Rs. 1.57 million, Rs. 0.28 million and Rs. 0.02 million for the financial years ended December 31, 2004, 2003, 2002 and 2001 respectively;

c. The financial statements of ECnet on a consolidated basis reflect an after tax loss of Rs. 15.72 million and Rs. 19.97 million for the financial years ended December 31, 2005 and 2004 respectively;

d. Indus Inc. had incurred an after tax loss of Rs. 1.01 million, Rs. 1.76 million, Rs. 0.25 million and Rs. 12.69 million for the financial years ended December 31, 2005, 2004, 2003 and 2002 respectively.

We have not provided for our contingent liabilities.

For the year ended December 31, 2005, we have the following contingent liabilities that have not been provided for:

(Rs. In Mn.)

Particulars	**Year ended December 31, 2005**
Guarantee and Counter guarantees given by the Company	4.78
Guarantee given by R Systems International Limited, India on behalf of R Systems Inc., USA	99.43
Total	**104.21**

Further, our Company has export obligations under the Software Technology Park (STP) scheme. Our Company has imported capital goods without payment of duties under the STP scheme for which agreements and bonds have been executed and Bank Guarantees given by the Company. Our Company shall, if the obligations are not met, pay on demand an amount equal to such duties saved including interest and liquidated damages. As our Company has met all the requirements stipulated by STP and in future also expects to meet its commitment to earn the requisite revenue in the foreign exchange as per the norms prescribed by the STP authorities; and is using such imported capital goods for earning such revenue, the contingent liability on this account is unlikely.

Most of the subsidiaries of ECnet do not have a legal counsel and it is difficult to ascertain whether there is any litigation pending against these subsidiaries.

It is difficult to ascertain whether there are any claims pending against the ECnet subsidiaries. Though the management of these subsidiaries believe that there is no litigation or claim pending against such subsidiaries, no legal counsel has independently verified whether or not any legal claims are pending against such subsidiaries.

Our US subsidiaries have received notices from state revenue departments regarding payment of dues and filing of tax returns.

Our US subsidiaries namely R Systems Inc. and Indus Inc. have received various notices from different state revenue departments with respect to payment of past dues and filing of direct as well as indirect tax returns. While the amount involved in these notices is not very significant, failure to comply with the same may impact the earnings of our subsidiaries in the event any penalty is levied for non-compliance with the notices.

Our Company has issued 93.35% Equity Shares for consideration other than cash.

Our Company has issued following shares for consideration other than cash, which constitutes 93.35% of total issued capital as on March 10, 2006.

Date of Allotment	Name of Allottee	Number of Equity Shares	Consideration
January 2, 2001	Shareholders of R Systems Inc.	67,000*# (Rs. 10/- each)	Issued to shareholders of R Systems Inc in share swap
January 5, 2001	Shareholders as on January 05, 2001	3,600,000# (Rs. 10/- each)	Issue of bonus shares in the ratio of 1:18
March 4, 2002	GE	2,983,475 (Rs. 2/- each)	Issued in shares swap for shares acquired in Indus Software Private Limited
March 4, 2002	Intel	613,394 (Rs. 2/- each)	Issued in shares swap for shares acquired in Indus Software Private Limited
December 28, 2002	Shareholders of Indus	1,281,364 (Rs. 2/- each)	Issued to shareholders of Indus Software Private Limited on merger with our company
January 30, 2006	Shareholders as on January 30, 2006	5,355,255 (Rs. 10/- each)	Issue of bonus shares in the ratio of 1:1

** 67,000 Equity Shares are of face value of Rs. 10/- each. On January 5, 2001, our Company issued bonus shares in the ratio of 1:18 and the shares of face value of Rs. 10/- were split in to five shares of Rs. 2/- each.*

The shares of face value of Rs. 10/- were later split in to five shares of Rs. 2/- each.

EXTERNAL RISK FACTORS

Global economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.

External factors such as potential terrorist attacks, terror threats, pandemics, acts of war or geopolitical and social turmoil in many parts of the world could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price. For example, increased instability may adversely impact the desire of employees and customers to travel, the reliability and cost of transportation, our ability to obtain adequate insurance at reasonable rates or require us to incur increased costs for security measures for our domestic and international operations. These uncertainties make it difficult for us and our customers to accurately plan future business activities. More generally, these geopolitical, social and economic conditions could result in increased volatility in India and worldwide financial markets and economy.

Political instability or changes in the Government in India could delay the further liberalization of the Indian economy and adversely affect economic conditions in India generally and our business in particular.

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian Central and State Governments in the Indian economy as producers, consumers and regulators have remained significant. Subsequent to the general elections that took place in India in April and May 2004, the new Government publicly indicated an intention to continue India's program of economic reform. However, possible political instability, changes in the rate of economic liberalization, laws and policies affecting the IT sector, foreign investment, currency exchange, matters affecting investment in our securities, India's economic liberalization and deregulation policies could all adversely affect business and economic conditions in India generally, and our business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

Regional conflicts in Asia and other export markets could adversely affect the Indian economy and cause our business to suffer.

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring countries. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies and on our business.

An economic downturn may negatively impact our operating results.

Our revenues are largely dependent on corporate expenditure on IT like software products, services, infrastructure and facilities. Any economic slowdown may affect the economic health of these companies restricting their IT expenditure. In an economic slowdown our customers may reduce or postpone their contracts, thereby negatively impacting our revenue and profitability.

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

The prices of our Equity Shares on the Indian stock exchanges may fluctuate after this Offer as a result of several factors, including:

- volatility in the Indian and global securities market;
- our results of operations and finance;
- performance of our competitors, the IT industry and the perception in the market about investments in the IT sector;
- adverse media reports on the Company or the Indian IT Industry;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies; and
- significant developments in India's fiscal and environmental regulations.

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

Unforeseeable changes at an international level may adversely affect our business development and profitability.

We have historically derived and believe we will continue to derive, a significant proportion of our revenue by providing off-shore development services to clients located outside India. Our business model for provision of services is centred around off-shore development services. The percentage of our revenues received from off-shore software development services in the fiscal years 2005, 2004, 2003 and 2002 was 48.21%, 39.18%, 32.36% and 17.44% respectively. Our subsidiaries also utilise our offshore development service capabilities to provide products and services to their customers. Therefore, factors that adversely affect the economic health of or our ability to provide off-shore services to our clients or to expand our off-shore client base, may adversely affect our business. Economic slowdowns and possible political opposition in the countries where a significant percentage of our clients are located, such as the United States, Singapore, Malaysia and Philippines as well as legislative initiatives including those relating to data security and privacy, laws that impose restrictions on outsourcing or immigration and such other restrictions may have a material adverse impact on our ability to increase our customer base and obtain and successfully complete client engagements.

Reduction or termination of our tax incentives will increase our tax liability and reduce our profitability.

Currently, we benefit from certain tax incentives under Section 10A of the I.T. Act for the IT services that we provide from specially designated "Software Technology Parks," or STPs, and other eligible units located in designated free trade zones. As a result of these incentives, our operations in India have been subject to relatively low tax liabilities. We believe that as a result of recent amendments and clarifications to Section 10A of the I.T. Act, these tax incentives will continue to be available to us. 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.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in loss of client confidence, and adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on September 11, 2001, New Delhi on December 13, 2001, London July, 7, 2005 and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. More generally, any of these events could adversely affect client confidence in India as an outsourcing base and increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

Notes to Risk Factors:

- The book value per Equity Share of Rs. 10 each is Rs. 67.60 as at December 31, 2005 as per our restated unconsolidated financial statements of the Company prepared in accordance with Indian GAAP.
- The net worth of the Company as of December 31, 2005 was Rs. 700.08 mn, as per the restated unconsolidated financial statements of the Company prepared in accordance with Indian GAAP.
- Public Offer of 4,408,355 equity shares of Rs. 10 each for cash at a price of Rs. 250 per equity share aggregating Rs. 1102.09 million, comprising fresh issue of 2,825,000 equity shares of Rs. 10 each by R Systems International Limited (referred to as the "Company") and an offer for sale of aggregate 1,583,355 equity shares of Rs. 10 each by the Selling Shareholders (as defined herein) (the Fresh Issue and the offer for sale are jointly referred to herein as the "Offer"). The Offer comprises of a reservation for employees of 440,355 equity shares of Rs. 10 each and a net offer to the public of 3,968,000 equity shares of Rs. 10 each (the "Net Offer").
- The average cost of acquisition per share by our Promoters is Rs. 135.91 for Mr. Satinder Singh Rekhi, Rs. 31.91 for Mrs. Harpreet Rekhi, Rs. 0.53 for RightMatch Holdings Ltd. and Rs. 295 for Satinder and Harpreet Rekhi Family Trust.
- Investors are advised to refer to the section titled "Basis for the Offer Price" on page no. 39 of this Prospectus before making an investment in this Offer.
- Investors may note that in case of over-subscription in the Offer, allotment shall be on proportionate basis to Retail Individual Bidders and Non-Institutional Bidders (refer to "Offer Procedure" on page no. 247 of this Prospectus) in consultation with the BRLM.
- For related party transactions, please refer to the title "Related Party Transactions" on page no. 110 of this Prospectus.

- The Offer is being made through a 100% Book Building Process wherein up to 50% of the Net Offer will be allocated on a proportionate basis to QIBs out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Offer Price. Further, at least 15% of the Net Offer will be available for allocation on a proportionate basis to Non-institutional Bidders and at least 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.
- For any clarification or information or complaints pertaining to the Offer investors may contact the BRLM.
- 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 will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation. Hence, Bidders should carefully complete their Depository Account details in the Bid-cum-Application Form.

INTRODUCTION

SUMMARY

You should read the following summary together with the Risk Factors explained in this Prospectus and the more detailed information about us and our financial data included in this Prospectus.

INDUSTRY OVERVIEW

In recent years, organizations have increased their spending on IT, which enable them to achieve productivity gains. Despite the recent global economic downturn which caused many organizations to reduce their IT budgets, particularly in 2001 and 2002 due to the DotCom collapse, global companies continue to view technology as a critical source of competitive advantage. The long term growth prospects for the IT industry continue to remain positive. According to a February 2004 report by Gartner, total worldwide IT services spending is projected to grow from USD 535 billion in 2002 to USD 727 billion in 2007, representing a CAGR of 6.3%.

The Indian product development market, though still in its nascent stage is undergoing a quiet change. From being a cost reduction center, India is slowly but steadily proving its mettle as a thriving market for innovative ideas and new product development.

The Indian IT Industry export revenues from product and technology services are registering double-digit growth figures. A NASSCOM-McKinsey 2002 study estimates the product and technology services centre in India to grow to USD 8 billion-11 billion by 2008.

The main driver for the emergence of the offshore product development segment has been the enormous pressure on product companies for faster time-to-market, coupled with the need to introduce new products and new technologies in newer markets. Thereby companies are realizing that the best option is to outsource it to the specialists. The economies of open source software will force companies to scale down development costs further, and in the process, increase the offshore component. [Source - NASSCOM]

IT vendors with offshore delivery capabilities that are able to offer products services at a lower cost of ownership are increasingly being preferred by clients globally, for their quality, their responsiveness to clients and their on-time delivery capabilities.

Utilizing a global delivery model presents a number of challenges to vendors. The global implementation of value added IT solutions and services requires providers to continually attract, train and retain highly skilled software development professionals with the advanced technical skills necessary to keep pace with continuing changes in the IT Industry, evolving industry standards and changing customer requirements. These skills are necessary to design, develop and deploy high-quality technology solutions in a cost-effective and timely manner. In addition, IT vendors must have the infrastructure and communication capabilities to seamlessly integrate onsite and offsite execution capabilities and deliver consistent solutions worldwide. [Source - NASSCOM]

India is now an established choice and the preferred destination for companies seeking to meet their go-to-market deadlines and increase their product development bandwidth. India offers mature processes based on strong quality management principles. Additionally, the vast pool of quality labor with good proficiency in the English language and project management skills make vendors in India the preferred choice. The Indian IT industry is recognized for its high quality products and services and several companies have received the SEI-CMM level 5 and ISO level certifications.

BUSINESS OVERVIEW

We are one of the leading providers of Outsourced and Offshore Product Development Services. These are offered as iplm services supported by our proprietary psuite framework. We are one of the largest off-shore based software product development IT services companies that focus on the special needs of organizations that build scaleable, configurable, secure software products for both businesses and consumers. This was conceived and initiated in 1998 when the first offshore development contract was signed. Since then we have established relationships with over fifty customers in this segment and have a matchless competency in this industry segment.

Our domains include the following "Key Industry Verticals":

- Banking and Finance,
- High Technology and Internet Services,
- Manufacturing and Logistics companies,
- Public Sector.

Our customers include Fortune 1000 companies as well as rapidly growing mid-market companies whose products and services serve a whole range of business customers.

We are a global company with five delivery centers in three countries- India, USA and Singapore. Our services are seamlessly delivered from these centers using a mix of on-site and offshore based services. Using the service mix, our proprietary psuite framework and competency, we optimize the cost structure of our clients while simultaneously improving the speed to market for new software products and services.

Our Competitive Strengths

Our differentiation from other vendors in competing for business is on the following basis:

- Our unique and proprietary psuite framework that consists of our best practices, tools and methodologies resulting in flawless execution and consistent delivery of high quality software;
- Our comprehensive range of services;
- Our presence in key markets;
- Our customer base and long term relationships with our customers;
- A quality focus;
- A strategic focus on iplm;
- Our domain knowledge; and
- Our business model and pricing.

BUSINESS STRATEGY

We intend to maintain our leadership position in offshore product development services by continuing to focus on expanding our iplm services business. While adapting different strategies for each of these areas, the general approach to business expansion will include:

- Revenue growth through new service offerings, exploring new markets, strategic acquisitions, pursuing opportunities for customer acquisition and generating new clients.
- Continuing to increase our operational efficiency through enhancing and refining the psuite framework, strengthening our core focus areas and integrating our delivery centres.

THE OFFER

Equity Shares offered:	
Fresh Issue by our Company	2,825,000 Equity Shares of face value of Rs. 10 each
Offer for Sale by the Selling Shareholders	1,583,355 Equity Shares of face value of Rs. 10 each
Total Offer	4,408,355 Equity Shares of face value of Rs. 10 each
Of which:	
Reservation for Employees	440,355 Equity Shares of face value of Rs. 10 each
Net Offer to the Public	3,968,000 Equity Shares of face value of Rs. 10 each
Of which:	
1. QIB Portion (including 5% reserved for Mutual Funds) comprising of:	Up to 1,984,000 Equity Shares of face value of Rs. 10 each (Allocation on a proportionate basis)
• Mutual Funds Portion	99,200 Equity Shares of face value of Rs. 10 each (Allocation on a proportionate basis)
• All QIBs including Mutual Funds	1,884,800 Equity Shares of face value of Rs. 10 each (Allocation on a proportionate basis)
2. Non-Institutional Portion	At least 595,200 Equity Shares of face value of Rs. 10 each (Allocation on a proportionate basis)
3. Retail Portion	At least 1,388,800 Equity Shares of face value of Rs. 10 each (Allocation on a proportionate basis)
Use of Offer Proceeds	Please see section titled "Objects of the Offer" on page no. 27 of this Prospectus for additional information

SUMMARY OF UNCONSOLIDATED FINANCIAL DATA

Summary Statement of Profit and Loss Accounts, As Restated

(Amount in Rs.)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
Income					
From services					
Export	758,720,330	518,498,080	396,265,291	243,457,677	96,000,151
Domestic	49,854,451	42,662,958	30,170,555	23,684,558	2,878,470
Total	808,574,781	561,161,038	426,435,846	267,142,235	98,878,621
Other income	7,684,001	2,556,120	1,193,380	4,639,869	14,251,263
Total income	**816,258,782**	**563,717,158**	**427,629,226**	**271,782,104**	**113,129,884**
Expenditure					
Personnel expenses	402,594,005	283,289,956	205,584,846	120,603,280	46,847,929
Operating and other expenses	234,375,308	213,776,829	177,852,825	96,985,992	48,068,837
Financial expenses	8,481,056	9,505,114	1,559,800	2,097,395	601,670
Depreciation/ amortization (*)	31,741,364	28,384,704	23,496,108	12,420,742	4,553,087
Provision for diminution in the value of long term investments	-	2,000,000	16,774,508	-	-
Total expenditure	**677,191,733**	**536,956,603**	**425,268,087**	**232,107,409**	**100,071,523**
Net profit before tax	**139,067,049**	**26,760,555**	**2,361,139**	**39,674,695**	**13,058,361**
Provision for tax					
Current tax/(excess provision written back)	5,939,145	3,457,808	(3,133,692)	7,294,964	3,840,051
Deferred tax expense/ (income)	5,848,175	881,343	1,167,917	2,855,119	(797,963)
Fringe benefit tax	2,641,190	-	-	-	-
Total	14,428,510	4,339,151	(1,965,775)	10,150,083	3,042,088
Net Profit after tax, as restated	**124,638,540**	**22,421,404**	**4,326,914**	**29,524,612**	**10,016,273**
Balance brought forward from previous year	89,736,455	67,315,051	62,988,137	33,463,525	60,846,852
Adjustments to balance brought forward from previous year (also refer Annexure IV)	-	-	-	-	(1,399,600)
Balance brought forward from previous year, as restated	89,736,455	67,315,051	62,988,137	33,463,525	59,447,252
Profit available for appropriations, as restated	214,374,994	89,736,455	67,315,051	62,988,137	69,463,525
Utilised for bonus issue	-	-	-	(36,000,000)	
Balance carried forward, as restated	**214,374,994**	**89,736,455**	**67,315,051**	**62,988,137**	**33,463,525**

Note:

1. The above statement should be read with the Notes on Adjustments to Restated Summary Statements, Significant Accounting Policies and Notes to Accounts as appearing in Annexure IV, IV-A and IV-B.
2. The reconciliation between the audited and restated accumulated profit and loss balance as at January 1, 2001 is given in Annexure IV.

*: Depreciation / amortization for the year ended December 31, 2004 is net of amount capitalized towards product development costs of Rs.303,433.

Summary Statement of Assets and Liabilities, As Restated

(Amount in Rs.)

	As at December 31, 2005	As at December 31, 2004	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
Fixed assets, including intangibles					
Gross block	315,767,880	286,552,877	215,815,021	148,347,488	51,587,635
Less: Depreciation/ amortization	114,134,022	83,042,787	56,068,570	34,565,257	7,985,609
Net block	**201,633,858**	**203,510,090**	**159,746,451**	**113,782,231**	**43,602,026**
Capital work in progress, including capital advances	54,517,277	26,144,930	16,930,731	30,538,458	-
Total	**256,151,135**	**229,655,020**	**176,677,182**	**144,320,689**	**43,602,026**
Investments (net)	**310,071,569**	**334,567,290**	**301,628,332**	**318,404,840**	**830,973,570**
Current assets, loans and advances					
Sundry debtors	278,164,190	247,507,887	146,916,882	100,152,923	36,072,658
Cash and bank balances	39,079,839	24,165,355	32,988,413	35,174,455	113,269,831
Other current assets	48,052,939	35,373,500	53,722,586	20,776,701	7,082,950
Loans and advances	89,424,486	56,788,558	38,789,279	34,518,773	15,656,505
Total	**454,721,454**	**363,835,300**	**272,417,160**	**190,621,852**	**172,081,944**
Liabilities and provisions					
Secured loans	83,631,775	123,141,354	36,930,882	761,860	1,584,732
Unsecured loans	15,366,300	14,868,200	15,609,998	-	-
Deferred payment liabilities	-	21,372,514	-	-	-
Current liabilities	180,832,888	140,931,307	94,144,465	49,063,489	7,203,514
Provisions	29,627,789	15,735,526	15,331,365	20,311,899	7,630,675
Deferred tax liabilities	11,407,449	5,559,272	4,677,931	3,510,014	654,914
Total	**320,866,201**	**321,608,173**	**166,694,641**	**73,647,262**	**17,073,835**
Net worth	**700,077,957**	**606,449,437**	**584,028,033**	**579,701,119**	**1,029,583,705**
Net worth represented by					
Share capital	51,785,174	51,785,174	53,780,174	53,780,174	42,028,708
Less : Advance to Indus software employees welfare trust/R Systems employees stock option trust	(393,288)	(413,644)	(2,408,644)	(2,408,644)	-
Share application money pending allotment	1,598,100	-	-	-	-
Share capital (net)	**52,989,986**	**51,371,530**	**51,371,530**	**51,371,530**	**42,028,708**
Profit and Loss Account	214,374,994	89,736,455	67,315,051	62,988,137	33,463,525
Securities premium account	435,536,007	468,310,600	581,447,050	581,447,050	954,091,472
Less : Advance to Indus software employees welfare trust/R Systems employees stock option trust	(2,823,030)	(2,969,148)	(116,105,598)	(116,105,598)	-
Reserve and surplus (net)	**647,087,971**	**555,077,907**	**532,656,503**	**528,329,589**	**987,554,997**
Net worth	**700,077,957**	**606,449,437**	**584,028,033**	**579,701,119**	**1,029,583,705**

Note:

1. The above statement should be read with the Notes on Adjustments to Restated Summary Statements, Significant Accounting Policies and Notes to Accounts as appearing in Annexure IV, IV-A and IV-B.

GENERAL INFORMATION

INCORPORATION

The Company was incorporated as R Systems (India) Private Limited on May 14, 1993 under the Companies Act, with its registered office at B-104A, Greater Kailash - I, New Delhi - 110 048. Subsequently, the name was changed to R Systems (India) Limited on April 13, 2000. The name was changed to R Systems International Limited on August 7, 2000. The Company is registered with the RoC, National Capital Territory of Delhi and Haryana.

REGISTERED OFFICE

R Systems International Limited
B-104A, Greater Kailash - I,
New Delhi - 110 048.
Tel.: +91 120 430 3500
Fax: + 91 120 258 7123
Email: iporsystems@india.rsystems.com
Website: www.rsystems.com

CORPORATE OFFICE

R Systems International Limited
C-40, Sector-59, Noida,
Uttar Pradesh - 201 307.
Tel.: +91 120 430 3500
Fax: +91 120 258 7123
Email: iporsystems@india.rsystems.com
Website: www.rsystems.com

REGISTRATION NUMBER

55-053579

ADDRESS OF ROC

Registrar of Companies
National Capital Territory of Delhi and Haryana
CGO Complex,
Parayavaran Bhavan,
New Delhi - 110 003.

BOARD OF DIRECTORS

Name	Designation
Mr. Satinder Singh Rekhi	Chairman and Managing Director
Mr. O'Neil Nalavadi	Director, Finance
Mr. Lt. Gen. Baldev Singh (Retd.)	President and Senior Executive Director
Mr. David Richard Sanchez	Independent Director
Mr. Raj Kumar Gogia	Independent Director
Mr. Gurbax Bhasin	Independent Director
Mr. Avirag Jain	Alternate Director to Mr. O'Neil Nalavadi*

* Mr. Avirag Jain is an Alternate Director to Mr. O'Neil Nalavadi and in such capacity he has resigned on the return of Mr. O'Neil Nalavadi to Noida, UP on March 12, 2006.

For further details of our Chairman cum Managing Director and other Directors, please refer to the section titled "Our Management" on page no. 92 of this Prospectus.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Nand Sardana
R Systems International Limited
C-40, Sector-59,
Noida - 201 307,
Uttar Pradesh.
Tel.: + 91 120 430 3500
Fax: + 91 120 258 7123
Email: iporsystems@india.rsystems.com

Investors can contact the Compliance Officer in case of any pre-Offer or post-Offer related problems such as non-receipt of allotment advice or refund orders, etc.

BOOK RUNNING LEAD MANAGER

IL&FS Investsmart Limited
The IL&FS Financial Centre
Plot No. C-22, G Block, Bandra Kurla Complex,
Bandra - (East), Mumbai - 400 051.
Tel.: + 91 22 2653 3333
Fax: + 91 22 5693 1862
Email: rsil.ipo@investsmartindia.com
Website: www.investsmartindia.com
Contact person: Mr. Vishal Bandekar/ Mr. Rohan Saraf

REGISTRAR TO THE OFFER

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L B S Marg, Bhandup (W),
Mumbai - 400 078.
Tel.: +91 22 2596 0320
Fax: +91 22 2596 0329
Email: rsilipo@intimespectrum.com
Contact person: Mr. Vishwas Attavar

DOMESTIC LEGAL ADVISORS

AZB & Partners
F-40, NDSE-I
New Delhi - 110 049.
Tel.: +91 11 2461 8947 / 3048 0951
Fax: +91 11 2462 5302
Email: delhi@azbpartners.com
Contact Person: Mr. Anil Kasturi

AUDITORS TO THE COMPANY

S.R. Batliboi & Associates,
Chartered Accountants,
B-26, Qutab Institutional Area,
New Delhi - 110 016.
Tel.: +91 11 2661 1004 - 09
Fax: +91 11 2661 1012 - 13
Email: pankaj.chadha@in.ey.com
Contact person: Mr. Pankaj Chadha

BANKERS TO THE OFFER AND ESCROW COLLECTION BANKS

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai - 400 001.
Tel.: +91 22 2265 5285
Fax: +91 22 2261 1138
Email: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Routray

HDFC Bank Limited
Maneekji Wadi Building,
Ground Floor, Nanik Motwani Marg
Mumbai - 400 001.
Tel.: +91 22 2856 9009
Fax: +91 22 2856 9256
Email: Clayton.Mendonca@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Clayton Mendonca

Standard Chartered Bank
270, D. N. Raod, Fort,
Mumbai - 400 001.
Tel.: + 91 22 2268 3965
Fax: + 91 22 2209 6069
Email: Banhind.Bhattacharya@in.standardchartered.com
Website: www.standardchartered.co.in
Contact Person: Mr. Banhind Bhattacharya

REFUND BANKER TO THE OFFER

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai - 400 001.
Tel.: +91 22 2265 5285
Fax: +91 22 2261 1138
Email: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Routray

BANKERS TO THE COMPANY

1. **State Bank of India**
Commercial Branch,
Sector 18, Noida.
Tel.: + 91 120 251 2504 / 505
Fax: + 91 120 251 1406
Contact Person: Mr. Sandeep Vashisht

2. **ICICI Bank Ltd.**
G-31 & 32,
Sector 18, Noida - 201 301.
Tel.: + 91 120 251 6943 / 251 6946
Fax: +91 120 251 3768
Contact Person: Ms. Reetu Singh Mahajan
Website: www.icicibank.com

3. **HDFC Bank Ltd.**
Regional Office,
Financial Institutions & Government Business Group,
B/6/3, Safdarjung Enclave, DDA Commercial Complex,
Opp. Deer Park, New Delhi - 110 029.
Tel.: +91 11 5139 2100
Fax: +91 11 5165 2283
Contact Person: Mr. Sumit Agarwal

4. **UTI Bank**
B-2 & B-3, Sector-16,
Noida, U.P. - 201 301.
Tel.: +91 120 251 0789 / 251 0691
Fax: +91 120 251 0737
Website: www.utibank.com
Contact Person: Mr. Pinaki Mukherjee

5. **State Bank of Bikaner & Jaipur**
G-14 & 15, Sector-18,
Noida.
Tel.: +91 120 251 2845, 251 2896
Fax: +91 120 251 2895
Contact Person: Mr. Rajinder Mehra

CREDIT RATING

Since the Offer is of Equity Shares, credit rating is not required.

IPO GRADING

We have not obtained any grading for this Offer of Equity Shares.

TRUSTEES

Since the Offer is of Equity Shares, appointment of Trustees is not required.

MONITORING AGENCY

IL&FS Trust Company Limited has been appointed to monitor the utilization of funds.

APPRAISING ENTITY

The project has not been appraised.

BOOK BUILDING PROCESS

Book building refers to the collection of bids from investors, which is based on an indicative price range, the Offer price being fixed after the Bid Closing Date. The principal intermediaries involved in a Book Building Process are:

(1) The Company;

(2) Selling Shareholders;

(3) Book Running Lead Manager;

(4) 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

(5) Registrar to the Offer.

SEBI, through its guidelines, has permitted issue of securities to the public through 100% Book Building Process, wherein: (i) up to 50% of the Offer to the public shall be allocated on a proportionate basis to QIBs, including up to 5% of the QIB Portion that shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds; (ii) at least 15% of the Offer to the public shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) at least 35% of the Offer to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price.

We will comply with the DIP Guidelines for this Offer. In this regard, the Company has appointed IL&FS Investsmart Limited as the Book Running Lead Manager to the Offer to procure subscription to the Offer.

QIBs are not allowed to withdraw their Bids after Bid/Offer Closing Date. Please refer to page no. 245 of this Prospectus for the title "Terms of the Offer" in this Prospectus for further details in this regard.

The process of book Building under DIP Guidelines is relatively new and investors are advised to make their own judgement about investment through this process prior to making a Bid or Application in the Offer.

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 Offer):

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 our 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%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off i.e. Rs. 22 in the above example. The Company, in consultation with the book running lead manager, 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 by the Investor for Bidding

- Check eligibility for making a Bid (see title "Offer Procedure" on page no. 247 of the Red Herring Prospectus);
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see title "Offer Procedure" on page no. 247 of the Red Herring Prospectus); and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

UNDERWRITING AGREEMENT

After the determination of the Offer Price and allocation of our Equity Shares but prior to filing of the Prospectus with RoC, the Company and the Selling Shareholders will enter into an Underwriting Agreement with the Underwriter for the Equity Shares proposed to be offered in the Offer. It is proposed that under the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved as per its underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriter are subject to certain conditions to closing, as specified therein.

The Underwriter has indicated its intention to underwrite the following number of shares.

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

Name and Address of the Underwriter	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In mn)
IL&FS Investsmart Limited The IL&FS Financial Centre Plot No. C-22, G Block, Bandra Kurla Complex, Bandra - (East), Mumbai - 400 051. Tel.: + 91 22 2653 3333 Fax: + 91 22 5693 1862 / 3075 Email: rsil.ipo@investsmartindia.com Website: www.investsmartindia.com	4,408,355	1102.09

In the opinion of the Board of the Company on the basis of the declaration given by the Underwriter, the resources of the above mentioned Underwriter are sufficient to enable it to discharge its respective underwriting obligations in full. The above mentioned Underwriter is registered with SEBI under Section 12(1) of the SEBI Act.

Notwithstanding the above table, the Underwriter shall be responsible for ensuring the payment for the Equity Shares allocated to investors procured by it. In the event of any default in payment, the Underwriter, in addition to the other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

CAPITAL STRUCTURE

Our share capital as at the date of filing of this Prospectus with ROC (before and after the Offer) is set forth below. Unless otherwise indicated, the data in the tables presented below assumes that none of the outstanding stock options granted under our ESOPs have been exercised.

(Rs. in mn)

		Aggregate nominal value	Aggregate value at Offer Price
A.	**Authorised Capital**[1]		
	20,000,000 Equity Shares of Rs. 10 each	200	
B.	**Issued, Subscribed and Paid-Up Capital before the Offer**		
	10,710,510 Equity Shares of Rs. 10 each fully paid-up	107.11	
C.	**Present Offer to the public in terms of this Prospectus**		
	Fresh Issue		
	2,825,000 Equity Shares of Rs. 10 each fully paid-up	28.25	706.25
	Offer for Sale		
	1,583,355 Equity Shares of Rs. 10 each fully paid-up[2]	15.83	395.84
D.	**Employee Reservation Portion**		
	440,355 Equity Shares of Rs. 10 each fully paid-up	4.40	110.09
E.	**Net Offer to the Public**		
	3,968,000 Equity Shares of Rs. 10 each fully paid-up	39.68	992.00
F.	**Equity Capital after the Offer**		
	13,535,510 Equity Shares of Rs. 10 each fully paid-up	135.40	135.40
G.	**Securities Premium Account**[3]		
	Before the Offer	393.73	
	After the Offer	1071.73	

[1] The details of changes in the authorized share capital of our Company after the date of incorporation till the filing of this Prospectus are as under:

(Rs. in mn)

Date of change	Nature of change	Number of Equity Shares	Face Value	Total Authorized Capital
May 14, 1993	Incorporation	50,000	10	0.50
December 22, 1999	Increase	9,950,000	10	100.00
January 05, 2001	Sub-division (a)	50,000,000	2	100.00
January 30, 2006	Increase	50,000,000	2	200.00
January 30, 2006	Consolidation (b)	20,000,000	10	200.00

(a) We passed a resolution at the EGM of our shareholders held on January 5, 2001 whereby it was resolved that each Equity Share of Rs. 10 each will be sub-divided into 5 Equity Shares of Rs. 2 each.

(b) We passed a resolution at the EGM of our shareholders held on January 25, 2006 whereby it was resolved to consolidate five Equity Shares of Rs. 2 each into one Equity Share of Rs. 10 each. The consolidation has been given effect from January 30, 2006.

(2) Pursuant to the respective authorisations, the following shareholders have offered for sale 1,583,355 Equity Shares of Rs. 10 each:

Name of the Shareholder	Number of Equity Shares offered	% of pre-Offer capital
Intel	525,550	4.91
GE	596,695	5.57
GM Solutions Pvt. Ltd.	200,000	1.87
O'Neil Nalavadi & Meera Nalavadi	40,000	0.37
Ralph Kenney	112,000	1.05
Vivek Mannige & Shanth V Mannige	69,880	0.65
M. Vikram Rao	27,440	0.26
G.S. Vittal Rao & Shanth V. Mannige	3,920	0.04
Vasanti S Chandavarkar & Vivek Mannige & Shanth V. Mannige	3,120	0.03
Kalyani J. Basrur & Jaganath Basrur	1,380	0.01
Arun V. Rao	3,370	0.03
TOTAL	**1,583,355**	**14.78**

Equity Shares being offered by the Selling Shareholders as part of the Offer for Sale have been held by them for a minimum period of one year at the time of filing this Prospectus with ROC.

(3) On July 27, 2005, we have filed a petition in the High Court of Delhi for the reduction of securities premium account by Rs. 24.50 mn on account of write-off of goodwill. The reason for filing this petition is to reflect our assets and liabilities at their real value and maximize our business value in order that our assets and liabilities are accurately and fairly stated in our books of accounts. The Hon'ble High Court of Delhi vide its order dated February 16, 2006, has given approval for adjustment of investment against the Securities Premium Account. For more information, please refer to the section titled "Financial Statements" beginning on page no. 113 of this Prospectus.

NOTES TO THE CAPITAL STRUCTURE

1. The existing Equity Share capital of our Company has been subscribed and allotted as under:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price per share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for Allotment	Cumulative Paid -up Capital (Rs. in mn)	Cumulative Securities Premium (Rs. in mn)
May 14, 1993	30	10	10	Cash	Subscription on signing of Memorandum of Association	0.0003	–
February 3, 1996	49,970	10	10	Cash	Allotment to Promoters	0.50	–
November 10, 2000	83,000	10	20	Cash	Allotment to Promoters and others	1.33	0.83
January 2, 2001	67,000	10	10,848 (approx)	Share Swap(1)	Allotted to shareholders of R Systems Inc	2.00	726.98
January 5, 2001	3,600,000	10	–	Bonus(2)	Bonus shares allotted to existing members	38.00	726.98
January 5, 2001	19,000,000	2	–	Sub-division of Equity Shares of Rs.10 each into five Equity Shares of Rs. 2 each		38.00	726.98
January 10, 2001	2,014,354	2	115.42	Cash	Allotment to Intel(3)	42.03	955.44

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price per share (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for Allotment	Cumulative Paid -up Capital (Rs. in mn)	Cumulative Securities Premium (Rs. in mn)
-	Utilisation of Securities Premium Account					42.03	954.09[4]
February 14, 2002	997,500	2	115.42	Cash	Allotment to R Systems International Employees Stock Option Trust[5])	44.02	1067.23
March 4, 2002	3,596,869	2	115.42	Share swap[6]	Allotment to GE & Intel	51.22	1475.19
December 28, 2002	1,281,364	2	115.42	Merger[7]	Allotment pursuant to the merger of Indus into the Company	53.78	1,620.48
-	Utilisation & Reduction in Securities Premium Account					53.78	581.45 [8]
September 10, 2004	(997,500)	2	115.42	Buy-back of Equity Shares [9]		51.79	468.31 [9]
-	Utilisation of Securities Premium Account					51.79	460.03 [10]
-	Reduction in Securities Premium Account					51.79	435.53 [11]
January 25, 2006	152,224	2	42	Cash	Exercise of stock options under the RSIL Employee Stock Option Plan 2004	52.09	441.62
January 25, 2006	235,797	2	26	Cash	Exercise of stock options under the RSIL Employee Stock Option Plan 2004 (ECnet)	52.56	447.28
January 25, 2006	50,667	2	2	Warrant conversion [12]	Allotment to Intel Capital (Mauritius) Ltd. pursuant to the conversion of warrants into Equity Shares	52.66	447.28
January 30, 2006	445,000	2	2	Warrant conversion [13]	Allotment to GE Strategic Investment India pursuant to the conversion of warrants into Equity Shares	53.55	447.28
January 30, 2006	5,355,255	10	–	Consolidation of five Equity Shares of Rs.2 each into one Equity Share of Rs. 10 each [14]		53.55	447.28
January 30, 2006	5,355,255	10	–	Bonus [15]	Bonus shares allotted to existing shareholders	107.11	393.73

(1) Pursuant to the acquisition of 10,000,000 Equity Shares of R Systems Inc. by our Company, 67,000 Equity Shares of Rs. 10 each were allotted to the shareholders of R Systems Inc. For more details, please refer to the section titled 'Our Subsidiaries and Affiliates' on page no. 74 of this Prospectus.

(2) In the EGM of our Company held on January 05, 2001, our shareholders approved the issuance of 3,600,000 bonus shares of Rs. 10 each in the ratio of 1:18 by way of capitalisation of accumulated profits.

(3) Pursuant to a Subscription Agreement dated December 14, 2000, our Company allotted 2,014,354 Equity Shares of Rs. 2 each to Intel at an issue price of Rs. 115.42 per Equity Share.

(4) For the year ended December 31, 2001, Rs. 1.34 mn. was utilised from Securities Premium Account towards set-off of capital issue expenses in terms of the provisions of Section 78 of the Companies Act. Pursuant to this, the balance in Securities Premium Account reduced to Rs. 954.09 mn.

(5) Our Company had instituted R Systems International Limited - Employees Stock Option Plan for issuance of 997,500 options (1 option = 1 Equity Share) to the eligible employees. For this purpose, our Company established 'R Systems International Employees Stock Option Trust' to administer the plan. Pursuant to this, our Company allotted 997,500 Equity Shares of Rs. 2 each at a premium of Rs. 113.42 per share to 'R Systems International Employees Stock Option Trust'.

(6) Pursuant to the Share Purchase Agreement dated February 16, 2002, our Company acquired inter alia 316,882 Equity Shares held by GE and 65,150 Equity Shares held by Intel in Indus. In consideration of such acquisition, our Company issued 2,983,475 Equity Shares of Rs. 2 each to GE and 613,394 Equity Shares of Rs. 2 each to Intel. For more details, please refer to the section titled 'Our History and Main Objects' on page no. 71 of this Prospectus.

(7) Pursuant to a merger scheme approved by the Hon'ble High Court of Delhi and Hon'ble High Court of Mumbai, Indus was merged into our Company and our Company issued 1,074,542 Equity Shares of Rs. 2 each to certain individual shareholders of Indus at a swap ratio of 1:6.73965 and 206,822 Equity Shares of Rs. 2 each to Indus Software Employees Welfare Trust at a swap ratio of 1:9.41512. For more details, please refer to the section titled 'Our History and Main Objects' on page no. 71 of this Prospectus.

(8) For the year December 31, 2002, the following adjustments were carried out in the Securities Premium Account subsequent to which the balance in the Securities Premium Account reduced to Rs. 581.45 million:

- Rs. 1.92 mn. was utilised towards set-off of capital issue expenses in terms of the provisions of Section 78 of the Companies Act;
- Goodwill to the extent of Rs. 523.34 mn. representing excess of consideration paid over the underlying net assets as at the time of acquisition of R Systems Inc. by our Company was set off. This adjustment was confirmed by the Hon'ble High Court of Delhi vide its order dated January 28, 2003. The primary reason for us to reduce the security premium amount was to reconstruct the balance sheet of our Company so that the assets and liabilities are correctly stated in the books of account according to the accounting standards recommended by the Institute of Chartered Accountants of India.
- Goodwill to the extent of Rs. 513.77 mn. arising out of amalgamation of Indus into our Company has been set off pursuant to the approval of the Hon'ble High Court of Delhi and Hon'ble High Court of Mumbai.

(9) Our Company bought back the 997,500 Equity Shares of Rs. 2 each allotted on February 14, 2002 to 'R Systems International Employees Stock Option Trust' at a premium of Rs. 113.42 per share. For more details, please refer to page no. 21 of this Prospectus. Pursuant to this buy-back, the balance in the Securities Premium Account reduced to Rs. 468.31 mn.

(10) For the year ended December 31, 2005, Rs. 8.28 mn. has been utilised from Securities Premium Account towards set-off of capital issue expenses in terms of the provisions of Section 78 of the Companies Act. Pursuant to this, the balance in the Securities Premium Account reduced to Rs. 460.03 mn.

(11) For the year December 31, 2005, Goodwill to the extent of Rs. 24.50 mn. representing excess of consideration paid over the underlying net assets as at the time of acquisition of ECnet by our Company was set off. This adjustment was confirmed by the Hon'ble High Court of Delhi vide its order dated February 16, 2006. The primary reason for us to reduce the security premium amount was to reconstruct the balance sheet of our Company so that the assets and liabilities are correctly stated in the books of account according to the accounting standards recommended by the Institute of Chartered Accountants of India.

(12) Pursuant to the Shareholders Agreement dated February 16, 2002 inter alia between our Company and Intel, Intel has assigned 50,667 warrants to Intel Capital (Mauritius) Limited vide an Assignment Letter dated January 20, 2006. Subsequent to this, Intel Capital (Mauritius) Limited has exercised the right to convert 50,667 warrants into 50,667 Equity Shares of Rs. 2 each at the price of Rs. 2 per share.

(13) Pursuant to the Shareholders Agreement dated February 16, 2002 inter alia between our Company and GE, GE has assigned 445,000 warrants to GE Strategic Investment India vide an Assignment Letter dated January 25, 2006. Subsequent to this, GE Strategic Investment India has exercised the right to convert 445,000 warrants into 445,000 Equity Shares of Rs. 2 each at the price of Rs. 2 per share.

(14) We passed a resolution at the EGM of our shareholders held on January 25, 2006 whereby it was resolved to consolidate five Equity Shares of Rs.2 each into one Equity Share of Rs. 10 each. The consolidation has been given effect from January 30, 2006.

(15) In the EGM of our Company held on January 25, 2006, our shareholders approved the issuance of 5,355,255 bonus shares of Rs. 10 each in the ratio of 1:1 by way of capitalisation of accumulated profits. The bonus has been given effect from January 30, 2006.

2. Promoter Contribution and Lock-in

(a) 3 years lock-in

Name of the Promoter	Date of Allotment / Acquisition	Date when made fully Paid-up	Consider-ation (Cash, bonus, kind, etc.)	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition Price (Rs.)	% of Post-Offer paid-up capital #	Lock-in Period (in years)
RightMatch Holdings Ltd.	September 12, 2000	N.A.	Cash	24,400	10	20	-	-
	January 5, 2001	N.A.	Bonus	439,200	10	-	-	-
	January 5, 2001	Sub-division		2,318,000	2	-	-	-
	January 30, 2006	Consolidation		463,600	10	-	-	-
	January 30, 2006	N.A.	Bonus	463,600	10	-	-	-
	Total (A)			**927,200**	**10**	**-**	**6.74**	**3 years**
Satinder and Harpreet Rekhi Family Trust	January 2, 2001	January 2, 2001	Cash	20,179	10	10,848 (approx)	-	-
	January 5, 2001	N.A.	Bonus	891,688	10	-	-	-
	January 5, 2001	Sub-division		4,559,335	2	-	-	-
	January 30, 2006	Consolidation		911,867	10	-	-	-
	January 30, 2006	N.A.	Bonus	911,867	10	-	-	-
	Total (B)			**1,823,734**	**10**	**-**	**13.26**	**3 years**
	Total (A) + (B)			**2,750,934**	**10**	**-**	**20.00**	**3 years**

(b) 1 year lock-in

Satinder and Harpreet Rekhi Family Trust	January 5, 2001	N.A.	Bonus	48,992	10	-	-	-
	January 5, 2001	Sub-division		244,960	2	-	-	-
	January 30, 2006	Consolidation		48,992	10	-	-	-
	January 30, 2006	N.A.	Bonus	48,992	10	-	-	-
	Total			**97,984**	**10**	**-**	**0.71**	**1 year**
Mr. Satinder Singh Rekhi	July 18, 2005	N.A.	Cash	28,500	2	42.06	-	-
	January 4, 2006	N.A.	Cash	14,000	2	45.05	-	-
	January 4, 2006	N.A.	Cash	100,000	2	62.62	-	-
	January 28, 2006	N.A.	Cash	84,000	2	50.26	-	-
	January 30, 2006	Consolidation		45,300	10	-	-	-
	January 30, 2006	N.A.	Bonus	45,300	10	-	-	-
	Total			**90,600**	**10**	**-**	**0.66**	**1 year**
Harpreet Rekhi	February 16, 2000	N.A.	Cash	1	10	1000	-	-
	January 5, 2001	N.A.	Bonus	18	10	-	-	-
	January 5, 2001	Sub-division		95	2	-	-	-
	January 18, 2006	N.A.	Cash	95	2	15	-	-
	January 30, 2006	Consolidation		38	10	-	-	-
	January 30, 2006	N.A.	Bonus	38	10	-	-	-
	Total			**76**	**10**	**-**	**-**	**1 year**

The post-offer paid-up share capital has been computed assuming the exercise of all the 219,160 outstanding employee stock options.

a. In accordance with DIP Guidelines, 2,750,934 Equity Shares held by the Promoters representing 20% of the post-Offer paid-up share capital of our Company, including 219,160 employee stock options in force will be locked-in for a period of 3 years from the date of allotment of Equity Shares in this Offer (being the minimum promoters' contribution). The Promoters contribution above has been calculated on the post-Offer paid-up share capital inclusive of the capital pursuant to the exercise of the options under the ESOP.

b. Save as the Equity Shares mentioned in the table mentioned hereinunder, the entire pre-Offer paid-up share capital of our Company comprising of 6,274,988 Equity Shares, subject to applicable law, shall be locked-in for a period of one year from the date of allotment of Equity Shares in this Offer:

Sr. No.	No. of Equity Shares	Reason for non lock-in
1.	44,018	Equity Shares held by our employees issued pursuant to ESOP
2.	36,949	Equity Shares held by Indus Software Employees Welfare Trust pursuant to the allotment made under ESOP
3.	20,266	Equity Shares held by Intel Capital (Mauritius Ltd.), a SEBI registered Foreign Venture Capital Investor
4.	1,583,355	Equity Shares being offered for sale in this Offer by the Selling Shareholders

c. In terms of clause 4.15 of the SEBI Guidelines, locked-in securities held by promoters may be pledged only with banks or Financial Institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.

d. In terms of clause 4.16.1 (b) of the SEBI Guidelines, locked in 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 Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

Further, in terms of clause 4.16.1 (a) of the SEBI Guidelines, locked in 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 Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

e. Additionally, 1,583,355 Equity Shares being offered for sale in this Offer by the Selling Shareholders have been placed in escrow in terms of an Escrow Agreement dated March 22, 2006 executed inter alia by the Selling Shareholders. The aforesaid Equity Shares will be released from escrow upon the BRLM providing a certificate of completion of this Offer to the Escrow Agent.

3. Shareholding pattern of our Company before and after the Offer:

Shareholder Category	Equity Shares held before the Offer		Equity Shares held after the Offer	
	Number of Equity Shares (Rs. 10 each)	Percentage Shareholding	Number of Equity Shares (Rs. 10 each)	Percentage Shareholding
Promoters				
Mr. Satinder Singh Rekhi	90,600	0.85	90,600	0.67
Mrs. Harpreet Rekhi	76	0.00	76	0.00
Satinder & Harpreet Rekhi Family Trust	1,921,718	17.94	1,921,718	14.20
RightMatch Holdings Ltd.	927,200	8.66	927,200	6.85
Total (A)	**2,939,594**	**27.45**	**2,939,594**	**21.72**
Promoter Group				
GM Solutions Pvt. Ltd. (1)	601,320	5.61	401,320	2.96
GMU Infosoft Pvt. Ltd.	655,120	6.12	655,120	4.84
U Infosoft Private Ltd.	655,120	6.12	655,120	4.84
Guru Harkrishan Irrevocable Trust	254,600	2.38	254,600	1.88
Guru Tegh Bahadur Irrevocable Trust	254,600	2.38	254,600	1.88

Shareholder Category	Equity Shares held before the Offer		Equity Shares held after the Offer	
	Number of Equity Shares (Rs. 10 each)	Percentage Shareholding	Number of Equity Shares (Rs. 10 each)	Percentage Shareholding
Reena Baldev Singh Trust	-	-	-	-
Mrs. Anita Behl	7,638	0.07	7,638	0.06
Mrs. Darshan Uberoi	76	0.00	76	0.00
Maninder Singh Uberoi	190	0.00	190	0.00
Gurjot Singh Uberoi	304	0.00	304	0.00
Sartaj Singh Rekhi	15,162	0.14	15,162	0.11
Mrs. Kuldeep Baldev Singh	38	0.00	38	0.00
Total (B)	**2,444,168**	**22.82**	**2,244,168**	**16.58**
Total Promoter and Promoter Group (C) = (A) + (B)	**5,383,762**	**50.27**	**5,183,762**	**38.30**
Selling Shareholders				
Private Equity Investors				
GE	1,193,390	11.14	596,695	4.41
Intel	1,627,100	15.19	1,101,550	8.14
Persons acting in concert				
O'Neil Nalavadi & Meera Nalavadi	280,000	2.61	240,000	1.77
Others				
Ralph Kenney	302,000	2.82	190,000	1.40
Vivek Mannige & Shanth V Mannige	162,712	1.52	92,832	0.69
M. Vikram Rao	109,774	1.02	82,334	0.61
G.S. Vittal Rao & Shanth V. Mannige	13,480	0.13	9,560	0.07
Vasanti S Chandavarkar & Vivek Mannige & Shanth V. Mannige	12,546	0.12	9,426	0.07
Kalyani J. Basrur & Jaganath Basrur	5,490	0.05	4,110	0.03
Arun V. Rao	6,742	0.06	3,372	0.02
Total (D)	**3,713,234**	**34.67**	**2,329,879**	**17.21**
Other Shareholders				
Private Equity Investors				
GE Strategic Investment India	178,000	1.66	178,000	1.32
Intel Capital (Mauritius) Ltd.	20,266	0.19	20,266	0.15
Persons acting in concert				
Lt. Gen. Baldev Singh (Retd.)	78,808	0.74	78,808	0.58
Mandeep Singh Sodhi	68,760	0.64	68,760	0.51
Avirag Jain	34,000	0.32	34,000	0.25
David Richard Sanchez	4,000	0.04	4,000	0.03
Others				
Harsharan K Uberoi	580,400	5.42	580,400	4.29
Others	649,280	6.06	649,280	4.80
Total (E)	**1,613,514**	**15.06**	**1,613,514**	**11.92**
Public (F)	**-**	**-**	**4,408,355**	**32.57**
Total (C) + (D) + (E) + (F)	**10,710,510**	**100.00**	**13,535,510**	**100.00**

(1) Also a selling shareholder.

4. Equity Shares held by our top ten shareholders:

(a) As on the date of filing this Prospectus with ROC:

S. No.	Name of Shareholder	Number of Equity Shares*	Percentage Shareholding of the pre-offer share capital
1.	Satinder & Harpreet Rekhi Family Trust	1,921,718	17.94
2.	Intel	1,627,100	15.19
3.	GE	1,193,390	11.14
4.	RightMatch Holdings Ltd	927,200	8.66
5.	GMU Infosoft Pvt. Ltd.	655,120	6.12
6.	U Infosoft Private Ltd.	655,120	6.12
7.	GM Solutions Pvt. Ltd.	601,320	5.61
8.	Harsharan K Uberoi	580,400	5.42
9.	Ralph Kenney	302,000	2.82
10.	O'Neil Nalavadi & Meera Nalavadi	280,000	2.61

* This shareholding takes into account the consolidation of 5 Equity Shares of Rs. 2 each into 1 Equity Share of Rs. 10 each. Further, the shareholding also takes into account the allotment of bonus shares by the Company to all shareholders in the ratio of 1:1.

(b) Ten days prior to the date of filing this Prospectus with ROC:

S. No.	Name of Shareholder	Number of Equity Shares*	Percentage Shareholding of the pre-offer share capital
1.	Satinder & Harpreet Rekhi Family Trust	1,921,718	17.94
2.	Intel	1,627,100	15.19
3.	GE	1,193,390	11.14
4.	RightMatch Holdings Ltd	927,200	8.66
5.	GMU Infosoft Pvt. Ltd.	655,120	6.12
6.	U Infosoft Private Ltd.	655,120	6.12
7.	GM Solutions Pvt. Ltd.	601,320	5.61
8.	Harsharan K Uberoi	580,400	5.42
9.	Ralph Kenney	302,000	2.82
10.	O'Neil Nalavadi & Meera Nalavadi	280,000	2.61

* This shareholding takes into account the consolidation of 5 Equity Shares of Rs. 2 each into 1 Equity Share of Rs. 10 each. Further, the shareholding also takes into account the allotment of bonus shares by the Company to all shareholders in the ratio of 1:1.

(c) Two years prior to the date of filing of this Prospectus with ROC:

S. No.	Name of Shareholders	Number of Equity Shares*	Percentage Shareholding of the pre-offer share capital
1.	Satinder & Harpreet Rekhi Family Trust	4,964,700	18.46
2.	GE	2,983,475	11.10
3.	Intel	2,627,748	9.77
4.	RightMatch Holdings Ltd	2,318,000	8.62
5.	ParvinderJeet Singh Bawa	1,805,000	6.71
6.	GM Solutions Pvt. Ltd.	1,637,800	6.09
7.	GMU Infosoft Pvt. Ltd.	1,637,800	6.09
8.	U Infosoft Private Ltd.	1,637,800	6.09
9.	Jasmit Singh	1,377,500	5.12
10.	RSIL ESOP Trust	997,500	3.71

* This shareholding reflects the Equity Shares held by the shareholders prior to the consolidation of 5 Equity Shares of Rs. 2 each into 1 Equity Share of Rs. 10 each as well as prior to the allotment of bonus shares by the Company to all shareholders in the ratio of 1:1.

5. The Promoters/Promoter Group and Directors of our Company or the promoter companies have not purchased or sold the Equity Shares of our Company during the six months period preceeding the date of filing this Prospectus with ROC, other than those mentioned below:

S.No.	Name of the Transferor	Number of Equity Shares Transferred*	Date of Transfer	Name of the Transferee	Transfer Price (In Rs.)
1	Ralph Kenney	100,000	January 4, 2006	Satinder Singh Rekhi	62.62
2	Harvinder Singh Saluja	14,000	January 4, 2006	Satinder Singh Rekhi	45.05
3	Sartaj Singh Rekhi	95	January 18, 2006	Mrs. Harpreet Rekhi	15
4	Reena Baldev Singh Trust	63,650	January 18, 2006	Mandeep Singh Sodhi	7
5	GM Solutions Pvt. Ltd.	14,000	January 18, 2006	Avirag Jain	2
6	GM Solutions Pvt. Ltd.	5,000	January 18, 2006	Nand Sardana	2
7	GM Solutions Pvt. Ltd.	2,500	January 18, 2006	Narendra Kumar Garg	2
8	GM Solutions Pvt. Ltd.	2,500	January 18, 2006	Prem Mohan Srivastava	2
9	GM Solutions Pvt. Ltd.	2,500	January 18, 2006	Prabhat Rastogi	2
10	GM Solutions Pvt. Ltd.	2,500	January 18, 2006	Manish Sethi	2
11	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	A.S.Vani	2
12	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Abhay Kumar	2
13	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Ajit Pratap Singh	2
14	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Aman Gulati	2
15	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Anand Anil Deshmukh	2
16	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Anil Agarwal	2
17	GM Solutions Pvt. Ltd.	500	January 18, 2006	Anil Saini	2
18	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Anoop Kumar Jain	2
19	GM Solutions Pvt. Ltd.	500	January 18, 2006	Apoorav Nischal	2
20	GM Solutions Pvt. Ltd.	500	January 18, 2006	Arvind Nayak	2
21	GM Solutions Pvt. Ltd.	500	January 18, 2006	Asok Kumar	2
22	GM Solutions Pvt. Ltd.	500	January 18, 2006	B.G. Rajasekhar	2
23	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Bansi Lal Sharma	2
24	GM Solutions Pvt. Ltd.	2,500	January 18, 2006	Brig. B. R. Bhatia (Retd.)	2
25	GM Solutions Pvt. Ltd.	500	January 18, 2006	C. Ramesh	2
26	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	C.V.S. Prakash	2
27	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Chander Singh Karki	2
28	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Dheeraj Singh Gang	2
29	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Dhirendra Varshney	2
30	GM Solutions Pvt. Ltd.	500	January 18, 2006	Geetali Sodhi	2
31	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Harpreet Singh	2
32	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Himanshu V Deoskar	2
33	GM Solutions Pvt. Ltd.	500	January 18, 2006	Inder Yadav	2
34	GM Solutions Pvt. Ltd.	500	January 18, 2006	Jayant Nayak	2
35	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Jitender Sachdeva	2
36	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Joydeep Banerjee	2
37	GM Solutions Pvt. Ltd.	500	January 18, 2006	Kamal Ranjan	2
38	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Kamaljit Singh Sarpal	2
39	GM Solutions Pvt. Ltd.	500	January 18, 2006	Krishna Kr. Bhardwaj	2
40	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Kumar Gaurav	2
41	GM Solutions Pvt. Ltd.	500	January 18, 2006	Mahesh Kumar	2

S.No.	Name of the Transferor	Number of Equity Shares Transferred*	Date of Transfer	Name of the Transferee	Transfer Price (In Rs.)
42	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Maneet N Mathur	2
43	GM Solutions Pvt. Ltd.	500	January 18, 2006	Manish Kumar Singh	2
44	GM Solutions Pvt. Ltd.	500	January 18, 2006	Mantosh Kr. Singh	2
45	GM Solutions Pvt. Ltd.	500	January 18, 2006	Mohan Singh Bisht	2
46	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Mohd. Kalimullah	2
47	GM Solutions Pvt. Ltd.	500	January 18, 2006	Mohita Surya	2
48	GM Solutions Pvt. Ltd.	3,500	January 18, 2006	Mukesh Bindal	2
49	GM Solutions Pvt. Ltd.	500	January 18, 2006	N. Nagaraj	2
50	GM Solutions Pvt. Ltd.	2,500	January 18, 2006	Nadukuru Sita Ramaiah	2
51	GM Solutions Pvt. Ltd.	500	January 18, 2006	Navin Kr. Sharma	2
52	GM Solutions Pvt. Ltd.	500	January 18, 2006	Navnit Purwar	2
53	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Niket Anand	2
54	GM Solutions Pvt. Ltd.	500	January 18, 2006	Nitin Agarwal	2
55	GM Solutions Pvt. Ltd.	500	January 18, 2006	Pankaj Dhasmana	2
56	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Pankaj Kumar	2
57	GM Solutions Pvt. Ltd.	500	January 18, 2006	Prakriti Nigam	2
58	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Pratyush Kumar Shukla	2
59	GM Solutions Pvt. Ltd.	2,500	January 18, 2006	Prem Goswami	2
60	GM Solutions Pvt. Ltd.	500	January 18, 2006	Purty Sinha	2
61	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Rajeev Bajpai	2
62	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Sachin Pandey	2
63	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Sachin Srivastava	2
64	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Sachin Uppal	2
65	GM Solutions Pvt. Ltd.	500	January 18, 2006	Sanjay Chouhan	2
66	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Sanjay Yadav	2
67	GM Solutions Pvt. Ltd.	3,500	January 18, 2006	Sanjeev Dhawan	2
68	GM Solutions Pvt. Ltd.	500	January 18, 2006	Sanjeev Kumar Jaswal	2
69	GM Solutions Pvt. Ltd.	500	January 18, 2006	Sarika Aggarwal	2
70	GM Solutions Pvt. Ltd.	7,000	January 18, 2006	Sidharth Dubey	2
71	GM Solutions Pvt. Ltd.	2,000	January 18, 2006	Sudhir Kumar Khuller	2
72	GM Solutions Pvt. Ltd.	500	January 18, 2006	Sukhjeet Singh	2
73	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Sumit Shankar Mathur	2
74	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Taran Dhingra	2
75	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Vimaldeep Singh Lamba	2
76	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Vinay Kumar Karwal	2
77	GM Solutions Pvt. Ltd.	500	January 18, 2006	Viraj Mohan	2
78	GM Solutions Pvt. Ltd.	500	January 18, 2006	Vishal Bhatnagar	2
79	GM Solutions Pvt. Ltd.	1,000	January 18, 2006	Vishal Sabharwal	2
80	Sartaj Singh Rekhi	3	January 18, 2006	Lee Boon Shim	9
81	Satinder & Harpreet Rekhi Family Trust	160,405	January 28, 2006	Intel Pacific Inc.	0.00001
82	Sartaj Singh Rekhi	1,279,595	January 28, 2006	Intel Pacific Inc.	0.00001
83	See Kwee Tong, Peter	84,000	January 28, 2006	Satinder Singh Rekhi	50.26

* The transfer of equity shares have taken place prior to the consolidation of 5 Equity Shares of Rs. 2 each into 1 Equity Share of Rs. 10 each and also prior to the allotment of bonus shares by our Company to all shareholders in the ratio of 1:1.

6. Buy-back of 997,500 Equity Shares of our Company

Our Company had instituted R Systems International Limited - Employees Stock Option Plan for issuance of 997,500 options (1 option = 1 Equity Share) to the eligible employees. For this purpose, our Company established 'R Systems International Employees Stock Option Trust' to administer the plan. Pursuant to this, on February 14, 2002, our Company allotted 997,500 Equity Shares of Rs. 2 each at a premium of Rs. 113.42 per share to 'R Systems International Employees Stock Option Trust'.

Pursuant to a merger scheme approved by the Hon'ble High Court of Delhi and Hon'ble High Court of Mumbai, Indus was merged into our Company and on December 28, 2002, our Company issued 1,074,542 Equity Shares of Rs. 2 each to certain individual shareholders of Indus at a swap ratio of 1:6.73965 and 206,822 Equity Shares of Rs. 2 each to Indus Software Employees Welfare Trust at a swap ratio of 1:9.41512. For more details, please refer to the section titled “Our History and Main Objects” on page no. 71 of this Prospectus.

Subsequently, on May 28, 2004, our Board approved the buy-back of a total of 1,204,322 Equity Shares of Rs. 2 each comprising of 997,500 Equity Shares of Rs. 2 each allotted to 'R Systems International Employees Stock Option Trust' and 206,822 Equity Shares of Rs. 2 each allotted to Indus Software Employees Welfare Trust at a price of Rs. 115.42 per share.

Pursuant to the aforesaid, our Company bought back 997,500 Equity Shares of Rs. 2 each from 'R Systems International Employees Stock Option Trust' at a price of Rs. 115.42 per share for a total consideration of Rs. 115,131,450.

7. Employee Stock Option Plans of our Company

On June 25, 2004, our shareholders approved the offer by the Company of up to 1,997,500 options under one or more ESOPs which are convertible into Equity Shares to eligible employees of the Company and its subsidiaries. The ESOP is to be administered by our Compensation Committee, which shall determine the terms and conditions of the stock options granted from time to time. The Company currently administers its ESOPs under the following schemes:

a. RSIL Employee Stock Option Plan 2004

All our permanent employees and the employees of our subsidiaries other than ECnet are eligible for stock options, which are granted by a Compensation Committee under a bipartite award agreement between the Compensation Committee and the optionee. The Compensation Committee has the power to determine from time to time the employees to whom stock options shall be granted and the number of shares by such grants. The following categories of employees are not eligible to participate in the stock option plan:

- Employee who is a Promoter;
- A director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding Equity Shares;
- An employee who, at the date such option is granted, owns more than 10% of the total combined voting power of all classes of stock of the Company, unless the exercise price for the shares to be issued pursuant to such option is at least 110% of the fair market value of such shares on the grant date; and
- Employees of ECnet

The effective date of the plan is September 1, 2004 and no stock options may be granted under the plan after August 31, 2014. The total number of shares of common stock that may be delivered pursuant to the awards granted under the plan is 997,500.

The number of shares of R Systems International Limited that will be subject to the grant of option for each category of employee shall be:

Category	Grades	Maximum per employee per grant
A	Non executive staff	5,000
B	Programmer/Executive	15,000
C	Project Leader/Assistant manager	20,000
D	Project Manager/Manager	25,000
E	General Manager and above	60,000

Vesting shall be staggered over a four year period:

- 25% of the options granted - One year from the date of the grant;
- 25% of the options granted - On the first anniversary of the first vesting;
- 25% of the options granted - On the second anniversary of the first vesting; and
- 25% of the options granted - On the third anniversary of the first vesting.

The plan provides that the exercise price shall be 1.60 times the book-value of the share as per the audited Balance Sheet as on December 31, 2003 i.e. Rs. 42 per share or 1.60 times of the book-value as per immediate previous accounting year audited Balance Sheet rounded off to nearest rupee as on the date of exercise whichever is higher.

b. R Systems International Ltd - Year 2004 Employee Stock Option Plan-ECnet

All permanent employees of ECnet are eligible for stock options, which are granted by a Compensation Committee under a bipartite award agreement between the Compensation Committee and the option holder. The Compensation Committee has the power to determine from time to time the employees to who stock options shall be granted and the number of shares by such grants. The following categories of employees are not eligible to participate in the stock option plan:

- Employee who is a Promoter;
- A director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding Equity Shares;
- An employee who, at the date such option is granted, owns more than 10% of the total combined voting power of all classes of the Company, unless the exercise price for the shares to be issued pursuant to such option is at least 110% of the fair market value of such shares on the grant date; and
- Employees of R Systems International Limited or its subsidiaries other than ECnet.

The effective date of the plan is September 1, 2004 and no stock options may be granted under the plan after August 31, 2014. The total number of shares of common stock that may be delivered pursuant to the awards granted under the plan is 100,000.

The number of shares of R Systems International Limited that will be subject to the grant of option for each category of employee shall be:

Positions	**Maximum per employee per grant**
CEO	500,000
Senior Vice President/Vice President	300,000
Director or equivalent	100,000
Manager or equivalent	50,000
Executive and other qualified staff	20,000

Vesting shall be staggered over a four year period:

- 40% of the options granted - One year or as per the applicable laws at Singapore, whichever is higher from the date of the grant;
- 20% of the options granted - On the first anniversary of the first vesting;
- 20% of the options granted - On the second anniversary of the first vesting; and
- 20% of the options granted - On the third anniversary of the first vesting.

The plan provides that the exercise price shall be the book-value of the share as per the audited Balance Sheet as on December 31, 2003 i.e. Rs. 26 per share or as on the date of exercise whichever is higher.

On September 1, 2004, an initial grant of 944,700 options was made under the R Systems International Ltd. Year 2004 Employees Stock Option Plan and 862,000 options under the R Systems International Ltd. Year 2004 Employees Stock Option Plan - ECnet was made to certain employees of the Company and its subsidiaries. The equity capital of our Company upon completion of the Offer, assuming full exercise of all employee stock options in force issued under the ESOP, will comprise 13,754,670 Equity Shares.

As of the date of filing this Prospectus, we have granted the following options under each of the ESOPs of the Company:

		R Systems International Ltd. Year 2004 Employees Stock Option Plan	R Systems International Ltd. Year 2004 Employee Stock Option Plan-ECnet
a.	Options granted;	1,129,800*	862,000
b.	Options vested;	195,775	344,800
c.	Options exercised;	152,224	235,797
d.	The total number of shares arising as a result of exercise of option;	152,224	235,797
e.	Options lapsed;	230,775	277,200
f.	Variation of terms of options;	NIL	NIL
g.	Money realised by exercise of options;	6,393,408	6,130,722
h.	Total number of options in force;	746,801**	349,003***
I.	Employee wise details of options granted to;		
j.	(i) Senior managerial personnel;	248,200	318,000
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	During the financial year ended 2004 - Nil During the financial year 2005 - 1. Ravinder Pal Singh 2. Benny Jabamani	During the financial year ended 2004 - 1. See Kwee Tong, Peter During the financial year ended 2005 - Nil
	(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	NIL	See Kwee Tong, Peter
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option	11.89	11.89

* Effective number of options granted are 899,025 (Options granted - 1,129,800 less options lapsed - 230,775)

** Post consolidation of 5 Equity Shares of Rs. 2 each into 1 Equity Share of Rs. 10 each, the total number of options in force will become 149,360.

*** Post consolidation of 5 Equity Shares of Rs. 2 each into 1 Equity Share of Rs. 10 each, the total number of options in force will become 69,800.

Details regarding options granted to directors and key managerial employees of the Company and its subsidiaries are set forth below. The number of options set out hereunder are reflected post consolidation:

Sl. No.	Name of director or key managerial employees of our Company	Number of Equity Shares issuable upon exercise of options
Directors		
1.	Lt. Gen. Baldev Singh (Retd.)	5,540
2.	Avirag Jain	4,000

Sl. No.	Name of director or key managerial employees of our Company	Number of Equity Shares issuable upon exercise of options
Key Managerial employees		
1.	Nand Sardana	2,240
2.	N.K.Garg	2,560
3.	Sidharth Dubey	2,600
4.	Mukesh Bindal	1,920
5.	Tarun Mathur	2,800
6.	Shankar Seetharaman	2,240
7.	Ashok Jagtap	3,040
8.	Rajesh Rathi	3,200
9.	Barath Doraiswamy	3,000

Sl. No.	Name of key managerial employees of our subsidiaries	Number of Equity Shares issuable upon exercise of options
1.	Ashok Bhatia (R Systems Inc.)	5,000
2.	Vinay Behl (R Systems Inc.)	3,000
3.	Rajiv Donde (R Systems Inc.)	4,000
4.	Supriyo Sanyal (R Systems Inc.)	4,000
5.	Gurjinder Singh (R Systems Singapore)	500

Sl. No.	Name of key managerial employees of our subsidiaries	Number of Equity Shares issuable upon exercise of options
1.	Tan Cant Wee (Alan Tan) (ECnet)	3,600
2.	Lee Boon Shim (ECnet)	16,000
3.	Lu Kok Wah (Daniel Lu) (ECnet)	38,000
4.	Jeremy Chew (ECnet)	6,000

c. Indus Software Employees Stock Option Plan - Year 2001 ("Plan"):

Indus (prior to the merger with our Company) created an employees welfare trust for implementing the plan and allotted to the trust 5% of its Equity Shares and the trust in turn has a right to issue option to the employees of Indus. Only bonafide full time employees of Indus were eligible under the scheme. Promoter directors were not eligible to participate in the plan.The trust was required to hold options for and on behalf of the employees and transfer the same to them. Indus had constituted a compensation committee to choose eligible employees for grant of options and the trust would issue options to employees on the advice of the compensation committee.

As a result of the merger of Indus with the RSIL as per the order passed by the Hon'ble High Court of Delhi & Bombay, all employees had surrendered their options in favour of the Indus Trust to enable them to obtain options for shares in R Systems International Limited after the merger. Also, the Company had issued 206,822 equity shares of Rs. 2 each at a premium of Rs. 113.42 per share to the Indus Trust in exchange of 21,967 equity shares of Indus, apropos to the agreed swap ratio.

		Indus Software Employees Stock Option Plan - Year 2001
a.	Options granted;	206,822
b.	Options vested;	22,079
c.	Options exercised;	22,079
d.	The total number of shares arising as a result of exercise of option	22,079
e.	Options lapsed;	184,743
f.	Variation of terms of options;	As described above in terms of the order passed by the Hon'ble High Court of Delhi & Bombay
g.	Money realised by exercise of options; (Rs.)	361,186
h.	Total number of options in force;	NIL
I.	Employee wise details of options granted to;-	
j.	(i) Senior managerial personnel;	10,178
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	NIL
	(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	NIL
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option	11.89
l.	Vesting Schedule	All the options granted under the plan are either vested and exercised or lapsed

Sl. No.	Name of director or key managerial employees of our Company	Number of Equity Shares issuable upon exercise of options
1.	Ashok Nana Jagtap*	10,178

* The options granted to Ashok Nana Jagtap are vested and have been exercised and 10,178 shares of RSIL had been issued to him. In addition, Ashok Jagtap is also entitled to options under the R Systems International Ltd. Year 2004 Employees Stock Option Plan as indicated above.

8. The Offer is being made through the 100% Book Building Process wherein up to 50% of the Offer shall be allotted to QIBs on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Offer Price. Further, not less than 15% of the Offer would be allocated to Non-Institutional Bidders and not less than 35% of the Offer would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Offer Price. Subject to valid bids being received at or above the Offer Price, under-subscription, if any, in the Non-Institutional category, the Retail Individual category or QIBs category would be met with the spill over from any other category at the sole discretion of our Company in consultation with the BRLM.

9. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares except options issued under the ESOP.

10. Under-subscription, if any, in the Employees Reservation Portion will be added back to the Net Offer to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholder and BRLM. In case of under-subscription in the Net Offer, spill-over to the extent of under-subscription shall be permitted from the Employees Reservation Portion.

11. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Offer, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares pursuant to the ESOP 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 our Company.
12. There are restrictive covenants in the agreements that our Company has entered into with certain banks and financial institutions for short-term loans and long term borrowings. Some of these restrictive covenants require the prior consent of the said banks/financial institutions and include, for example, restrictions pertaining to the declaration of dividends, alteration of the capital structure, entrance into any merger/amalgamation, expenditure in new projects, change in key personnel, change in the constitutional documents and the right to appoint a nominee director on the Board of Directors of our Company upon an event of default. Our Company has in accordance with such agreements obtained the consent of the State Bank of India.
13. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Offer, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
14. We have not availed of a bridge loan against the proceeds of the Offer.
15. The Promoters, Directors and BRLM to the Offer have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Prospectus.
16. Our Company has not made any public issue of Equity Shares since its inception.
17. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Prospectus with ROC until the Equity Shares issued have been listed.
18. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for bonus shares out of free reserves.
19. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
20. An over-subscription to the extent of 10% of the Offer size can be retained for the purpose of rounding off to the nearest multiple of one Equity Share while finalizing the allotment.
21. As on the date of filing this Prospectus, the total number of holders of Equity Shares is 208.

OBJECTS OF THE OFFER

OBJECTS OF THE FRESH ISSUE

The objective of the Fresh Issue is to raise capital for the expansion plans of our Company. The main objects of our Memorandum of Association permits us to undertake our existing activities and the activities for which the funds are being raised by us, through the present Fresh Issue.

The net proceeds of the Fresh Issue after deducting underwriting and management fees, selling commissions and all other Offer expenses payable by us are estimated at approximately Rs. 593.25 million. We intend to use the proceeds for the following purposes:

- Upgrading and expansion of existing infrastructure;
- Repayment of outstanding loans,
- Financing working capital requirements;
- General corporate purposes; and
- Meeting issue expenses.

In addition, the proposed Fresh Issue would create a public trading market for the Equity Shares of the Company by listing them on the Stock Exchanges. We believe that the listing of our shares will enhance our visibility and brand name. Our Company will not receive any proceeds from the Offer for Sale by the Selling Shareholders.

FUNDS REQUIREMENT

The fund requirements for each of the objects mentioned above are given in the following table:

S. No	Description	Estimated fund requirement (Rs. In Mn)
1.	Upgrading and expansion of existing infrastructure	315.00
2.	Repayment of outstanding loans	36.55
3.	Financing general working capital requirements	179.51
4.	General corporate purposes	62.19
5.	Meeting offer expenses	113.00
	Total	**706.25**

MEANS OF FINANCE

The above requirement of funds of Rs. 706.25 million is proposed to be financed through:

(Rs. In Mn)

Sources of Finance	Amount
Issue Proceeds	706.25
Total	**706.25**

DETAILS OF USE OF FRESH ISSUE PROCEEDS

1. Upgrading and expansion of existing infrastructure

The total estimated funds requirement for expansion and up-gradation of infrastructure is given below:

(Rs. in Mn)

Particulars	Noida	Pune	Chennai	Total
Expansion Plan / New Project				
Land and Site Development	-	5	10	15
Building and Civil Works	50	15	23	88
Electricals, Air Conditioning	31	7	9	47
Furniture & Fittings	15	7	8	30
Software	26	6	5	37
Hardware	48	30	20	98
Total	**170**	**70**	**75**	**315**

Expansion of Noida Centre

Our Company has two buildings in Noida at C-1 & C-40 Sector 59. The building in C-40 is complete in all respects. However, as is prevalent in the industry, our company carries out continuous upgrading of its facilities to improve its delivery capabilities. The building at C-1 Sector 59, Noida was purchased by the Company in 2003 as a bare building with building structure in place. This is located behind the current development centre located at C-40, Sector 59 Noida. The building has 4 floors and covers a usable area of 42,000 square feet. We have undertaken to get the facility ready for use in phases. The table below sets out the proposed seating capacity that will be available additionally in the years 2006 & 2007 at the new centre at C-1, Sector 59, Noida.

	Seating Capacity
Ground Floor	175
First Floor and Cafeteria	190
Basement	190
Second Floor	190
Total	**745**

Ground Floor

The contracts and purchase orders for the ground floor were issued after completion of a tendering and selection process in conjunction with consultants appointed for the Project.

The total cost of the project is approx. Rs. 30.96 million excluding hardware and software infrastructure. This amount has already been spent and the ground floor has recently become operational. The entire amount of Rs. 30.96 million was funded out of internal accruals and bank borrowings.

Civil Work

The civil work covering supply and installation of items as per the tendered bill of quantities amounts to Rs. 5.60 million covering an area of 10,500 square feet. This will seat 175 people besides areas for the reception, meeting rooms and rest rooms.

The front façade of the building will be covered by structural glazing fixed on a powder coated aluminium frame. The glazing will be weather proof and will insulate the building from the outside temperature and reducing the impact of outside noise in the working area. The total cost of this for Buildings in Noida is Rs. 1.75 million covering 5225 square feet of Structural Glass Glazing.

The plumbing work for the section cost Rs. 0.80 Million on a lump sum contract basis.

Interiors

The interiors consist of modular furniture and antistatic carpets and false roofing. The modular furniture covering has been imported from China at a cost of FOB Rs. 2.98 Million. The flooring will be covered by antistatic carpets, which provide for dust free environment ideal for an IT unit. The Carpets cover a floor area of 654 square meters and cost Rs. 0.60 Million.

Passive networking elements including cabling and passive elements will cost Rs. 0.74 million. Security systems, and other miscellaneous items together cost Rs. 0.65 million.

Electricals

Electricals cover cost and installation of laying cables, HT transformers, LT panel and related components, DG set and UPS.

The internal electrification works have been contracted by due tendering process and has been done on a lump sum contract basis for Rs. 4.51 million. The company has procured a 11 KV HT 1500 KVA outdoor type transformer at a cost of Rs. 1.35 million. This transformer will be able to handle the full power requirements for the full building. The LT Panel that will control the DG set as well as the direct power has been procured at the cost of Rs. 2.08 million.

The DG set is of 500 KVA and will address the requirements of two floors of the building. This has been procured and installed at a cost of Rs. 2.55 million. An uninterrupted power supply systems for this phase will cost another Rs. 1.05 Million.

Air-conditioning System

The air-conditioning system is designed for providing a heat, ventilator and cooling system including ducting, air handling units variable frequency drives, chillers, 4 sets of indoor and outdoor units for the central air-conditioning system and split air-conditioners are provided for the server room. The total cost of the complete air-conditioning system for the floor amounts to Rs. 5.39 million.

The total cost of this phase together with consultant's fees of Rs. 0.91 million and contingencies amounts to Rs. 30.96 million. This has recently become operational.

First Floor, Cafeteria, Basement and Second Floor Noida Centre

The cost of completing the remaining building based on the results of tendering process completed for the first floor cafeteria, basement and second floor are expected to cost Rs. 19.80 million, Rs. 8.6 million, Rs. 17.38 million and Rs. 18.96 million respectively.

Software, Hardware and Active Networking Elements

Our Company will be expanding its IT infrastructure to provide necessary workstations and laptops, servers, software for development, testing, operating systems, e-mail and communication equipment for its business at all its locations. The capital expenditure will cover upgrade of equipment, new development tools, and additional requirements arising from increased staff numbers of 300 in 2006 and 300 in 2007.

Workstations

We provide all ours engineers with good quality workstations from reputed vendors to ensure that there is minimum disruption of work due to equipment related issues. The purchases of workstations are done in economic lots and are phased with the incremental staff numbers. Investment in workstations will cost the company approx. Rs. 20 million spread over the next two years.

Servers

Our Company requires servers of various capacities for its development activity and administrative infrastructure. The additional servers that would be purchased in 2006 and 2007 will be approximately Rs. 4.9 mn.

Communication and Network Equipment

The investment in communication infrastructure involves setting up an IPCC facility for our development centres and video conferencing facility in all our offices.

IPCC Solution

We have already invested in the IPCC solution in Noida at the cost of Rs. 8.99 million. Expansion of this to include video conferencing will cost an additional Rs. 5.93 million.

Communication backbone will be enhanced with managed switches and other active network components at all development centres. The cost of switching system will be Rs. 8 million.

Software

We plan to invest in development and testing tools, version management, project management, security, office automation etc. all of which require regular upgrade. New customers and their technology platforms may also require the company to invest in new software. Our company will spend Rs. 23.80 Million covering development software, software tools, project management and office automation.

We intend to have a facility to monitor customer handling at our support centre, the required software will cost Rs. 2.26 million.

Orders already placed with suppliers in respect of the above is as follows:

Description	**Amount (Rs.Million)**	**Purchase Order/ Contract Date**	**Supplier**
Consultants Fees	0.91	9-Sep-05	Space Matrix Design Consultants Private Limited, New Delhi
Civil Works	5.60	11-Nov-05	Civil Net Consultants & Contract Furnishers, New Delhi
Structural Glazing	1.75	26-Dec-05	Shiv Aluminium & Interior Systems Noida
Internal Electricals	4.51	15-Nov-05	MEC Electric Contract Pvt. Ltd. Delhi
Other Civil works	2.59	11-Nov-05 31-Dec-05	GC Rout & Co. New Delhi Bright Steel & Furniture Works, New Delhi
HT Transformer	1.35	14-Nov-05	Rectifiers & Controls, Faridabad
LT Work	2.07	14-Nov-05	ADLEC Systems Pvt. Ltd. New Delhi
Generator Set 500 KVA Cummins Make	2.55	24-Oct-05	Jacksons Ltd. & Jackson Engineers Ltd.
HVAC work	2.01	15-Nov-05	Fairair Engineers Pvt. Ltd. New Delhi
Outdoor & Indoor units	2.38	27-Oct-05	Zeco Aircon Industries Pvt. Ltd.,Trane India Ltd. Wisconsin USA, Universal Comfort Products Pvt. Ltd. Dadra
Other Electricals	1.44		Various
Modular Furniture	2.98	28-Oct-05	UB Office Systems (HK) Ltd., Hongkong
Other items	0.60		Various
IPCC Solution	8.99	15-Sep-05	Wipro Limited (Infotech Group), New Delhi - 110001
Storage Devices	1.90	7-Oct-05	Hewlett Packard AP(HONG KONG) LTD.
	42.38		

Orders that are yet to be placed in respect of the upgrading and expansion of the Noida centre are:

Description	**Amount (Rs. Million)**	**Quotation date**	**Quotation received from/ Proposed suppliers**
Civil Works	27.31	Yet to be obtained	Based on Management Estimates
Interior Electricals	7.49	Yet to be obtained	Based on Management Estimates
Furniture	11.12	Yet to be obtained	Based on Management Estimates
Generator set, Installation & Commissioning	5.10	24-Oct-05	Jacksons Ltd. & Jackson Engineers Ltd.
Air-Conditioning Systems	12.20	Yet to be obtained	Based on Management Estimates
UPS	2.00	7-Nov-05	American Power Conversion (India) Pvt. Ltd. Bangalore
Printers	0.69	7-Jan-06	Openview Technologies Pvt. Ltd.

Description	Amount (Rs. Million)	Quotation date	Quotation received from/ Proposed suppliers
Servers	2.31	3-Dec-05 6-Dec-05	V.M.ENTERPRISES PVT. LTD. New Delhi DELL ASIA PACIFIC, MALAYSIA
Desktop & Laptops	20.00	13-Dec-05	DELL ASIA PACIFIC, MALAYSIA
IPCC IP Telephony	5.93	11-Oct-05	AVAYA Global Connect, GANDHINAGAR.
Switches, & Network items	7.98	26-Jul-05 14-Ap-05	Integrix India Private Limited, New Delhi 19 Net Solutions, New Delhi
Software Development Tools	2.24	7-Jan-06	Webtek Labs Pvt. Ltd.
Office Automation	18.64	30-Dec-05	Softcell Technologies / Computer Technologies
Project Management Software	2.92	30-Dec-05	Softcell Technologies
Call Management Software	2.26	9-Dec-05	New vCLabs India Pvt. Ltd, New Delhi
	128.19		

Expansion of Pune Centre

Our Pune centre is located at Survey 303/2/2 Bavdhan, Pune 21. The expansion of the Pune centre consists of acquisition of land adjoining our existing premises to cater to future expansion beyond 2007, besides putting up an additional building that will seat approx. 175 engineers.

Our company is looking at acquiring land admeasuring around 16000 square feet, which is expected to cost approximately Rs. 5.0 million at the prevailing prices.

The expansion of the Pune centre will be on the land adjunct to our Company's current centre. The construction activity is expected to start in March 2006 and completed in the last quarter of the year. Based on Architect Archicon Associates, Pune, the total cost of having the building completed including all civil, electrical, cabling, interiors (but excluding computer hardware and software) is expected to be Rs. 28.75 million to Rs. 30 million at current costs.

Software, Hardware and Active Networking Elements

We will be expanding our IT infrastructure to provide necessary workstations and laptops, servers, Software for development, testing, operating systems, e-mail and communication equipment for its business at all its locations. The capital expenditure will cover upgrade of equipment, new development tools, and additional requirements arising from increased staff numbers of 150 over 2006 and 2007.

Workstations

Our company provides all its engineers with good quality workstations from reputed vendors to ensure that there is minimum disruption of work due to equipment related issues. The purchases of workstations are done in economic lots and are phased with the incremental staff numbers. Investment in workstations will cost the company approx. Rs. 17 million spread over the next two years.

Servers

Our Company requires servers and printers of various capacities for its development activity and administrative infrastructure. The additional servers that would be purchased in 2006 and 2007 will be approximately Rs. 5.2 million.

Communication and Network Equipment

The investment in communication infrastructure involves setting up an IPCC facility for our development centres and video conferencing facility in all our offices. We have already invested in the IPCC solution in Noida. Expansion of this to include video conferencing will cost an additional Rs. 0.79 million.

Communication backbone will be enhanced with managed switches and other active network components at all development centres. The cost of switching system will be Rs. 6.3 million.

Software

Our Company plans to invest in development and testing tools, version management, project management, security, office automation etc. all of which require regular upgrade. New customers and their technology platforms may also require the company to invest in new software.

We will spend Rs. 5.63 Million covering development software, software tools, project management and office automation.

Orders already placed are:

Particulars	**Amount (Rs. Millions)**	**Date of Purchase Order**	**Supplier**
Desktops	7.05	13-Dec-05	Dell Asia Pacific Sdn., Malaysia
Server	1.36	19-Dec-05	IBM Global Services Pvt. Ltd.
	8.41		

Orders yet to be placed with vendors:

Description	**Amount (Rs. Millions)**	**Quotation date**	**Quotation received from/ Proposed suppliers**
Building civil & Interiors	15.00	30-Dec-05	Based on Architects Estimate
Electricals & Air-conditioning	7.20	30-Dec-05	Based on Architects Estimate
Furniture	6.55	30-Dec-05	Based on Architects Estimate
Printers	0.38	7-Jan-06	Openview Technologies Pvt. Ltd.
Servers	3.55	19-Dec-05 16-Dec-05	IBM WTC/ Dell Asia Pacific Ltd. V.M.ENTERPRISES PVT. LTD. New Delhi
Desktop & Laptops	9.61	13-Dec-05	DELL ASIA PACIFIC, MALAYSIA
Communication & Network	7.56	15-Sep-05	Wipro Limited (Infotech Group), New Delhi,/ Net Solutions, New Delhi
Software	5.63	29-Jul- 05/ 30-Dec-05	Serena /Softcell Technologies
	55.48		

Expansion of Chennai Centre

In the year 2006 we are in the process of expanding our rented facility from a capacity of 180 to 275 seats. This will entail capital expenditure on hardware, software and networking. This centre is located at 140 Old Mahabalipuram Road, Chennai Centre which is rented under a 4 year non-terminable lease.

We also plan to set-up our own facility in Chennai in the year 2007 at a gross cost of approx. Rs. 3000 per square feet. We would like to set up a 16,000 square feet facility. The cost of Facility at current prices based on turnkey basis would cost approx. Rs. 50 million inclusive of land, civil work, construction and interiors. This will help create capacity for further expansion in 2008.

Software, Hardware and Active Networking Elements

We will be expanding our IT infrastructure to provide necessary workstations and laptops, servers, software for development, testing, operating systems, e-mail and communication equipment for our business at all locations. The capital expenditure will cover upgrade of equipment, new development tools, and additional requirements arising from increased staff numbers of 150 over 2006 and 2007.

Workstations

Our company provides all its engineers with good quality workstations from reputed vendors to ensure that there is minimum disruption of work due to equipment related issues. The purchases of workstations are done in economic lots and are phased with the incremental staff numbers. Investment in workstations will cost the company approx. Rs. 9.60 million spread over the next two years.

Servers

Our Company requires servers of various capacities for its development activity and administrative infrastructure. The additional servers that would be purchased in 2006 and 2007 will be approximately Rs. 4.13 million.

Communication and Network Equipment

The investment in Communication infrastructure involves setting up an IPCC facility for our development centres and video conferencing facility in all our offices. Our company has already invested in the IPCC solution in Noida. Expansion of this to include video conferencing will cost an additional Rs. 0.79 million.

Communication backbone will be enhanced with managed switches and other active network components at all development centres. The cost of such switches will be Rs. 5.60 million.

Software

We plan to invest in development and testing tools, version management, project management, security, office automation etc. all of which require regular upgrade. New customers and their technology platforms may also require the company to invest in new software.

We plan to spend Rs. 5.0 Million covering development software, software tools, project management and office automation.

Orders Placed with vendors for expansion of Chennai Centre:

Particulars	**Units**	**Total Cost (Rs. in Mn.)**	**Date of Purchase Order**	**Supplier**
Development Software	Various	0.85	22-Dec-05	Zensoft Services Pvt. Ltd. Ahmedabad
Desktop Computers	50	1.76	13-Dec-05	Dell Asia Pacific Sdn., Malaysia
		2.61		

Orders yet to be placed with vendors for expansion of Chennai Centre:

Particulars	**Units**	**Total Cost (Rs. in Mn.)**	**Date of Quotation**	**Quotations received from**
IPCC for Chennai	1 Set	0.79	15-Sep-05	Wipro Limited New Delhi - 110001
Desktops & Laptops	135	7.82	Dec-05	DELL ASIA PACIFIC, MALAYSIA/Tech Pacific India Exports Ltd. Singapore
Printers	2	0.10	7-Jan-06	Openview Technologies Pvt. Ltd.
Servers	2	4.03	Dec-05	IBM WTC/ V.M.ENTERPRISES PVT. LTD./ Hewlett Packard AP(HONG KONG) LTD.
Managed Switches etc.	1 each	6.30	7-Oct-05 26-Jul-05	Hewlett Packard AP(HONG KONG) LTD./ Net Solutions, New Delhi
Software	Various	4.04		
		23.08		

2. Repayment of loans

As on September 30, 2005, the term loans outstanding taken by our Company aggregate to Rs. 36.55 million.

The company's long term loans include

- Rs. 15.00 million from State Bank of India, Noida Branch which is repayable in 8 remaining quarterly installments and carries an interest rate of 8.75%; and
- Rs. 21.55 million also from the State Bank of India, Noida Branch (against a loan facility of Rs. 45 million) which is repayable in 10 remaining quarterly installments. The Company expects to borrow another Rs. 20 million against this loan facilitiy available. This loan also carries an interest rate of 8.75%.

As on January 20, 2006, the present balance outstanding for term loans is Rs. 30.21 million. Rs. 2.50 million out of one loan has been repaid in two instalments of Rs. 1.25 million each. Rs. 3.84 million out of the second loan has been repaid in two instalments of Rs. 1.92 million each.

We will approach the lenders after the completion of this Offer for pre-payment of the above loans.

3. Working Capital Requirements

The proceeds of this Fresh Issue will also be used to meet our working capital requirements, which arise primarily from expenses relating to payments to sundry creditors, general and administration expenses and selling expenses.

In this regard, our net current assets position for the nine months ending September 30, 2005 and our estimate of the net current assets position for the Financial Year 2006 are as follows:

(Rs. million)

Current Assets, Loans and Advances	For the nine months ended September 30, 2005	Estimate for Financial Year 2006
Current Assets		
Sundry Debtors	214.22	356.55
Cash and Bank Balances	15.02	96.68
Loans and Advances	71.82	118.85
Other Current Assets	81.77	97.69
Total Current Assets	**382.83**	**669.77**
Current Liabilities & Provisions		
Sundry Creditors and Other Current Liability	130.01	206.66
Provisions	25.92	53.71
Total Current Liabilities	**155.94**	**260.37**
Net Working Capital	**226.89**	**406.40**

While estimating our working capital requirements for the Financial Year 2006, we have made the following assumptions:

The assumptions for currents assets and current liabilities are as follows:

	Basis	Sept'2005 (annualised) in days	Dec' 2006 in days
Sundry debtors	Revenue	101	120
Loans & Advances	Annualised Costs	65	45
Other Current Assets	Revenue	34	40
Sundry Creditors & Other Current Liabilities	Annualised Costs	102	95
Provisions	Annualised Costs	20	25

Cash balances for operations are assumed to be equivalent to 45 days of Revenue against a balance of 12 days as of September 30, 2005.

While Loans and advances include advance for new premises, prepaid expenses, security deposit, pre-paid expenses, travel advances etc., other current assets mainly include unbilled revenue less anticipated costs for uncompleted contracts.

4. General corporate purposes

We seek to further enhance our position as one of the leading players in the IT industry in India. General corporate purposes primarily include deployment of funds for general corporate purposes which may be our organic and/or inorganic growth and would primarily include (i) acquisition of new companies; (ii) acquisition of businesses; and (iii) business development in various geographies. However, till date, we have not identified any target for acquisition.

5. Offer expenses

The expenses for the Offer include among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertising expenses and listing fee payable to the stock exchanges. The estimated Offer expenses are as follows:

Activity	Expenses (Rs. in million)	Percentage of total Offer Expense
Lead management, underwriting and selling commission	64.50	57.08
Advertising and marketing expenses	15.00	13.27
Printing and stationery	14.00	12.39
Others (Registrars fee, legal fee, listing fee, etc.)	19.50	17.26
Total	**113.00**	**100**

OBJECTS OF THE OFFER FOR SALE

The object of the Offer for Sale is to divest upto 1,583,355 Equity Shares by the Selling Shareholders. Our Company will not receive any of the proceeds from the Offer for Sale.

SCHEDULE OF IMPLEMENTATION

The details of schedule of implementation are as follows:

	Noida				Pune	Chennai
Activity	**Ground Floor**	**First Floor & Cafeteria**	**Basement**	**Second Floor**		
Possession of Land	Completed	Completed	Completed	Completed	In Progress	Jan 2007
Development of Tender for Civil Works	Completed	May 2006	Dec 2006	May 2007	May 2006	Feb 2007
Commencement of Civil Work	Completed	Jun 2006	Jan 2007	Jun 2007	May 2006	Mar 2007
Completion of civil, utilities, electricals	Completed	Jul 2006	Feb 2007	Jul 2007	Nov 2006	Oct 2007
Finalisation of Software & Hardware orders	Completed	Aug 2006	Feb 2007	Aug 2007	May 2006	Mar 2007
Implementation of Software & Hardware	Completed	Aug 2006	Mar 2007	Aug 2007	Oct 2006	Oct 2007
Fully Operational	Completed	Sep 2006	Mar 2007	Sep 2007	Nov 2006	Oct 2007

FUNDS DEPLOYED

As per the certificate dated March 10, 2006 of our internal auditors S. K. Relan & Co., Chartered Accountants, our Company has spent Rs. 43.70 mn. as on January 31, 2006 for the expansion project out of our internal accruals and bank borrowings. The details of the amount spent are as follows:

(Rs. in Millions)

Particulars	Chennai	Noida	Pune	Total
Land and site development	-	-	-	-
Building & Civil Works	-	20.38	-	20.38
Software/Hardware/Communication Equip.	2.62	11.10	9.60	23.32
Total	**2.62**	**31.48**	**9.60**	**43.70**

DETAILS OF BALANCE FUND DEPLOYMENT

The quarter-wise use of funds is estimated as follows:

In 2006, Rs. Millions

	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Noida	24.88	20.22	20.74	0.48
Pune	1.55	16.16	3.64	1.53
Chennai	0.64	2.07	9.39	1.98
	27.07	**38.45**	**33.77**	**3.51**

In 2007, Rs. Millions

	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Noida	24.35	27.73	19.59	0.53
Pune	2.60	15.71	9.58	9.58
Chennai	14.88	10.21	11.05	22.16
	41.83	**53.65**	**40.22**	**32.27**

APPRAISAL

Our fund requirements and deployment thereof are based on internal management estimates, and have not been appraised by any bank or financial institution.

INTERIM USE OF PROCEEDS

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received from the Fresh Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds in fixed deposit with Nationalised Banks, for the necessary duration or for reducing overdraft. Such investments would be in accordance with investment policies approved by our Board of Directors from time to time.

MONITORING OF UTILISATION OF FUNDS

IL&FS Trust Company Limited has been appointed as the monitoring agency for monitoring the utilisation of issue proceeds. We will disclose the utilization of the proceeds of the Fresh Issue under a separate head in our Balance Sheet for Fiscal 2006 clearly specifying the purposes for which such proceeds have been utilized. We will also, in our balance sheet for Fiscal 2006, provide details, if any, in relation to all such proceeds of the Fresh Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Fresh Issue. No part of the proceeds of the Fresh Issue will be paid by us as consideration to our Promoters, our Directors, key management employees or companies promoted by our Promoters except in the course of normal business.

OFFER STRUCTURE

Public offer of 4,408,355 equity shares of Rs. 10 each for cash at a price of Rs. 250 per Equity Share aggregating Rs. 1102.09 million, comprising fresh issue of 2,825,000 Equity Shares of Rs. 10 each by R Systems International Limited (referred to as the "Company") and an offer for sale of aggregate 1,583,355 Equity Shares of Rs. 10 each by the Selling Shareholders (as defined herein) (the fresh issue and the offer for sale are jointly referred to herein as the "Offer"). The offer comprises of a reservation for employees of 440,355 Equity Shares of Rs. 10 each and a net offer to the public of 3,968,000 Equity Shares of Rs. 10 each (the "Net Offer").

	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto 440,355 Equity Shares	Up to 1,984,000 Equity Shares or Net Offer less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 595,200 Equity Shares or Net Offer less allocation to QIBs and Retail Individual Bidders.	Minimum of 1,388,800 Equity Shares or Net Offer less allocation to QIBs and Non-Institutional Bidders.
Percentage of Offer Size available for allocation	Upto 9.99% of Offer Size	Up to 50% of Net Offer. 5% of the QIB Portion shall be available for allocation to mutual Funds. Mutual funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund reservation will be available to QIBs.	Minimum 15% of Net Offer or Offer size less allocation to QIBs and Retail Individual Bidders.	Minimum 35% of Net Offer or Offer size less allocation to QIBs and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate (a) Equity shares shall be allocated on a proportionate basis to Mutual Funds ; and (b) Equity shares shall be allocated on a proportionate basis to all QIBs including Mutual funds receiving allocation as per (a) above	Proportionate	Proportionate
Minimum Bid	25 Equity Shares and in multiples of 25 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares thereafter.	25 Equity Shares and in multiples of 25 Equity Share thereafter
Maximum Bid	Such number of Equity Shares such that the total Bid Amount does not exceed Rs. 2,500,000.	Such number of Equity Shares not exceeding the Offer size, subject to applicable limits.	Such number of Equity Shares not exceeding the Offer size, 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	Compulsorily in dematerialised form
Bid/Allotment lot	25 Equity Shares and in multiples on 25 Equity Shares	25 Equity Shares and in multiples on 25 Equity Shares	25 Equity Shares and in multiples on 25 Equity Shares	25 Equity Shares and in multiples on 25 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	Employees as on cut-off date i.e. January 31, 2006	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, venture capital funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 Mn and pension funds with minimum corpus of Rs. 250 Mn in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Terms of Payment	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	Full Bid amount on Bidding	At least 10% of the Bid Amount on Bidding	Full Bid amount on Bidding	Full Bid amount on Bidding

* Subject to valid Bids being received at or above the Offer Price, 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. However, if the aggregate demand by Mutual Funds is less than 99,200 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.

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

Withdrawal of this Offer

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

Bidding Period / Offer Period

BID / OFFER OPENED ON	MARCH 28, 2006
BID / OFFER CLOSED ON	MARCH 31, 2006

Bids and any revision in bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid/Offer Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) or uploaded till such time as may be permitted by the NSE and BSE on the Bid/Offer Closing Date.

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

In case of revision in the Price Band, the Bidding/Offer Period will be extended for three additional days after revision of Price Band, subject to the Bidding Period / Offer Period not exceeding ten working days. Any revision in the Price Band and the revised Bid/ Offer Period, if applicable, will be widely disseminated by notification to the NSE and BSE by issuing a press release, and also by indicating the change on our web site and/or the BRLM and at the terminals of the Syndicate Member.

BASIS FOR THE OFFER PRICE

The Offer Price has been determined by the Company and the Selling Shareholders in consultation with the BRLM on the basis of assessment of market demand for the proposed Offer of Equity Shares by way of the Book Building Process.

The price band of the Offer was Rs. 210 to Rs. 250 per Equity Share. The Offer Price has been determined at Rs. 250 per Equity Share. The face value of the Equity Share is Rs. 10 and the offer price is 25 times the face value.

QUALITATIVE FACTORS

Broad range of IT services

Our service offerings span the complete software life cycle, including consulting, architecture, development, testing, and maintenance, migration, re-engineering and integration services.

Our Management team

Many of our senior management are from the premier technical/management institutes in India and abroad. The Promoters are first-generation IT entrepreneurs, who have conceptualised, designed and developed the software solutions that form the core of the product offerings.

Diversified client base

Our revenue stream comes from diverse domains, which in turn reduces the company's dependence on a particular client. This ability to diversify the revenue streams and also to retain various clients differentiates us from most of our competitors.

Global delivery model

Our facilities have been modelled, and employees trained with the objective of delivering world-class quality and operational excellence to the clients. Our delivery centers in India, except the BPO centers, are all SEI CMM Level 5 certified. In addition, both the IT and BPO delivery centers are ISO 9001:2000 certified. We also use six sigma procedures for process improvement. We are in the process of obtaining our BS7799 certification.

Strategic focus on e-governance contracts

We have built a good presence in the US government sector, which has hitherto not been tapped by many mid-sized Indian IT companies. The huge demand for IT services by the government sector offers opportunities to our Company to grow revenues by developing important and mission critical applications.

Our sales network

We have a core marketing team of 47 people who have built relations with the top organisations in US and Singapore.

Ability to scale

We have successfully managed our growth by investing in infrastructure and by recruiting, training and rapidly deploying new professionals from a pool of highly qualified candidates from our base in India.

QUANTITATIVE FACTORS

Information presented in this section is derived from our unconsolidated restated financial statements prepared in accordance with Indian GAAP.

EPS (as adjusted for changes in capital)

	Face value per share Rupees	**(Rs. 10 per share) Weight**
Year ended December 31, 2002	2.83	1
Year ended December 31, 2003	0.40	2
Year ended December 31, 2004	2.08	3
Year ended December 31, 2005	11.64	4
Weighted average	5.64	

Note:

(i) The EPS has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments, prior period items pertaining to the earlier years.

(ii) The denominator considered for the purpose of calculating EPS is the weighted average number of Equity Shares outstanding during the year.

(iii) In the Extra Ordinary Meeting of the members held on January 25, 2006, the Company has converted 495,667 warrants to equity shares of Rs.2 each. In the same meeting the Company has consolidated five equity shares of Rs.2 each to one equity share of Rs.10 each and then issued a bonus share to each existing shareholder by way of capitalization of accumulated profits. For the purpose of calculating EPS, the numbers of shares have been adjusted with these changes.

Price/Earning (P/E) ratio in relation to Offer Price of Rs. 250.

- Based on the year ended December 31, 2005, EPS is Rs. 11.64
- P/E based on profits after taxes, as restated, for the year ended December 31, 2005 is 21.48.
- Industry P/E *
  (i) Highest : 181.0
  (ii) Lowest : 1.0
  (iii) Industry Composite : 24.6

  * Source: Capital Market Volume XX/24, Jan 30 - Feb 12, 2006 Computer Software - Medium/Small

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

Year	RONW %	Net profit as restated	Weight
Year ended December 31, 2002	5.09	29,524,612	1
Year ended December 31, 2003	0.74	4,326,914	2
Year ended December 31, 2004	3.70	22,421,404	3
Year ended December 31, 2005	17.80	124,638,540	4
Weighted average	8.97		

Note: The return on net worth has been computed on the basis of the profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/ regrouping pertaining to earlier years.

Minimum return on increased net worth required to be maintained pre-offer EPS is 11.10 %.

Net asset value per Equity Share

- For the year ended December 31, 2004*, Rs. 57.03 and for the year ended December 31, 2005, Rs. 67.60
- After the Offer: Rs. 104.79
- Offer Price: Rs. 250

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

Comparison of accounting ratios

Company	EPS (Rs.)	P/E	RONW%	NAV (Rs.)
R Systems International Limited	11.64	21.48	17.80	67.60
Aztec Software Limited#	3.0	45.3	13.3	28.0
Visual Soft#	13.8	17.8	11.9	125.5
Nucleus Software#	8.8	21.2	21.9	48.4

Source: Capital Market Volume XX/24, January 30, 2006 - February 12, 2006

The Offer Price is 25 times of the face value of the Equity Shares.

The BRLM believes that the Offer Price of Rs. 250 is justified in view of the above qualitative and quantitative parameters. Please refer to the section titled "Risk Factors" beginning on page no. iii and the financials of the Company including important profitability and return ratios, as set out in the Auditors Report beginning on page no. 113 to have a more informed view.

STATEMENT OF TAX BENEFITS

To,

Board of Directors
R Systems International Limited
B-104-A, Greater Kailash
New Delhi.

Dear Sirs,

Statement of Possible Tax Benefits available to the Company and its shareholders

We hereby report that the enclosed statement states the possible tax benefits available to the Company and to the shareholders of the Company under the Income Tax Act, 1961 [1], Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

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

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

i) the Company or its share holders will continue to obtain these benefits in future; or

ii) the conditions prescribed for availing the benefits have been / would be met with.

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

For S.R. Batliboi & Associates

Chartered Accountants

sd/-

Per Pankaj Chadha
Partner
Membership No 91813

Place: New Delhi

Date: March 10, 2006

[1] Including amendments proposed by Finance Bill 2006

STATEMENT OF TAX BENEFITS

The tax benefits listed below are the possible benefits available under the current tax laws in India (including amendments proposed by Finance Bill 2006). 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 fulfill.

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

1. To the Company - Under the Income-tax Act, 1961 (the Act)

1.1 Under section 10A of the Act, profits of the undertakings, registered with Software Technology Park of India, from export of article, thing or computer software are exempt from tax upto assessment year 2009-2010 subject to conditions specified in that section.

1.2 Under Section 32 of the Act, the Company can claim depreciation allowance at the prescribed rates on tangible assets such as building, plant and machinery, furniture and fixtures, etc. and intangible assets such as patent, trademark, copyright, know-how, licenses, etc. if acquired after March 31, 1998. In terms of Clause (iia) of sub-section (1) of section 32 of the Act, the Company is entitled to further deduction of 20% as additional depreciation on new plant & machinery acquired and installed after March 31st March 2005,subject to conditions specified therein.

1.3 Under Section 35D of the Act, the Company will be entitled to a deduction equal to 1/5th of the expenditure incurred of the nature specified in the said section, including expenditure incurred on present issue, such as under writing commission, brokerage and other charges, as specified in the provision, by way of amortization over a period of 5 successive years, beginning with the previous year in which the new unit commences production, subject to the stipulated limits.

1.4 In terms of Section 115 JAA (1A) of the Act tax credit shall be allowed for any Assessment Year commencing on or after April 01, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. The credit is available for set off only when tax becomes payable under the normal provisions and that tax credit can be utilized to set-off any tax payable under the normal provisions in excess of MAT payable for that relevant year. Such MAT credit shall not be available for set-off beyond 5 years succeeding the year in which the MAT credit initially arose. However, the Finance Bill 2006 has proposed that MAT credit can be 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

2.1 Resident Members

a) 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.

b) 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 (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. However, the Finance Bill 2006 has proposed that long term capital gains of a company shall be taken into account in computing tax payable under section 115JB.

c) 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.

d) 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.

e) 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 redeemable after three years and issued by -

(i) National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

(ii) National Highways Authority of India ('NHAI') constituted under Section 3 of National Highways Authority of India Act, 1988;

(iii) Rural Electrification Corporation Limited ('RECL'), a company formed and registered under the Companies Act, 1956;

(iv) National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and

(v) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989.

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.

However, the Finance Bill 2006 has proposed that exemption will be allowed only on investment made in bonds issued by NHAI and RECL.

f) 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) of the Act], 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.

However, the Finance Bill 2006 has proposed to delete section 54ED from financial year 2006-2007 onwards.

g) 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) of the Act] 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 year 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. If only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced.

h) 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).

i) 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 Non Resident Indians/Members other than Foreign Institutional Investors and Foreign Venture Capital Investors

a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from a domestic company referred to in Section 115-O of the Act, is exempt from tax in the hands of the recipients.

b) 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 more 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 exempt from tax.

c) 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.

d) 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.

e) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38) of the Act] 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 -

(i) National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

(ii) National Highways Authority of India ('NHAI') constituted under Section 3 of National Highways Authority of India Act, 1988;

(iii) Rural Electrification Corporation Limited ('RECL'), a company formed and registered under the Companies Act, 1956;

(iv) National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and

(v) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989.

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.

However, the Finance Bill 2006 has proposed that exemption will be allowed only on investment made in bonds issued by NHAI and RECL.

f) 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) of the Act], 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.

However, the Finance Bill 2006 has proposed to delete section 54ED from financial year 2006-2007 onwards.

g) 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) of the Act] 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 year 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. If only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced.

h) 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).

i) 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 applicable rates.

j) **Taxation of Income from investment and Long Term Capital Gains [other than those exempt u/s 10(38)]**

(i) A non-resident Indian, i.e. an individual being a citizen of India or person of Indian origin has an option to be governed by the special provisions contained in Chapter XIIA of the Act, i.e. "Special Provisions Relating to certain incomes of Non-Residents".

(ii) Under Section 115E of the Act, where shares in the company are subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall [in cases not covered under Section 10(38) of the Act] be concessionally taxed at a flat rate of 10% (plus applicable surcharge and educational cess) without indexation benefit but with protection against foreign exchange fluctuation under the first proviso to Section 48 of the Act.

(iii) Under provisions of section 115F of the Act, long term capital gains [not covered under section 10(38) of the Act] arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

(iv) Under provisions of Section 115-G 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 there from.

(v) Under Section 115-I 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.

2.3 Foreign Institutional Investors (FIIs)

a) 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.

b) 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 (i.e. capital asset held for the period of more 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 exempt from tax.

c) 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.

d) 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 at the rate of 10% (plus applicable surcharge and educational cess).

e) Under Section 115AD capital gain arising on transfer of long term capital assets, being shares in a company (other than those mentioned in point b) above), are taxed at the rate of 10% (plus applicable surcharge and education cess). Such capital gains would be computed without giving effect to the first and second proviso to Section 48 of the Act. 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.

f) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38) of the Act] 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 -

(i) National Bank for Agriculture and Rural Development established Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

(ii) 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;

(iii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;

(iv) National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and

(v) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989.

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.

However, the Finance Bill 2006 has proposed that exemption will be allowed only on investment made in bonds issued by NHAI and RECL.

e) 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) of the Act], 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.

However, the Finance Bill 2006 has proposed to delete section 54ED from financial year 2006-2007 onwards.

2.4 Venture Capital Companies / Funds

As per the provisions of section 10(23FB) of the Act, income of

- 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
- 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 fulfilling such conditions as may be notified 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 a 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.

ABOUT THE COMPANY

INDUSTRY OVERVIEW

In recent years, organizations have increased their spending on IT, which enable them to achieve productivity gains. Despite the recent global economic downturn which caused many organizations to reduce their IT budgets, particularly in 2001 and 2002 due to the DotCom collapse, global companies continue to view technology as a critical source of competitive advantage. The long term growth prospects for the IT industry continue to remain positive. According to a February 2004 report by Gartner, total worldwide IT services spending is projected to grow from USD 535 billion in 2002 to USD 727 billion in 2007, representing a CAGR of 6.3%.

The Indian product development market, though still in its nascent stage is undergoing a quiet change. From being a cost reduction center, India is slowly but steadily proving its mettle as a thriving centre for innovative ideas and new product development.

The Indian IT Industry export revenues from product and technology Services are registering double-digit growth figures. A NASSCOM-McKinsey 2002 study estimates the product and technology services market in India to grow to USD 8 billion-11 billion by 2008.

The main driver for the emergence of the offshore product development segment has been the enormous pressure on product companies for faster time-to-market, coupled with the need to introduce new products and new technologies in newer markets. Thereby companies are realizing that the best option is to outsource it to the specialists. The economies of open source software will force companies to scale down development costs further, and in the process, increase the offshore component. [Source - NASSCOM]

IT vendors with offshore delivery capabilities that are able to offer products services at a lower cost of ownership are increasingly being preferred by clients globally, for their quality, their responsiveness to clients and their on-time delivery capabilities.

Utilizing a global delivery model presents a number of challenges to vendors. The global implementation of value added IT solutions and services requires providers to continually attract, train and retain highly skilled software development professionals with the advanced technical skills necessary to keep pace with continuing changes in the IT Industry, evolving industry standards and changing customer requirements. These skills are necessary to design, develop and deploy high-quality technology solutions in a cost-effective and timely manner. In addition, IT vendors must have the infrastructure and communication capabilities to seamlessly integrate onsite and offsite execution capabilities and deliver consistent solutions worldwide. [Source - NASSCOM]

India is now an established choice and the preferred destination for companies seeking to meet their go-to-market deadlines and increase their product development bandwidth. India offers mature processes based on strong quality management principles. Additionally, the vast pool of quality labor with good proficiency in the English language and project management skills make vendors in India the preferred choice. The Indian IT industry is recognized for its high quality products and services and several companies have received the SEI-CMM level 5 and ISO level certifications.

BUSINESS OVERVIEW

OVERVIEW

We are one of the leading providers of Outsourced and Offshore Product Development Services. These are offered as iplm services supported by our proprietary psuite framework. We are one of the largest off-shore based IT services companies that focus on the special needs of organizations that build scaleable, configurable, secure products for both businesses and consumers. This was conceived and initiated in 1998 when the first offshore development contract was signed. Since then we have established relationships with over fifty customers in this segment and have a matchless competency in this industry segment.

Our domains include the following "Key Industry Verticals":

- Banking and Finance
- High Technology and Internet Services
- Manufacturing and Logistics companies
- Public Sector

Our customers include Fortune 1000 companies as well as rapidly growing mid-market companies whose products and services serve a whole range of business customers.

We are a global company with five delivery centers in three countries- India, USA and Singapore. Our services are seamlessly delivered from these centers using a mix of on-site and offshore based services. Using the service mix, our proprietary psuite framework and competency we optimize the cost structure of our clients while simultaneously improving the speed to market for new software products and services.

Our Competitive Strengths

Our differentiation from other vendors in competing for business is on the following basis:

psuite framework

We use a unique proprietary framework that helps software product companies and service providers to:

- Reduce time to market with new products, functionalities and features.
- Work collaboratively with R Systems across the entire Product Development Lifecycle.
- Produce scaleable, configurable, feature rich, secure products that can be deployed globally.
- Extend the life of and enhance products that are mature and would otherwise have entered the sunset phase.

The psuite framework consists of our best practices, tools and methodologies for flawless execution and delivery of high quality software consistently.

Comprehensive Range of Services

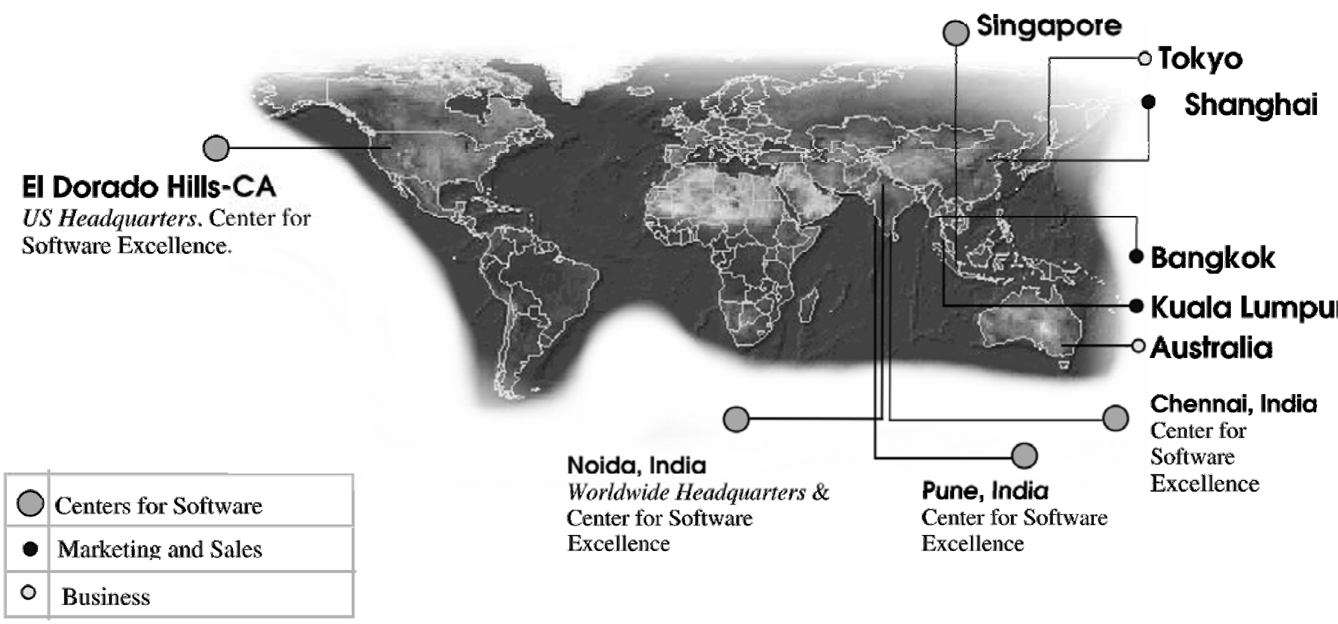
Our iplm services are designed to cater to the needs of software companies and service providers across the product lifecycle from inception to maturity and beyond. This includes product definition, product development, and product sustenance and product support services. Whether a company is in its pre-launch phase, or needs to enhance features to meet market needs, customize existing products to meet specific customer needs, or support a stable product that is already a cash cow, we have a specific set of services to deal with those needs. The phase of a product has significant bearing on time to market; quality and resource requirements and the iplm services are fine tuned to meet these needs.

Presence in Key Markets

We have our operations spread across USA, Singapore and India. ODCs are located in all the three countries above with sales and service team are also located closer to the customers in Malaysia, Thailand and China.

In addition to our own sales and service teams, we are represented by our business partners in Australia, The Philippines, Japan and the Middle East.

We also service select customers in Europe, South America and Africa based on client referrals.



Customer Base and Long Term Relationships

We have served over 50 well known and reputable customers based in the United States and Asia that include Fortune 1000 companies. We enjoy long term relationships with most of our customers. For example, our first customer for iplm services, who signed up in 1998, is still a loyal customer. Further, one of the Top 10 Fortune 1000 companies uses our service offering to develop, deploy, and support software products in 39 different countries. This customer too has been with us since 1998 and we now have over 150 dedicated specialists working for them.

Similarly, various customers use our service offering to build and support software products in diverse areas like internet security, internet music delivery, internet IP TV, banking applications, supply chain management, ERP solutions, and knowledge management. These software products find application across industry verticals and lend itself to extensions thus ensuring longevity. This in turn translates to long term client relationships for us.

Quality Focus

We place emphasis on end-to-end quality for both product development as well as its internal operations. This ensures that customer interactions are streamlined and high quality software products and services are delivered consistently. Our delivery centers in India are all SEI CMM Level 5 certified. In addition, both the IT and BPO delivery centers are ISO 9001:2000 certified. We also use six sigma procedures for process improvement. We are in the process of obtaining the BS27001 (new release of BS7799) certification.

Strategic Focus on iplm

We have strategically focused on the iplm suite of services for software product and service companies. This requires different skill sets from those used by vendors who provide application maintenance services for enterprises. Our psuite framework for execution, coupled with the product development knowledge ensures that we have a huge competitive advantage in the market for Offshore Product Development. The psuite framework ensures that our team develops a very high level of competency in the customer's product and services. This helps them to actively collaborate with the client's product management team and add significant value in terms of product development and providing superior services to client's customers. As a result, our approach and methodology creates an environment that helps our product development and support team to function as an extended arm of the client's product management and support team.

Domain knowledge

To offer high-end services, we have in-house domain personnel from banking and finance, manufacturing and logistics and other industry domains. These personnel with their understanding and insight for the said industry vertical add significant value to the customer's product management teams. Our domain knowledge has also helped us in developing niche products that complement customers' offerings. Some such products are for consumer loan management, enterprise portals, supply chain execution, vendor managed inventory and others.

Business Model and Pricing

We use a hybrid on-site and offshore delivery model with an objective of optimizing the cost of services for our clients and improving speed to market. This entails having our on-site resources working with the offshore team based in any of the offshore centers of our company. The mix and number of resources vary based on the stage of the product lifecycle as well as the maturity of the relationship with the client. We use Time and Material ("T&M") as well as fixed price models. Most offshore engagements are multi-year contracts that are renewable annually. The typical duration of an ODC contract is two to three years.

BUSINESS STRATEGY

We intend to maintain our leadership position in offshore product development services by continuing to focus on expanding our iplm services business. While adapting different strategies for each of these areas, the general approach to business expansion will include:

Revenue Growth

New Service offerings

We plan to expand our service offerings as and when there exist an opportunity. For example, we launched technical help desk and customer support services in the calendar year 2003 as it was synergistic to our iplm services. This business was commenced by cross-selling these services to our existing customers, a strategy we have now successfully executed with at least a dozen customers using our iplm services. We believe that the trend to offshore technical helpdesk and customer support functions by software and service companies in the US and Europe will result in increased business opportunity.

New Markets

We have traditionally focused on the North American and Asian markets. We will continue to explore possibility of entering new markets viz., Europe and China. We propose to address these markets by opening sales offices as well as alliances with local businesses. Infact, we have already started exploratory marketing efforts in one of these markets and have received some wins.

Acquisitions

We have grown through acquisitions and will continue to explore additional acquisitions to develop new competencies. Our domain knowledge in the banking and finance, manufacturing and logistics segments were achieved through the acquisition of Indus and ECnet. We will continue to explore opportunities to make new acquisitions in both emerging industries as well as traditional industry segments.

Customer Acquisition

We will pursue opportunities for alliances and business partnerships that will enable us to not only expand our offering but also generate new clients for existing services. For example, we have signed a reseller agreement with a leading core banking solutions company in North America to sell the product in Asia and Philippines by leveraging the customer relations we enjoy in banking and retail finance for our Indus Lending Solutions Business. Similarly, we have signed an alliance agreement with one of the largest IT services providers in India to offer our products within the partner's solution stacks. This has led to new opportunities for some of our products through sales by the leading IT service provider. Similarly, we work with traditional US onsite service providers to provide iplm off-shore based services to their clients.

Operational Efficiency

psuite framework

We will continue to enhance and refine the psuite framework in the rapidly changing outsourced product development market to strengthen our competitive position and deliver superior value to our customers. This will help us to enhance and grow our operating efficiency.

Strengthen Core Focus Areas

While pursuing strategic growth initiatives, we will continue to strengthen and grow our core competencies. This will be done by hiring additional domain and market specialists as well as increased spending on training for its employees. We will also increase the number of technology alliances and partnerships in each area to enrich our offerings.

Integration of Delivery Centres

We will continue to integrate our delivery centres to optimize the utilization of the talent pool available at these centres. This will allow us to mobilize resources quickly and manage resource utilization more efficiently.

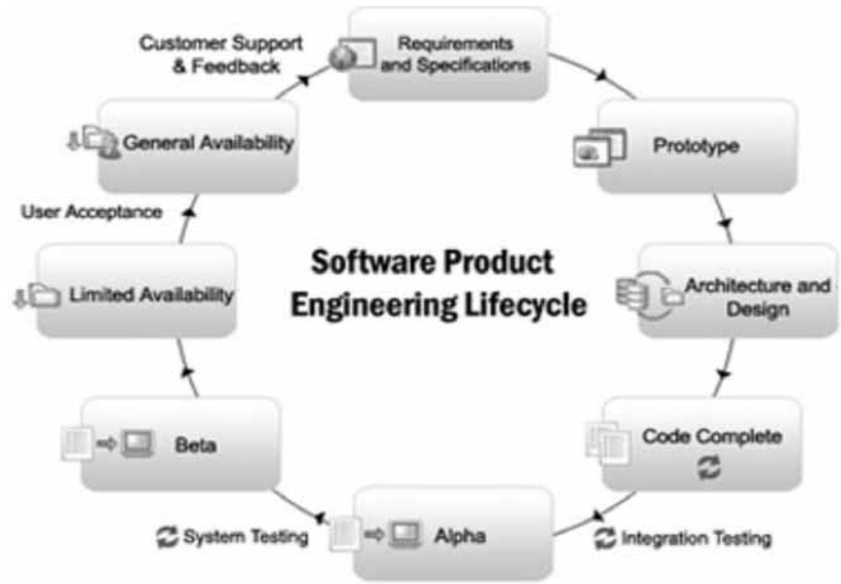
OUR OFFERINGS

We are one of the leading providers of Outsourced and Offshore Product Development Services. These are offered as iplm services supported by our proprietary psuite framework. We are one of the largest off-shore based IT services companies that focus on the special needs of organizations that build scaleable, configurable, secure products for both businesses and consumers. We also provide enterprise business application services and products for Fortune 1000 and mid sized businesses.

iplm Services

Using our iplm suite of services, software product and service companies typically enter into multiple year contracts with us to help develop, sustain, and support their products. We use our psuite framework to provide best of breed services to its clients under these contracts. The services are rendered using a combination of on-site and offshore services. Proprietary project tracking and reporting tools help create a collaborative environment that allows these clients to leverage our product development teams based in Noida just as effectively as the teams located in their US based facilities.

The various services provided across the iplm are depicted in the diagram below:



Enterprise Business Application Solutions and Services

These are solutions and services that help optimize the customer's business process and include e-commerce, ERP, business intelligence, supply chain management and knowledge management solutions. We partner with Microsoft, Oracle, IBM and Sun to build custom solutions based on specific customer needs. We have worked with government, manufacturing and health care and high technology customers in providing enterprise business solutions and services.

Products

We have acquired two Companies viz., Indus and ECnet. By virtue of these acquisitions we have a product portfolio/range which caters to the banking and finance & manufacturing and logistics industry verticals. Subsequent to their acquisitions, these products are developed using the psuite framework. The range of products from the Indus Lending Solutions Business caters to the retail lending industry and the ECnet suite of products offer a wide range of supply chain collaboration solutions.

Specific Domain Focus - "Key Industry Verticals"

We target key industry verticals such as

- High technology and Internet Media
- Public Sector
- Banking and Finance - through the Indus Lending Solutions Business
- Manufacturing and Logistics - through ECnet Supply Chain Collaboration solutions

High Technology and Internet Media

While all aspects of life have undergone a rapid transformation with the use of the Internet, none has been more profoundly influenced than traditional media companies, be it radio and TV, publishing or content providers.

We are at the forefront of this change that is making the line between traditional paper based media services and Internet based digital services disappear. This change is brought about by a confluence of technologies such as MP3, DRM, Codecs, embedded systems, IP, search, and content management technologies. We use our industry personnel to create products and platforms that enable our customers to deliver digital music over the Internet and provide IP TV services to emerging markets.

Although the US is leading the way in adoption of these services, there is relatively low penetration of these technologies in new and emerging market.

Our customers include one of the largest global Internet music service providers and the leading provider of middleware products for IPTV. Along with this we also work with content providers and publishing houses.

Case Studies

Company A

Company A, which is a division of a Fortune 1000 multinational, offers software and hardware components for delivering television signals over Internet protocol (IP) networks. The company's products also allow network operators to offer video-on-demand and other personalized services. The company offers a proven IPTV solution that is built on a truly open standards solution architecture, allowing interoperability of core components such as set-top boxes, but also on applications and services that television viewers want. It provides the features subscribers want and the performance operators demand in a simple and intuitive user interface creating an exciting, family friendly experience. With one universal remote control, subscribers can watch Digital TV, rent movies, listen to digital music, check the weather, surf the Web and much more. It is simple, personalized and interactive television, just like what viewers have always wanted.

Our association with Company A started in may 2004 with a 4-member team as a maintenance and bug fixing offshore development center for one Company A's products. We started providing enhancement features, customization, testing and maintenance support for all the end clients of Company A, including Fortune 1000 and mid sized companies.

By using our proprietary psuite framework we exceeded the expectations of our customer leading to a deeper and deeper relationship. This has lead to Company A increasing their own revenues and in turn our dedicated team for Company A has grown.

Company B

Company B is a digital music service and broadcasting company. It has established a digital music service, which enables music subscription and music purchase through a music player. Company B also broadcasts of over 40 genre-based channels of music that represent a combination of well-known brands as well as original Company B creations. Listeners tap into the Company B experience online through the free downloadable player that automatically updates new features.

Company B wanted a product and service, which needed to be developed in the shortest period of time, which can be used by millions of music lovers, and approached us for development. The major challenge was to keep up with expectations of the industry in terms of features and quality while making sure time to market remained very low.

Our team assisted Company B in developing a C++ based music player to access the Company B's music server engine. The server engine module was designed using the .NET framework. In addition to the music player and the server engine, the R System team developed the server to restrict some of the 4 mn users from having multiple players open and running concurrently. This "concurrency service" module made use of the .NET remoting technology and a highly optimized directory object was used to store the user information. The final module developed was a Payment services module that stores user credit card information in a secure manner and has a "fail safe" mechanism for charging the credit cards. This module was designed as a .NET based command line executable and had complex encryption algorithms for storing the credit card information. Other server modules include fast and context based search engine, merge of media data from various sources and formats and analysis servers.

Public Sector

In today's Internet economy, there is demand for easy access to information and services from virtually every government agency. Our state and local government practice has delivered number of technology solutions to help government leaders transform their organizations from a government agency to an electronic government ("eGovernment") organization.

We understand that becoming an eGovernment takes more than converting legacy programs to a website. Our goal is to assist government use eBusiness technologies with a view to improving the availability of information and the quality of service to the public.

We have helped many government agencies become e-enabled by creating an architecture that allows the use of Internet technologies in an effective yet simple manner.

Our customers include local and state agencies operating in the fields of criminal justice, public safety, health and human services in the States of CA, Washington and Oregon. We have developed the award winning Megan's Law application for one of our public sector customers.

Case Study

One of goals of the State of California is to reduce alcohol and other drug problems by developing, administering, and supporting prevention and treatment programs. Health Insurance Portability and Accountability Act (HIPAA) of 1996 requires that Medicaid, and all other health insurance payers in the United States; comply with the EDI standards for health care as established by the Secretary of Health and Human Services. One of the departments of the State of CA that has undertaken this responsibility turned to R Systems to implement a translator system to comply with HIPAA transaction code sets within compliance deadlines.

The project was a substantial achievement in terms of the following parameters

- It was a state-wide remediation effort, which involves all the counties (50+) within the State of CA;
- More than 100 trading partners were involved; and
- Business transactions to the tune of $200-$300 mn per year involving 1.5 - 2.0 mn number of case records.

The application was developed using See Beyond e*Gate, e*Xchange, SQL 2000 Server, IIS5.0, Java, MS Exchange and ASC X12N 837I, 837P, 835, 997. The new Translator system provides state staff with and Medi-CAL provider community with a tool that automates optical prescription ordering and billing and resulted in:

- Compliance with HIPAA transaction Code Sets
- Improved processes resulted in reduction in payment cycle as well as better reporting tools to trading partners (counties)

Banking and Finance

Under our banking and finance vertical, we provide total solutions to the banking industry, with a focus primarily on retail lending. This range of products and services is offered to the market under the Indus Lending Solutions Business brand.

With a modular and flexible product offering created using the psuite framework, we are able to provide solutions for a dynamic environment where business and technology strategies are in tandem. A unique blend of domain knowledge, project management skills and extensive experience has helped us deliver complete solutions that can help banks improve efficiency and quality of their lending service.

Indus Lending Solutions Business

Lending Solutions - Product Description

"Lending solution from the Indus Lending Solutions Business" is a modular and parameter driven, n-tier application that helps automate the customer acquisition lifecycle for multiple retail products offered through multiple business channels. It allows customers to launch new products and schemes; change rules on-the-fly and customize product offerings based on their individual needs. The product is equipped with tools to evaluate risk and improve decision-making. It will track the repayment schedules of the customer and can come with a powerful customer-servicing module. Delinquent accounts can be tracked all the way from early collections to accounts that need to be resolved through legal means. The lending solutions from the Indus Lending Solutions Business contain three modules - 'Indus Loan Origination', 'Indus Loan Serving' and 'Indus Collections'.

Case Study

Our client is a regional banking company in Asia whose main focus is to offer a select group of individuals the complete range of products and services of value. The bank wanted a system for loan origination and servicing that could be interfaced with their core banking system to reduce the sanctioning time and transfer of data from the database to the Lending Solutions from Indus (LSI) system. The requirement was also for a customer service model where in a customer can apply for a loan online and get his queries solved online.

The solution was offered on the Visual Basic, Microsoft Technical Server and Oracle platforms and was complete in all respects, which matched their requirements. The customer service model was a web-based system. Since their core banking solution was on AS/400 platform, minimum customization was required and transfer of present customer data was also seamless.

This Bank subsequently went on licensing and implementing Indus Collection as well to address the complete end-to-end retail loan life cycle of their business. This started a successful partnership of Indus with this banks business towards facilitating growth and scales as their volumes grew in a highly dynamic market like Sri Lanka.

Indus Loan Originations

The Indus Loan Origination module is an integrated multi portfolio solution that adapts to customer's business model. It manages loan processing from application entry, credit appraisal, sanction to disbursement. The Indus Loan Origination Module reduces the turn around time from application capture to underwriting time by automating the application approval process. Its robust credit-scoring engine increases the speed of credit decisions and ensures that risk is minimized. The Indus Loan Origination Module provides the user the ability to capture comprehensive customer data. It will identify potential duplication and provides workflow management with features to manage and assign cases. It can interface with external credit bureaus, internal negative databases, the telephone directories, and external agencies for conducting field investigation or verification. The Loan Origination Module can also interface with a Core Banking System or a General Ledger.

Case Study

Our customer is a large Multinational Bank with whom our relationship started in 2000.

The bank needed a system to help them process, track and report Auto and Personal loans serviced by the bank. The system should be robust, highly parameterized. The Indus Lending Solutions Business came up with a Loan Origination System to answer the business needs of the bank. The system automated loan processing for the bank from the time of application to loan disbursement. The system is workflow based.

The impact and success of this system has resulted in drastic improvement with regard to the turn around time in disbursement of loan cases. The various MIS reports are very helpful in tracing the process of applications from one workflow to another. Due to direct access to dealers, verification agencies and agents, the turn around time in application of loan and approval of loan is very less.

This implementation was another milestone of the continued relationship with this multinational bank. It started with one implementation at a South-East Asian location and has grown successfully over a period of time with multiple implementations across the globe.

Indus Loan Servicing

The Indus Loan Servicing Module is the second module from Lending Solutions from the Indus Lending Solutions Business. This module tracks and manages the repayment processes. It supports the accounting of receivables and allows multiple modes of repayment. It has a comprehensive customer servicing capability. The Indus Loan Servicing module provides the facility to manage the repayment of the loan that is offered by financial institutions and banks. It will interface with any kind of host banking system or accounting system as well as delinquency management systems. The communication and flow of information between this Module and the other external application can happen in an online mode or batch mode. It handles several activities as part of the repayment processes of a loan application. The system allows definition of the various payment modes specific to each client with the ability to track and change the payment modes. There is also a provision for insurance of the collateral and life of the borrower.

Indus Collections

The Indus Collections is the third module of Lending Solutions from Indus. It is a result of our extensive research on industry best practices. Indus Collections is a fully internationalized web-based product that provides a highly configurable and scalable solution for managing delinquencies across multiple portfolios. The module supports pre-emptive follow-up through early collections to late and legal collections.

This workflow driven module can handle all the business processes of collections, be it automated dunning letter generation at user-defined triggers or rule-based queuing and allocation of cases to different profiles of collectors. At the same time, it's flexible enough to plug-in additional customer or country-specific functionality. Critical business objectives of "End-user Productivity" and "Better Control on Processes" have been the guiding force in the design of this product. Some of the most exciting product features include the ability to action multiple cases in a single user-action, view the inventory of cases in list mode, apply user-definable filters to view specific cases, re-allocation based on runtime parameters, parallel follow-up with co-allocation and portfolio-specific overview screens. Additionally, the product has ancillary modules that include modules for temporary receipt management, commission and incentive calculations, repossession workflow and collateral & document tracking.

Case Study

Our client is a large banking company present in South-East Asia. The bank wanted to adopt a comprehensive application to manage the business processes in order to reduce delinquency costs and relocate delinquent accounts, improve collector focus, control the business more effectively through an MIS programme & track pre-emptive delinquency tracking for a credit card portfolio while improving customer contact rates.

The Indus Collection solution was offered to them for tracking and following up with delinquent cardholders. Being selective in issuance of cards, the portfolio has a limited number of accounts, but the delinquencies are significant per card and this can be linked to the higher profile of the Bank's cardholders. Management of outstanding amounts therefore is the principal area of focus. The bank shall shortly launch its Master Card operations, and feels the need to support the same using the Indus Collections solution.

The challenges faced were conversion of base product database from Oracle (Version 8i) to MS SQL, retaining the collections log history from the legacy system and Supporting 6.5 mn records in the transaction table. The implementation resulted in customer contact rate per collector increasing to 90 per day. Moreover, the system was identified as a potential front end for service & customer query management.

The bank subsequently licensed a Customer Servicing Management (CSM) module from the Indus Lending Solutions Business towards a better customer relationship management. With these implementations, The Indus Lending Solutions Business strengthened its relationship with the Bank and its foothold in the South-East Asian Banking industry.

Our Customers for Lending Solutions

We have undertaken over 200 successful product and product approach driven implementations across geographies for some of the most reputed organizations in the world. The customer teams at the Indus Lending Solutions Business have worked for retail businesses that are at various stages of their evolution. We are often involved at the start up phase at new locations by established banks and institutions. We are equally comfortable working with rapidly growing businesses as well as large mature businesses with a very large account base that wish to deploy new systems to manage loan originations and collections.

Manufacturing and Logistics

ECnet is our manufacturing and logistics vertical, involved in providing total solutions to the manufacturing and logistics industry, with a focus primarily on the supply chain management. These range of products and services are offered to the market under the ECnet brand. ECnet G5 Solution, an integrated suite that aims to reduce all supply chain costs through improved collaboration, optimization and holistic management of the complex interaction between an organization and its trading partners.

The various components of ECnet Solution are:

- ECnet Supply Chain Collaboration
- ECnet Supply Chain Inventory Management
- ECnet Virtual Hub Management
- ECnet Materials Composition Declaration.

ECnet Supply Chain Collaboration

Using ECnet Supply Chain Collaboration enables an organization and its trading partners to engage more effectively through a secure two-way online communication and collaboration platform. With this comprehensive collaborative platform, trading partners can access the latest information on sales and purchase orders, forecasts, delivery and payment details. This online communication empowers trading partners to submit their requests, changes and cancellations, hold orders, shipment notices, forecast sharing and payment. Using ECnet Supply Chain Collaboration facilitates:

- A common and central information exchange platform
- Simplify sales order fulfilment
- Reduce order processing costs
- Create a closed-loop purchase order collaboration
- Improve delivery coordination
- Build faster consensus forecast with trading partners
- Faster and accurate payment collection

ECnet Supply Chain Inventory Management

ECnet Supply Chain Inventory Management is designed with a collaborative and demand-driven management foundation to facilitate:

- Systematic inventory data collection and synchronization from multiple warehouses or logistics service providers.
- Reduce inventory levels through demand-driven inventory replenishment and management.
- Improve inventory storage accuracy.
- Inventory demand analysis to detect trends, seasonality and consumer patterns for effective inventory management
- More accurate inventory allocation to sales order.

ECnet Virtual Hub Management

ECnet Virtual Hub Management is a perfect solution that will empower an organization to regain the visibility and control over its extended enterprise of multiple plants, warehouses, sub-contractors and trading partners. With ECnet Virtual Hub Management, the control is returned to your organization through the following key capabilities:

- Integrate the disparate logistics and ERP solutions together
- Central Management over multiple warehouse operations and their performance metrics
- Delivery and Traffic visibility across multiple warehouses
- Inventory level and replenishment visibility across multiple warehouses
- Shipment consolidation between warehouses

ECnet Materials Composition Declaration

With ECnet Materials Composition Declaration, an organization can gain access to a management dashboard that places all relevant compliance information into a central database for environmental product compliance management.

The solution facilitates:

- A central database for managing and controlling environmental product compliance.
- A management dashboard to access all relevant compliance information.
- Enable compliance manager to develop composition lists needed to analyze products for environmental risks.
- Control the distribution of declaration certificates to trading partners.
- Monitor the exchange of compliance related data with trading partners.
- Online configuration and maintenance of composition part number, material name and division, Chemical Abstracts Service Registry Number (CAS Number) and person-in-charge information.
- Provide several types of reports like monitoring report, compliance report and informative report.

ECnet Vendor Managed Inventory Solution ("ECnet VMI")

ECnet VMI provides a comprehensive platform to manage inventory at an organization's customer's location, gain visibility into the demand forecast, issue critical inventory situation alerts, manage suppliers management and billing. Through a centralized management dashboard, all these relevant information for effective inventory management are collected, transformed and available for inventory planning, monitoring, control and proactive alert. With ECnet VMI Solution, manufacturers are able to decrease inventory-holding costs, and ensure products are available to meet customer demand through pro-active inventory management and demand-driven inventory replenishment.

The solution's key features are:

- A central database for managing and controlling VMI product inventory management.
- A management dashboard to access all relevant VMI product inventory management information that can be easily personalized.
- Monitor the exchange of replenishment data with trading partners.
- Automatic generation of alert to pre-empt and rectify problems.
- Inventory movement and history tracking.
- Superior inventory analytics to manage inventory levels and replenishment at the most granular level, down to the SKU level.

Our Customers for ECnet Solutions

Our customers for ECnet solutions include several leading Japanese and South East Asian mutinationals in electronic and logistic industries. Some of our customers are Fortune 1000 companies while others are successful mid-sized companies. ECnet products and solutions for these customers help to handle billions of dollars worth of purchases. ECnet customers are located in Singapore, China, Japan, Malaysia, Indonesia, US and Thailand.

Case Studies

TEAC

TEAC is the worldwide leader in the development and manufacture of information recording and data storage technology as well as audio and environment equipment. It has a global presence in 16 countries across both Asia and Europe.

The company wanted to reduce overall inventory to achieve better cash-to-cash cycles, provide inventory visibility and speed of information to both TEAC and their trading partners, minimise lead time of trading partners to TEAC's orders, increase information accuracy and automate purchasing processes.

With TEAC's business requirements, ECnet proposed the VMI module from the ECnet Pro Solution series. It is a tightly integrated solution that allows businesses to minimise total supply chain cost, while ensuring that optimum goods are available. The solution would allow TEAC to efficiently streamline its inventory level for better cash-to-cash cycles and enhance communication with its trading partners.

This implementation has resulted in a reduction in inventory carrying cost by 59%. Moreover, inventory accuracy has improved by 52%, inventory days have been reduced by 79% and the inventory turnover has improved by 1.5 times. Since the implementation, TEAC has seen its purchasing costs reduce by 54% and purchasing productivity improve by 43%.

Since 2001, TEAC has been using ECnet's solutions and services to manage the materials process between its suppliers and subcontractors at TEAC Electronics in Indonesia (TEI) and Malaysia (TEM). The deployment has been successful with proven benefits.

Company X

Company X is the world's 7th largest integrated manufacturer of electric and electronics equipment and enjoys annual sales of over USD 50 billion on a consolidated basis. Its arm in Singapore performs functions like sourcing, procurement, inventory management etc. supporting 15 customers from several of its factories. This arm has a pool of 100 suppliers and generates over 1500 purchase orders a month.

With such large volumes, the company wanted a procurement process, which was fast and provided visibility of information to both the company and the suppliers. This company recognized that supply chain is a business imperative and that an automated process provides faster response time and eliminates errors, inaccuracies and inefficiencies.

Understanding their business requirements, ECnet recommended the IPO module from the ECnet Pro Series of solutions. The ECnet IPO solution integrates technology and services to support multiple functions and processes specific to Company X. It allows direct electronic links to more than 100 of Company X's trading partners and accepts a variety of communication protocols and formats for information exchange. The solution comprising Purchase Order Management and Delivery Management has been customized in accordance with Company X's business rules and processes.

Company X derived significant results even from the first phase of implementation. It resulted in better control of procurement activities through information visibility. Further, there was a 15% improvement in delivery performance and eliminated unnecessary discrepancies that used to arise from unmatched orders or inaccurate information. This contributed to 10% enhancement in fulfillment cycle time ultimately increasing overall productivity by 15%.

SALES AND MARKETING

We carry out our sales and marketing from the US, India, Singapore, Malaysia, China and Thailand with a global team of approximately 47 people. Our company primarily uses direct sales model and selectively relies on indirect sales channel like alliances and business partnerships in Japan, The Philippines, The Middle East and Australia. We have successfully used this model for building new relationships. Under the direct sales model, we rely on a multi - tier strategy of using research, analysis, telemarketing and business development teams to prospect and create initial interest and then have senior sales resources handle the sales engagement process. This allows us to create a good sized funnel to work on. Our sales teams are dedicated to specific iplm product verticals with focus on key industry verticals.

The skill sets and domain knowledge required for each industry vertical is different and having sales resources with these skills helps us to communicate our value proposition more effectively. Once interest has been created, a joint team consisting of sales, pre-sales and engineering resources work collaboratively across the sales lifecycle to close the deal.

Our public sector sales process is managed by qualifying and registering with key government contracting vehicles and then responding to specific RFP's where we have domain knowledge. We have a track record of working with the Department of Justice, Department of Social Services and Department of Health with the state governments in the United States.

Under the indirect sales channel we propose to enter into strategic business partnerships or alliances with local IT companies as well as the largest IT company in Asia. These companies use our products and services within their solution stacks.

From a marketing perspective, we participate in industry's leading events and exhibitions to create awareness for its products and services. We also use targeted direct mail and e-mail campaigns.

OUR DELIVERY MECHANISM AND QUALITY ASSURANCE

We use a hybrid on-site and offshore delivery model to optimize the cost of services for our clients and improve the speed to market. This entails having our on-site resources working with the offshore team based in any of the offshore centers of the company/client. The mix and number of resources vary based on the stage of the product lifecycle as well as the maturity of the relationship with the client. We use T&M as well as fixed price models. Most offshore engagements are multi-year contracts that are renewable annually. The typical duration of an offshore product development services contract is two to three years.

psuite framework

The psuite framework is our execution framework and consists of best practices, tools and methodologies for creating collaborative product development teams. Through this process, we establish a hybrid product development team working simultaneously in two geographies - The customers premises as well as the dedicated offshore center.

Our psuite framework provides our customers the following:

- A proprietary implementation methodology
- Tools for collaboration and monitoring
- Quality management methodology
- Project management methodology
- Product lifecycle service support

This is schematically represented below:

The benefits of using the psuite framework are products that are:

- Scaleable, upgradeable, configurable
- Portable, maintainable
- Secure, reliable and highly available

The framework has built in protection for customers intellectual property and asset security along with mechanisms for retention of product knowledge in the offshore team. These are key drivers for successful execution.

Quality Systems

We follow formal, structured and proven quality management systems. It is an intrinsic part of the psuite framework for execution. We have the following certifications for our delivery processes:

- SEI CMMI level 5 for the NOIDA software development centre
- SEI CMM level 5
- ISO 9001:2000
- ISO 9001:2000 for BPO services

In addition we use 6-sigma approach for measurement and process improvement. Our employees undergo 6-Sigma green belt and black belt training on a continual basis. We use Six Sigma tools along with the ISO Quality control mechanism to continuously monitor our process performances against the SLA's. Control charts are very effectively used on all the SLA's in a process to measure the productivity and quality on day-to-day basis. Control limits are set for each SLA, which are well within our customer specification limits. So any moment we cross the control limits our process managers who are certified Six Sigma Green Belts get into the act. Data analysis is done using tools and the problem area is identified. Root cause is then identified and then suitable solutions, which could be going back to the training room or making some changes to the steps involved in the process, are implemented. So a continuous improvement track has been adopted with relevant mechanisms in place to monitor performance of the process and systems.

COMPETITION

While the market place is highly competitive, we use our focus on core competencies as well as the use of specific methodologies such as psuite framework to distinguish ourselves from our competitors. Competition can be broadly classified into thee broad categories:

- Competition from other Indian companies
- Competition from clients' in-house development
- Competition from International companies(other than India)

Our focus on iplm services for product companies and our psuite framework offers us a competitive advantage in this specific segment.

OUR EXISTING INFRASTRUCTURE

Office Locations

We maintain five large centers for software excellence with one center in El Dorado Hills, CA, one in Changi Business Park, Singapore and three in India (Pune, Chennai and Noida). Our corporate office is located in Noida, India.

Capacity and Headcount

The Noida center has a capacity to seat approximately 650 people and can be expanded to house another 450 seats. The Pune center has a capacity of 350 seats, while the Chennai center has a capacity for 250. We have capacity to seat approximately 50 resources in our Singapore office. The current head count across all these offices is approximately 1300 out of which 1100 are engineers. The following table gives the breakup of employees as on December 31, 2005 across all our centers:

Location	Engineers	Sales	Admin*	Total
Noida	516	14	65	**595**
Pune	277	12	29	**318**
Chennai	168	-	11	**179**
California	139	13	9	**161**
Singapore @**	31(22)	8(7)	9(8)	**48 (37)**
Total	**1,131**	**47**	**123**	**1,301**

Note-:

* Admin includes Management, Admin, Accounts, HR, Resourcing, Networking & QA

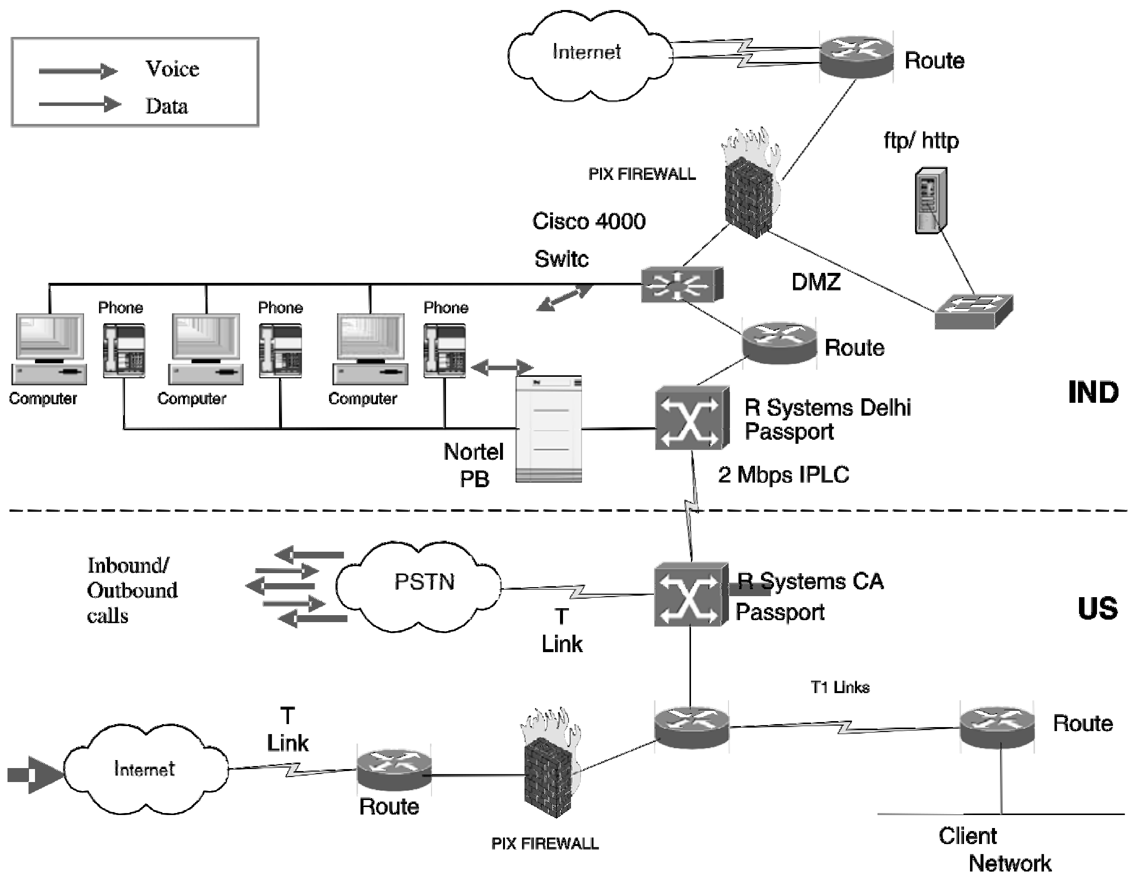
** @ Number in brackets refer to employees of ECNet out of total in Singapore

Power Back Up for 24*7 operations

All our facilities have Generators and UPS systems to provide power in the event of power failure.

Networking and Bandwidth

All the offices are interconnected using high speed leased lines and VPN's. The Noida and US offices are also connected using a 2Mbps line that supports both voice and data services. Separate 4Mbps lines are available for internet access. In addition, separate VPN tunnels are used to create Virtual LAN's for accessing customer locations. The network is set up using several CISCO, 3COM and Cabletron routers and hubs. CISCO PIX firewalls are in place to provide perimeter security.



Communication Equipment

We have invested in a call center conforming to international standards that includes voice and telecom infrastructure to cater to voice and video conferencing requirements. This includes the Nortel Meridian Switch, Passport 7480 Multiplexers, voice loggers, auto-dialers and other pre-requisite infrastructure required to operate this call center.

Hardware and Software

We have all the pre-requisite hardware and software including Unix and Windows Servers, Dell, HP and IBM laptops and desktops, SAN storage systems, copiers, printers etc. along with MS Visual Studio, Rational Suite, Sybase, Oracle, BEA Web logic, IBM Websphere, Sun Solaris, Red Hat Linux, Sybase etc.

Personnel

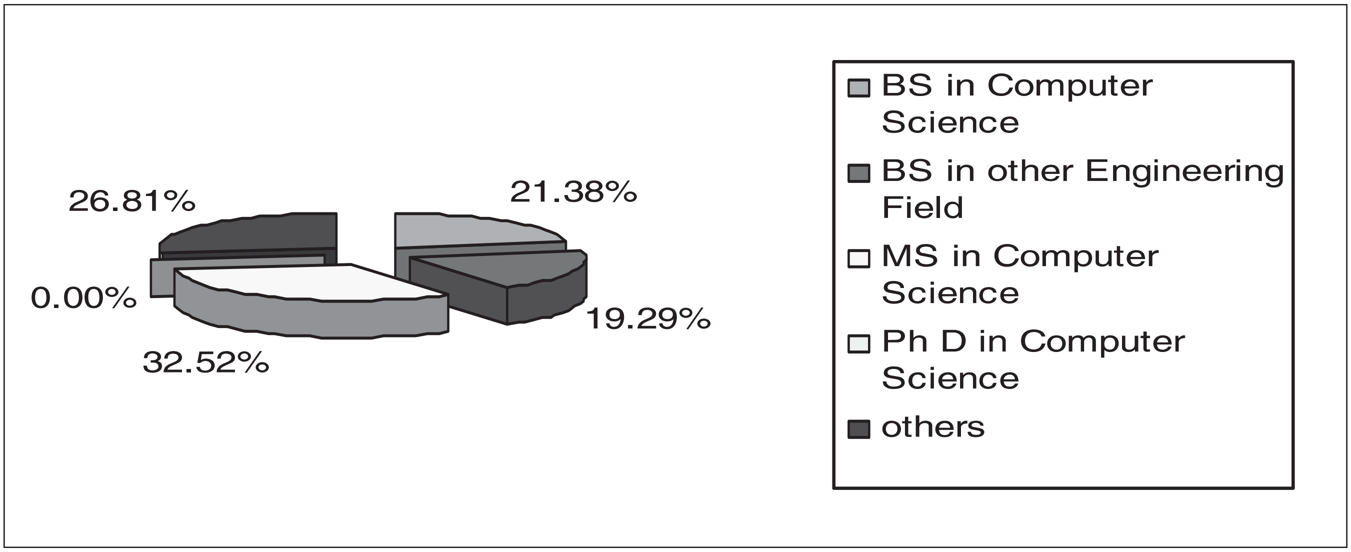
Our success is dependant on its human resources. Over the last decade, we have become one of the preferred employers in each of the market segments that we operate in. We today, have over 1000 engineers on our rolls. Most of our project managers, senior managers and executives have been with us for several years. We have several innovative HR policies designed to attract, motivate and retain employees. Our compensation packages are at par with the best in the industry.

Profile

Our employees include product and domain specialists, systems and programmer analysts; project managers; database designers, modelers, architects and administrators, engineers, testers (QA) and report writers.

We hire Engineering graduates with specialization in Computer Science and Electronics as well as MCA's.

The break up by area of specialisation is as follows:-



Recruitment and Training

We have a dedicated team of technical recruiters within the HR group. These resources are based in Noida and supported by senior recruiters in each local market. We use them as the primary means of hiring its technical staff. We also use employee referrals to find qualified talent. In addition, we use techniques such as news paper advertisements, walk in interviews, etc.

Training

We have dedicated training centers in each delivery center to facilitate employee training and development. All employees are required to undertake a structured induction program after which they are put though training program that is designed specifically for them based on inputs from their managers and the HR department. Besides in-house training from the training faculty and senior staff, we invite professional trainers and subject matter trainers to train our employees. While technical and software engineering training occurs frequently, several of the employees are also chosen to undergo specific training in the areas of psuite framework, quality management and project management.

Employee Retention

The consistent demand for skilled software professionals and engineers makes it very difficult to retain bright and talented individuals. To combat this, we have devised several incentives and growth opportunities to develop employee loyalty. These include strategies such as employee stock option plans, providing car loans, international assignments, training, job rotation including overseas postings, sponsorship of Green Cards. We also have an open and informal culture and use company message boards and intranets to create a feeling of community. Besides this, the managers are trained to make the work place fun and exciting.

Compensation and Performance Management

Our compensation packages compare favorably with the industry norm. We pay a suitable compensation to attract the cream of talent available. Compensation is linked to experience and performance. A formal bi-annual review process is used to determine raises and bonuses. In addition, informal reviews are conducted more frequently to provide employees with immediate feedback and a plan for development.

ESOP

We have an ESOP plan for the employees of the Company and its subsidiaries. For details, please refer to page no. 21 of this Prospectus.

ACQUISITION AND STRATEGIC INVESTMENTS

Over the last five years, our strategy has been to expand both geographic presence and lines of business by acquiring companies that have product or service lines complementary to ours and that have a customer base in countries or geographies we wish to tap. For details, please refer to the section titled "Our History and Main Objects" on page no. 71 of this Prospectus.

INSURANCE

We have taken out insurance policies in respect of our employees as well as assets such as buildings and furniture in our different office locations. The various insurance policies obtained by us are currently valid and in force. The following table broadly sets out the material details of the Directors' and Officers' Liability Insurance policy taken out by us:

S. No.	Insured Item	Name of Insurer	Date of Policy	Expiry Date	Risk Covered	Indemnity Limit (in INR)	Deductible each/every claim (in INR)
1.	Professional Indemnity, D & O and CGL for R Systems International Limited.	New India Assurance Company Ltd.	January 15, 2006	January 14, 2007	D & O Liability	100,000,000	2,500,000
					Technology Error and Omission	100,000,000	2,500,000
					Commercial General Liability	100,000,000	2,500,000
					Fidelity Guarantee	100,000,000	2,500,000

There are no claims pending with respect to any of our insurance policies.

PROPERTY

We have various premises, commercial and residential, which are owned and leased in different locations in India i.e., Noida, Pune and Chennai.

COMMERCIAL PREMISES

We occupy a total of five (5) commercial premises in India. Out of these, certain premises are owned by us, some others are leased and we have long term leasehold rights with respect to some. Our main commercial premises in India are spread over Noida, Pune and Chennai. A summary of our leasehold properties is given below:

S.No.	Location of Property	Date	Lessor/Licensor	Key Terms	Amounts Payable
1.	277/1B and 277/7B, No. 141, Kotivakkam Village, Chegelpathu District, Chennai (Covered Area of 11,808 sq ft.) [3]	October 8, 2003	Prakash Packaging Industries (Private) Limited	■ Term of lease - 48 months commencing from December 15, 2003 ■ Lease is renewable at the sole option of R Systems for 3 additional periods of 11 months ■ Lock-in till December 14, 2007 ■ Subsequent to the lock-in period R Systems is entitled to terminate the lease by an advance written notice of 6 months.	■ Monthly rental of Rs. 75,000 till December 14, 2006 and a monthly rental of Rs. 86,250 from December 15, 2006 till December 14, 2009. ■ Security deposit of Rs. 1,200,000

S.No.	Location of Property	Date	Lessor/Licensor	Key Terms	Amounts Payable
2.	S. No. 104 [Part] and S. No. 108 [Part] Aundh, Pune - 411 008 (Covered Area of 435.80 sq ft.) [4]	June 10, 2005	M/s B.U. Bhandari Constructions	■ License is valid till February 15, 2008 ■ Either party may terminate by advance written notice of 6 months	■ Monthly rental of Rs. 127,230 ■ Security deposit of Rs. 1,500,000
3.	C-40, Sector 59, District Gautam Budh Nagar, Noida, Uttar Pradesh (Covered Area of 2897.87 sq mtrs.)	February 25, 2000	M/s Newage Graphics Fashions (P) Ltd.	■ Leasehold interest in the premises is conveyed for balance period of 90 years calculated from October 15, 1998. ■ R Systems is not permitted to undertake any change in its constitution or in its Charter Documents without the prior approval of the Noida Authorities.*	■ The transfer consideration of Rs. 18,200,000 has been paid by R Systems to M/s Newage Graphics Fashions (P) Ltd. ■ An annual lease rent @ 2.5% payable by R Systems
4.	C-1, Sector 59, District Gautam Budh Nagar, Noida, Uttar Pradesh	April 15, 2004	M/s N - TEX International	■ Leasehold interest in the premises is conveyed for balance period of 90 years calculated from September 1, 1995. ■ R Systems is not permitted to undertake any change in its constitution or its Charter Documents without the prior approval of the Noida Authorities.*	■ Consideration for the transfer was Rs. 31,000,000 ■ Rent of Rs. 47,085 per annum payable by R Systems.

[3] The amenities in respect of these premises have been taken on lease from Mr. V. A. Robert. The term of this agreement is till December 14, 2007 and the same can be renewed at the sole option of R Systems for 3 additional periods of 11 months each. R Systems is currently paying a monthly lease rental of Rs. 245,182 in respect of the amenities and has paid a sum of Rs. 3,062,548 as a security deposit.

[4] The amenities in respect of these premises have been taken on lease from M/s B.U. Bhandari Constructions. The term of this agreement is till February 15, 2008. R Systems is currently paying a monthly lease rental of Rs. 95,422 in respect of the amenities.

*We have intimated the Noida authorites in respect of the Public Offer.

We own the following commercial premises situated in Pune:

- S. No. 296/1/1, Bavdhan (Bk), Mumbai - Bangalore Highway (Bypass), Tal., Mulshi, Pune. These premises are currently owned and in possession by us. The premises were acquired from Mrs. Meena Anil Patil vide sale deed dated February 23, 2000 for a total consideration of Rs. 1,568,700. The size of the commercial premises is approximately 00=10 Acre.
- By way of another sale deed dated June 28, 2000, premises situated at S. No. 303/2/1A, S. No. 303/2 Bavdhan (Bk), Mumbai - Bangalore Highway (Bypass), Tal., Mulshi, Pune were acquired from Mrs. Meena Anil Patil for a total consideration of Rs. 479,500. The size of the commercial premises is approximately 00=3 Acre.
- Premises bearing S. No. 303/2/3 Bavdhan (Bk), Mumbai - Bangalore Highway (Bypass), Tal., Mulshi, Pune were acquired from Mrs. Vinita Ganbote vide sale deed dated July 2, 1997 for a total consideration of Rs. 830,000. The size of the commercial premises is approximately 500 sq. mtrs (00=05 Acre).
- Premises bearing S. No. 303/2/2 Bavdhan (Bk), Mumbai - Bangalore Highway (Bypass), Tal. Mulshi, Pune were acquired from Mrs. Vidya Ganbote vide sale deed dated July 2, 1997 for a total consideration of Rs. 830,000. The size of the commercial premises is approximately 500 sq. mtrs (00=05 Acre).

PROPERTY OF OUR SUBSIDIARIES

The following table sets out the details of the commercial premises taken on lease by our subsidiaries:

S.No.	Location of Property	Date	Lessor/Licensor	Key Terms	Amounts Payable
1.	17 Changi Business Park Central 1, Honeywell Building, Singapore - 486073	Honeywell Pte. Ltd.	Ecnet	■ Lease is valid up to August 31, 2007 The term of the lease may be extended for a further term of 2 years, 11 months and 21 days from the expiration of the original term at revised rent agreed to between the parties	■ ECnet to pay the lessor a monthly rent of S$ 20,305 ■ ECnet to pay the lessor a security deposit of S$ 60,915
2.	5000 Windplay Drive, Suites, B - 5, B - 6, B - 7, El Dolarado Hills, CA, USA.	Mr. Satinder Singh Rekhi and Mrs. Harpreet Rekhi	R Systems Inc.	■ Lease deed dated April 1, 2004 ■ Term of lease is for 3 years from April 1, 2004 to March 31, 2007	■ R Systems Inc. to pay the lessor a monthly rent of USD 9,000

INTER - CORPORATE BORROWINGS

Pursuant to a Loan Agreement dated January 13, 2004, and amended on March 29, 2004 and thereafter amended on January 5, 2005, we can advance loan aggregating to S$ 2,000,000 to ECnet. Under the loan agreement, we have an option to require ECnet to create security in our favour over the movable and immovable assets of ECnet and its subsidiaries. However no security pursuant to this arrangement has been created. As on December 31, 2005, S$ 1.88 mn remains outstanding under this loan.

We have a loan agreement from our wholly owned subsidiary - R Systems Singapore which entitles us a loan for an amount up to USD 1,000,000. We are required to pay interest to the lender at the rate of LIBOR (as on date of payment of interest) plus 1% per annum on the total amount of the principal drawn under the loan. The loan is unsecured. This loan shall remain in effect till June 2008. As on December 31, 2005, USD 340,000 remains outstanding under this loan.

CREDIT FACILITY ARRANGEMENT

Pursuant to a sanction letter issued by the State Bank of India ("Bank") dated March 23, 2005, we have been sanctioned a credit facility by the Bank for an aggregate amount of Rs. 178 million comprising of a working capital facility of Rs. 115 mn, term loan upto Rs. 62.5 mn and bank guarantee for Rs. 0.5 mn. The Bank has reserved the right to amend or alter any of the conditions, stipulate new conditions or cancel/withdraw all or any of the limits sanctioned at anytime in their sole discretion without giving any notice or assigning any reason whatsoever.

The primary security created by us in respect of the working capital facility is a first hypothecation charge over our entire current assets. As collateral security we have offered:

- an equitable mortgage of our property situated in Noida (C-40, Sector 59, Noida and C-1, Sector 59, Noida) and our owned commercial premises situated in Bavdhan (Bk.), Pune; and
- first charge over our plant and machinery and other fixed assets.

In respect of the term loan amount of INR 62.5 mn we have offered primary security by way of a first hypothecation charge over our entire fixed assets, including the equitable mortgage of our property situated in Noida (C-40, Sector 59, Noida) and Pune (303/2 Bavdhan Bk. Mumbai Bangalore Highway, Mulshi, Pune). The collateral security being offered is the same as in the case of the working capital facility.

The interest rate in respect of this facility is the applicable rate under the State Bank of India Export credit, subject to changes as per the directives issued by the RBI from time to time.

The security offered in respect of the bank guarantee is the same as in the case of the working capital facility.

During the currency of this credit facility, we would require the Bank's prior permission in writing in respect of the following:

- Effecting any change in our capital structure;
- Formulating any scheme of amalgamation or re - constitution;
- Investing by way of share capital in or lending or advancing funds to, or placing deposits with an other concern, including associate/family concerns;
- Enter into borrowing arrangements whether secured or unsecured with any other bank, financial institution, company or person;
- Selling, disposing off, mortgaging and creating any further charge, lien or encumbrance over the assets and properties charged to the bank;
- Undertaking guarantees obligations on behalf of any other company, firm or person.

We have also agreed that our entire banking business, merchant banking and dividend and interest warrants payment business shall be confined to the Bank. Further, the Bank will have a first charge on our profits after taxation for repayment of instalments under the term loans granted/deferred payment guarantees executed by the Bank, or other repayment obligations due form us to the Bank.

MOTOR VEHICLE LOANS

We have taken certain motor vehicle loans from ICICI Bank and HDFC Bank for purchasing motor vehicles for some of our employees. These loans are standard in form. The loan agreement with ICICI Bank requires us to take prior consent of ICICI Bank for any merger, de-merger, consolidation, reorganization, scheme of arrangement or compromise with our creditors or shareholders or effecting any scheme of amalgamation or reconstruction including creation of any subsidiary or permit any company to become its subsidiary.

LOAN OUTSTANDING

As of December 31, 2005 our current outstanding in respect of loans taken from various banks is set out below:

S. No.	Name of Lender	Amount outstanding (In Rs. Mn.)
1.	State Bank of India	33.38
2.	R Systems Singapore	15.37
3.	ICICI Bank	6.34

We have received written no-objection from State Bank of India in respect of the Offer.

DEFERRED PAYMENTS TO ECnet

We entered into a share purchase agreement inter alia with the erstwhile shareholders of ECnet on January 7, 2004 for purchase of 17,335,398 shares of ECnet. Under this agreement we are still required to pay to ECnet a balance consideration of Rs. 26.37 mn (as on December 31, 2005) for the purchase of the said shares.

IPRs

R Systems

We have not registered any of our intellectual property under the relevant intellectual property laws, although we are in the process of applying for the same. We have applied for the registration of the following three marks as our trade mark -iplm, products foremost and psuite framework. The name 'R Systems International Limited' has not been registered under the Trade Marks Act, 1999. We have also applied to the Registry of Trade Marks for the registration of our logo - R Systems and are yet to receive confirmation from the office of the Registry of Trade Marks in respect of the same.

ECnet

The mark ECNET has been registered as a trademark in Hong Kong, Laos, Mexico, Malaysia, Singapore, Thailand, Taiwan and USA. The mark AMO & DEVICE has been registered as a trademark in Thailand, HongKong, Singapore, Taiwan and China.

THE GE GROUP RELATIONSHIP

In the mid 90's GEC commenced business relationships with Indus. In 1998 GEC purchased a global license for Indus's Lending Solutions Product ("LSI") built on client server VB/Oracle based platform, and entered into a Global License Agreement with Indus. In addition to the Global License Agreement GEC simultaneously signed up a services agreement for software services. The LSI solution in its initial version was deployed in various countries for GEC and the solution was customised to meet the specific needs at each location.

In January 2000 GE acquired an equity stake of 44.75% in Indus by purchase of 282,500 shares from a venture capital company. GE also invested additional money in Indus by subscribing to zero coupon convertible bonds of Rs. 17,160,000. In consideration of the zero coupon convertible bonds GE received 34,382 shares in Indus.

In February 2002, the Company acquired Indus and in the transaction GE received 2,983,475 shares of the Company in return for its shares in Indus. Contemporaneously with the transaction GEC signed an Amendment Agreement with the Company in respect of the Global Licensing Agreement, and GE along with Intel entered into a shareholders agreement with the Company and its promoters dated February 16, 2002 (the "Shareholders Agreement"). Under the Shareholders Agreement, GE had rights on several matters regarding the Company and was also eligible for warrants based on revenues generated by the Company from GE Group. These warrants are convertible into equity shares of the Company. As of December 31, 2005 GE was entitled to receive 445,000 warrants under the Shareholders Agreement. On January 25, 2006, GE assigned its rights to such warrants to GE Strategic Investment India. On January 30, 2006, GE Strategic Investment India has exercised the right of converting such warrants into Equity Shares and 445,000 Equity Shares of Rs. 2 each in the Company were subsequently issued to GE Strategic Investment India.

In June 2004 the Company signed a Information Technology Services Agreement with GEC valid until December 31, 2006 under which it continues to provide services to GEC. Under the Information Technology Services Agreement, the Global Licensing Agreement and the Amendment Agreement the Company has several service level obligations to GEC and GEC has certain intellectual property rights. The Company's revenues from GEC have been steadily growing with the Company supporting GEC's consumer finance division ("GCF") with its LSI product and also providing bespoke digitizing and other software solutions. GEC does not have any obligation to provide guranteed revenues to the Company under the Information Technology Services Agreement. The total amounts billed for services provided to GCF by the Company and its subsidiaries in the past 3 years are given below:

Year	Amount: Rs 000's
2003	163,994
2004	212,944
2005	229,959

In November 2005, the Company entered into a Loaned Employee Services Agreement with GEC under which we have been receiving the services of Mr. Raj Swaminathan as President of our Indus Lending Solutions Business. It is the intention of both parties and Mr. Raj Swaminathan that he will enter into direct employment with our Company in fiscal 2006. For details of this agreement, please refer to the section titled "Shareholders and Other Agreements" beginningn on page no. 87 of this Prospectus.

On January 25, 2006 GE and the promoters terminated the Shareholder Agreement in anticipation of a public equity offering of shares by the Company. In the offering GE proposes to sell 596,695 shares and upon the completion of the offering GE Group will hold a total of 774,695 shares in the Company amounting 5.73% of the post issue paid-up capital of the Company.

KEY INDUSTRY - REGULATION

Companies in the IT industry in India are subject to regulations and policies.

REGULATORY REGIME IN INDIA

A large portion of the IT sector in India is regulated under the terms of the Software Technology Parks Scheme, which permits the establishment of units engaged in 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.

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 STP's 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 IT sector have not been defined by the 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 Centers (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 GoI 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 IEC from the Directorate General of Foreign Trade (in order to be able to export its services/products); and

(c) 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 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 and 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 FEMA, the regulations framed by the 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 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 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 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.

REGULATORY REGIME IN USA

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.

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 data protection legislation in India. The recommendations of the Committee have not yet been made public.

EMPLOYEES STATE INSURANCE ACT, 1948

The Employees State Insurance Act is applicable to all factories and to such establishments as the Central Government may notify, unless a specific exemption has been granted. The employers in such factories and establishments are required to pay contributions to the Employees State Insurance Corporation, in respect of each employee at the rate prescribed by the Central Government. Companies which are controlled by the Government are exempt from the aforesaid requirement if the employees are receiving benefits which are similar or superior to the benefits prescribed under the Employees State Insurance Act.

EMPLOYEES PROVIDENT FUNDS AND MISCELLANEOUS PROVISIONS ACT, 1952

Under the Employees Provident Funds and Miscellaneous Provisions Act, 1952, an establishment employing more than 20 (Twenty) persons, either directly or indirectly, in any capacity whatsoever, is either required to constitute its own provident fund or subscribe to the statutory employees provident fund. The employer of such establishment is required to make a monthly contribution to the provident fund equivalent to the amount of the employee's contribution to the provident fund, subject to a minimum contribution of 10 (Ten)% of the basic wages, dearness allowance and retaining allowance, if any, payable to each of the employees.

PAYMENT OF GRATUITY ACT, 1972

An employee, who, after having completed at least 5 (Five) continuous years of service in an establishment, resigns, retires or is disabled due to an accident or disease, is eligible to receive gratuity upto a maximum of Rs. 350,000. To meet this liability, employers of all establishments to which the legislation applies are liable to contribute towards gratuity.

SALES TAX

The tax on the sale of movable assets within India is governed by the provisions of the Central Sales Tax Act, 1956, or the state legislations depending upon the movement of the goods pursuant to such sale. If the goods move inter-state pursuant to a sale arrangement, then the taxability of such sale is determined by the Central Sales Tax Act, 1956. On the other hand the taxability of an arrangement of sale of movables assets which does not contemplate movement of goods outside the state where the sale is taking place is determined as per the local sales tax legislations in place within the states. At present, the sales tax legislations which used to determine the taxability of intra-state sales, are being replaced by the Value Added Tax ("VAT")[5] legislations in the states.

SERVICE TAX

According to the Finance Act, 1994 (which governs the levy of service tax in India), service tax is levied on the gross amount charged for providing taxable services within India.

IMPORTER EXPORTER CODE

Under the Indian Foreign Trade Policy, 2004, no export or import can be made by a person or company without an Importer Exporter Code number unless such person/company is specifically exempted. An application for an Importer Exporter Code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An Importer Exporter Code number allotted to an applicant is valid for all its branches/ divisions/ units/factories.

CONTRACT LABOUR (REGULATION AND ABOLITION) ACT, 1970

Under the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, every principal employer (the Company in the instant case) of an establishment in which 20 (Twenty) or more persons are engaged on any day of the preceding 12 (Twelve) months on contract, is required to register itself with the authorities appointed under this Act.

UP INFORMATION TECHNOLOGY POLICY, 2004

The Uttar Pradesh Government initiated this policy with the objective of encouraging IT industry. Under the policy, IT software and IT services companies being constituents of the knowledge industry are exempt from inspections by inspectors like those for factory/boiler/excise/labour/pollution/environment etc.

OTHER REGULATIONS

We are also required to obtain registrations and approvals from the Ministry of Commerce as well as the Department of Telecommunication for the purposes of carrying on our business. For the details of the approvals required for our business, please refer to the section titled "Government/Statutory Business Approvals" beginning on page no. 233 of this Prospectus.

[5] VAT is a multi-point levy as opposed to the system of single point levy under the previous sales tax regime. The cornerstone or the basic principle of the VAT legislation is that it proposes to tax only the addition of value on successive sales transactions. Therefore, the basic principle of VAT envisages that the VAT paid by any seller and recovered from a purchaser would be allowed as credit to the purchaser. The credit so availed shall be allowed to be utilized by the purchaser against his output VAT liability when he makes any further sales of the products within the state.

OUR HISTORY AND MAIN OBJECTS

OUR HISTORY

We were initially incorporated as R Systems (India) Private Limited on May 14, 1993 under the Companies Act in New Delhi. Our Company was originally promoted by Mr. Satinder Singh Rekhi and Mr. Gurjot Singh Uberoi.

Post our incorporation as a private limited company, we were converted to a public limited company by a resolution of the members passed at the EGM held on March 14, 2000. The fresh certificate of incorporation consequent on change of name of our Company to R Systems (India) Limited was received on April 13, 2000 from the RoC.

Subsequently, pursuant to a resolution of the members passed at the EGM held on July 25, 2000, our name was changed from R Systems (India) Limited to R Systems International Limited. The fresh certificate of incorporation consequent on change of name of our Company was received on August 7, 2000 from the RoC.

Our Company was incorporated with its registered office at B-104A, Greater Kailash, Part-I, New Delhi- 110 048.

KEY EVENTS AND MILESTONES

Month & Year	Major Event
November 1998	Received ISO 9001:2000 certification
January 1999	MIS ASIA magazine ranked ECnet as among the top 100 most strategic IT companies in the region
March 2000	Conversion from private limited company to public limited company
September 2000	Opened new development center in Noida, India
January 2002	ECnet admitted as a CIO 100 Honouree
June 2003	Received SEI CMM Level 5 certification
March 2004	Received ISO 9001:2000 certification for our BPO operations
November 2004	Received ISO 9001:2000 certification for Software, Design, Development, Implementation & Maintenance/Servicing
January 2006	Received SEI CMMI Level 5 certification for the NOIDA development center

ACQUISITIONS & STRATEGIC INVESTMENTS

Acquisition of ECnet

ECnet was acquired on January 8, 2004 by way of acquisition of 96.23% of shares. Additional shares were acquired in the month of August 2004 and shareholding of R Systems in ECnet as on date is 98.59%.

98.59% shares in ECnet were acquired for the consideration of Rs. 34,938,958. As on date Company has still to pay Rs. 25,952,337 to the erstwhile shareholders of ECnet.

Amalgamation of our Company with Indus

We received an approval from the FIPB dated December 26, 2001 and the RBI dated February 2, 2002 for a share swap of 411,312 equity shares of Rs. 10 each of Indus. Under the share swap, we issued 2,983,475 equity shares of Rs. 2 each to GE in lieu 316,882 shares held by GE in Indus. Further, we issued 613,394 equity shares of Rs. 2 each to Intel in lieu of 65,150 shares held by Intel in Indus. Our Company purchased the balance 124,196 shares from Mr. Vivek Mannige and his group at the rate of Rs. 645 per share.

Subsequent to this, Indus amalgamated into our Company. The Bombay High Court vide its order dated August 1, 2002 and the Delhi High Court vide its order dated September 23, 2002 approved the scheme of amalgamation under Sections 391 and 394 of the Companies Act between our company and Indus. It is deemed to have taken effect on April 1, 2002. Prior to the amalgamation, we were holding 506,228 equity shares of Indus that constituted 73.62% of its issued and paid up share capital. As consideration for the transfer, we allotted shares to Indus in the following manner:

Name of the Allottees in full	Address & Occupation of the Allottee	No. of shares allotted
Indus Software Employees Welfare Trust	B-104A, Greater Kailash Part I, New Delhi - 110 048	206,822
Vivek Mannige & Shanth V. Mannige	B-16, Chaitrangan, Kanchan Lane, Off Law College Road, Pune - 411 004	406,778
Shanth V. Mannige & Vivek Mannige	B-16, Chaitrangan, Kanchan Lane, Off Law College Road, Pune - 411 004	292,177
M. Vikram Rao	6429 Edloe, Houston, Texas 77005	274,438
G. S. Vittal Rao & Shanth V. Mannige	Flat 4 Bld 6, Jagdish Nagar, University Road, Pune	33,698
G. S. Vittal Rao & Vivek Mannige	Flat 4 Bld 6, Jagdish Nagar, University Road, Pune	5,506
Vasanti S Chandavarkar & Vivek Mannige & Shanth V. Mannige	1, Sakshatkar, Kanchan Lane, Pune - 411 004	31,367
Kalyani J. Basrur & Jaganath Basrur	Flat No.6, 3rd Floor, Surf, Pali Mala Road, Bandra West, Mumbai - 400 050	13,722
Arun V. Rao	Flat No.1, Royal Villa, 4th Main Road Extn. Kottur Gardens, Chennai - 600 085	16,856
	Total	**1,281,364**

Acquisition of R Systems Inc.

Pursuant to an acquisition and stock exchange agreement dated December 12, 2000 between the Company, as the buyer, several trusts and individuals, as sellers, and R Systems Inc., the Company acquired all of the issued and outstanding shares of R Systems Inc., namely, 10,000,000 equity shares.

Acquisition of Indus Inc.

Indus Inc. was the subsidiary of Indus and pursuant to amalgamation of Indus with our Company, Indus Inc. became our subsidiary.

MAIN OBJECTS

The main objects of the Company are as follows:

1. To carry on the business of sale, purchase, assemble, hire purchase, import, export, stockists, distributors, designers, agents, traders, exchangers and jobbers in all kinds of computers, computer software development, conversion, data entry, software implementation. System study, software documentation and related components, computer systems, computer peripherals, integrated circuits, process controllers, computer printers, transformers, monitors, uninterrupted power supply systems, computer components, computer based systems, to deal in other office automation machines, printers, computer stationery, computer furniture, ribbons, diskettes, magnetic tapes and other related Items in India and abroad.

2. To carry on business of long term and short term maintenance of computer systems and associated equipment, replacement and services of computers, computer peripherals, related electrical equipment and items in India and abroad.

3. To carry on business of running computer bureaus, hiring of computer time and services, data processing, system analysis and design, programming, data storage and computer output microfilmings in India and abroad.

4. To provide consultancy services in India and abroad on selection of computer systems, software, media, peripherals and allied items, computer personnel and on computerization in general.

5. To hold seminars, courses, training institutions and business conferences for training in computer and office automation, computer programming, system analysis, operational research, computer operations, data entry operations, operations and other computer related activities in India and abroad.

6. To carry on the business of providing software and hardware personnel to work at customer sites in India and abroad.
7. To provide consultancy services in India and abroad on preparation of project report, computer systems, software, media, peripherals and allied items, computer personnel and on computerization in general.
8. To give on lease the computers hardwares and software to other parties and/or companies and to sell hardwares and softwares to its customers and other parties in India and elsewhere and to act as export house of computer including its softwares and hardwares.
9. (a). To carry on the business of providing and running remote processing services whether information technology enabled or otherwise, including but not limited to establishing and operating interactive call centres, data processing centres, business process outsourcing, remote customer support services, Internet and E-commerce support services, including but not limited to hosting and application services.

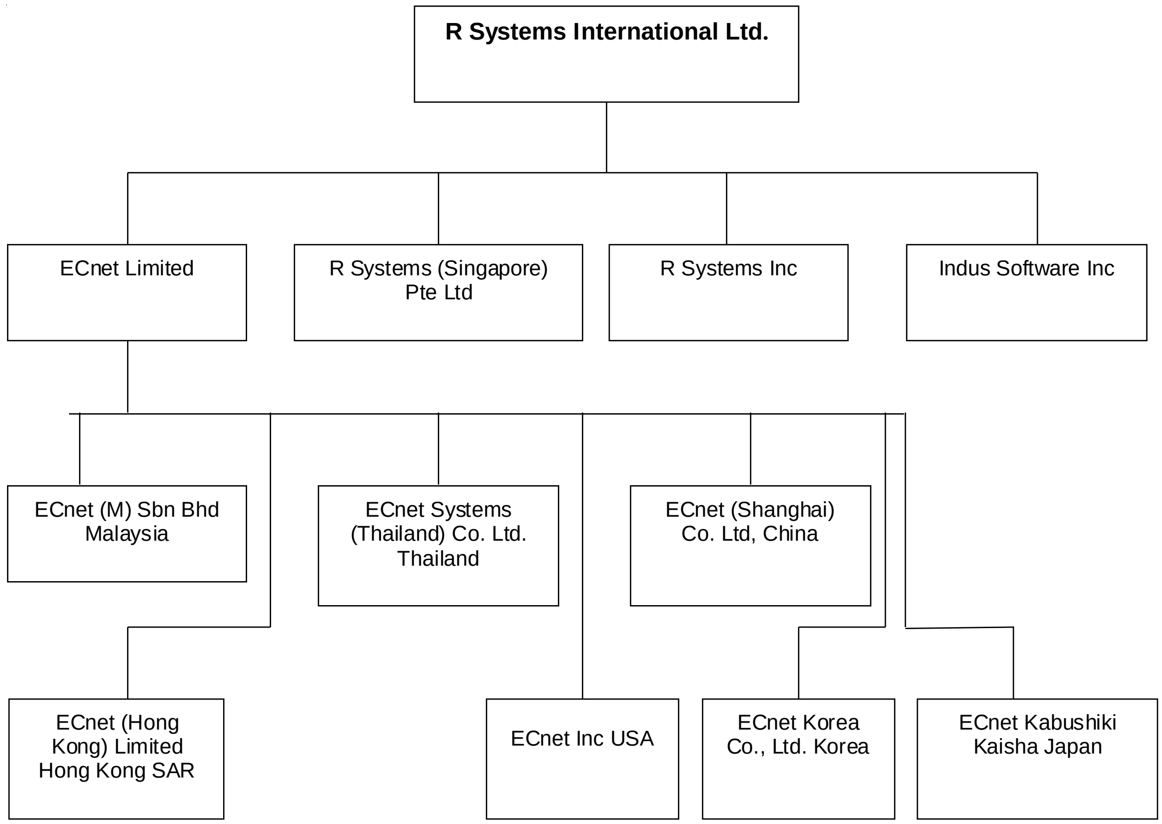
   (b). To carry on the business of providing and running services relating to Multimedia networks, Telecommunication networks, cable networks and Internet services.
10. To carry on the business of providing and supply of end-to-end information technology solutions including turnkey solutions, systems integration and development of software, computer hardware, peripherals, networking and communication components, cabling and power supply equipments, appropriate fixtures, metering and monitoring devices, conventional and broad- band wireless, wire line and optical communication equipments.
11. To enter into any arrangement by way of turnkey project involving supply of plant and merchandise, technical, civil, financial, administrative, information, knowledge and experience and to undertake the same for clients.
12. To carry on business as business consultants, market research consultants, business transfer agents, valuers and to act as intermediaries in the introduction of sellers, purchasers, partners and employees.
13. To carry on the business of Human Resource Development and Management, setting up of education and training institutions, and to provide services for placement of manpower.
14. To provide or procure the provision by others of every and any service, need, want or requirement of any business nature required by any person, firm or company in or in connection with any business carried on by them.

CHANGES IN THE MEMORANDUM OF ASSOCIATION

Date	Particulars
December 22, 1999	Increase in authorised share capital from Rs. 500,000 to Rs. 100,000,000.
March 14, 2000	We altered the memorandum to reflect our conversion from a private limited company to a public limited company. The requisite filings with the RoC were made on March 28, 2000. Subsequent to this, our name was changed from R Systems (India) Private Limited to R Systems (India) Limited with effect from April 13, 2000.
July 25, 2000	It was resolved that the name of our Company be changed to R Systems International Limited. Requisite filings with the RoC were made on July 27, 2000 and the name change was effective from August 7, 2000.
January 5, 2001	We altered the Memorandum to reflect the change as a result of the splitting of shares. The requisite filings with the RoC were made on February 5, 2001.
September 28, 2002	Change in the Object clause of our Memorandum of Association. The main objects of our company have been set out at page no. 72 of this Prospectus.
January 25, 2006	It was resolved to increase the authorised share capital from Rs. 100,000,000 to Rs. 200,000,000 with effect from January 30, 2006.
January 25, 2006	We altered the Memorandum to reflect the change as a result of the consolidation of 5 Equity Shares of Rs. 2 each to 1 Equity Share of Rs. 10 each to take effect from January 30, 2006.

OUR SUBSIDIARIES AND AFFILIATES

The following chart shows the corporate structure of the Company and its subsidiaries and affiliates:



The financial information of our subsidiaries is presented below:

R SYSTEMS INC.

Corporate structure

R Systems Inc. was incorporated in the State of CA, USA on March 9, 1993. The authorised share capital of R Systems Inc. is 20,000,000 shares with no par value and the paid up capital is USD 170,873. R Systems Inc is engaged in the business of providing IT services and has received a business license for the same dated March 20, 1995 and valid till April 1, 2006. R Systems Inc. also has a branch office located in Japan.

Shareholding Pattern

As on date of filing of this Prospectus, our Company holds 100% (i.e., 10,000,000 shares) of the total equity capital of R Systems Inc.

Board of Directors

As on date of filing of this Prospectus, the board of directors of R Systems Inc. comprises of Mr. Satinder Singh Rekhi and Mrs. Harpreet Rekhi.

Financial Performance

The following table sets forth, for the periods indicated, a summary of the financial performance of R Systems Inc. These figures are audited as per US GAAP.

(Rs. in Mn)

Particulars	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002	Fiscal 2001
Income	758	733	793	1,105	1,700
Expenditure	739	730	824	1,091	1,730
Profit/(Loss) before tax	19.01	2.39	(30.63)	14.52	(29.93)
Profit/(Loss) after tax	12.39	1.57	(26.76)	6.30	(21.13)
Share Capital	7.86	7.86	7.86	7.86	7.86
Reserve	166.28	148.63	153.40	189.11	183.71
Average Rate*	44.12	45.34	46.66	48.68	47.23
Closing Rate*	45.20	43.73	45.60	48.04	48.34

*These rates have been taken from Oanda.com

(USD in mn)

Particulars	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002	Fiscal 2001
Income	17.17	16.16	17.00	22.70	36.00
Expenditure	16.74	16.10	17.65	22.40	36.63
Profit/(Loss) before tax	0.43	0.05	(0.66)	0.30	(0.63)
Profit/(Loss) after tax	0.28	0.03	(0.57)	0.13	(0.45)
Share Capital	0.17	0.17	0.17	0.17	0.17
Reserve	3.68	3.40	3.36	3.94	3.80
Face Value per share (USD)	No par value	No par value	No par value	No par value	No par value
Book Value per share (USD)	0.39	0.36	0.35	0.41	0.40
EPS (USD)	0.03	0.00	(0.06)	0.01	(0.04)

R SYSTEMS SINGAPORE

Corporate Structure

R Systems Singapore was incorporated on November 10, 1997 as a private company limited by shares with its registered office at 17, Changi Business Park Central 1, #05-01, Honeywell Building, Singapore 486073. The authorised share capital of R Systems Singapore is S$ 5,000,000 and the paid up capital is S$ 4,070,000. R Systems Singapore is engaged in the business of software development and rendering consultancy services.

Shareholding Pattern

As on date of filing of this Prospectus, our Company holds 100% of the total equity capital of R Systems Singapore.

Board of Directors

As on the date of filing of this Prospectus the board of directors of R Systems Singapore comprises of Mr. Satinder Singh Rekhi, Mrs. Harpreet Rekhi, Mr. Tarun Mathur and Mr. Tan Cant Wee (Alan Tan).

Financial Performance

The following table sets forth, for the periods indicated, a summary of the financial performance of R Systems Singapore. These figures are audited as per Singapore GAAP.

(Rs. in mn)

Particulars	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002	Fiscal 2001	Fiscal 2000
Income	19.30	16.25	17.49	26.89	32.58	26.51
Expenditure	16.98	18.53	18.93	27.24	32.70	25.62
Profit/(Loss) before tax	2.32	(2.28)	(1.43)	(0.35)	(0.12)	0.89
Profit/(Loss) after tax	2.32	(2.28)	(1.57)	(0.28)	(0.02)	0.68
Share Capital	105.93	105.93	105.93	105.93	105.93	1.85
Reserve	(3.45)	(5.64)	(4.60)	(3.30)	(3.39)	(2.67)
Average Rate *	44.12	45.34	46.66	48.68	47.23	44.95
Closing Rate *	45.20	43.73	45.60	48.04	48.34	46.69

*These rates have been taken from Oanda.com

(USD in mn)*

Particulars	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002	Fiscal 2001	Fiscal 2000
Income	0.44	0.36	0.37	0.55	0.69	0.59
Expenditure	0.38	0.41	0.41	0.56	0.69	0.57
Profit/(Loss) before tax	0.05	(0.05)	(0.03)	(0.01)	(0.00)	0.02
Profit/(Loss) after tax	0.05	(0.05)	(0.03)	(0.01)	(0.00)	0.02
Share Capital	2.25	2.25	2.25	2.25	2.25	0.04
Reserve	(0.08)	(0.13)	(0.10)	(0.07)	(0.07)	(0.06)
Face Value per share S$(U$)	1.00 (0.59)*	1.00 (0.59)*	1.00 (0.59)*	1.00 (0.59)*	1.00 (0.59)*	1.00 (0.59)*
Book Value per share (U$)	0.53	0.52	0.53	0.54	0.98	(0.84)
EPS (U$)	0.01	(0.01)	(0.01)	(0.00)	(0.00)	0.76

* From 2004 onwards, R Systems Singapore has converted its reporting currency from S$ to USD, therefore, all the financials have been reported in USD. However, the face value per share is shown in S$ as shares were originally allotted in S$. Figures in the parentheses represent face value per share in USD.

ECNET

Corporate Structure

ECnet was incorporated on December 20, 1996 [Company No. 199609109E] as Asia Manufacturing Online Pte Ltd. Thereafter the name from Asia Manufacturing Online Pte Ltd was changed to Advanced Manufacturing Online Pte Ltd with effect from March 3, 1999. The name was changed from Advanced Manufacturing Online Pte Ltd to Advanced Manufacturing Online Limited on April 19, 1999. The name was changed to ECnet with effect from February 25, 2000. The authorised share capital of ECnet is S$ 2,400,000 and the paid up capital is S$ 1,074,260. The registered office of the Company is 17 Changi Business Park Central 1, #05-01 Honeywell Building, Singapore-486073.

We acquired ECnet in January 2004.

Shareholding Pattern

As on date of filing of this Prospectus

Shareholder	Number of shares held	% of the issued Equity Share Capital
R Systems International Ltd.	17,651,501	98.59
R Systems Singapore	1	0.00
James Hatcher	106,656	0.60
Ng tat hei	101,957	0.57
Shamrock Middlefield Partners, LLC	20,000	0.11
Christopher Arthur Crawley	17,000	0.09
Tan Chin Ee	7,220	0.04

Board of Directors

As on the date of filing this Prospectus the board of directors of ECnet comprises Mr. Lu Kok Wah (Daniel Lu), Mr. Tarun Mathur and Mr. Tan Cant Wee (Alan Tan).

Financial Information

Consolidated Financial Information of ECnet and its Subsidiaries

The following table sets forth, for the periods indicated, a summary of the consolidated financial performance of ECnet and its subsidiaries. These figures are audited as per Singapore GAAP.

(Rs. in mn)

Particulars	Fiscal 2005	Fiscal 2004
Income	123.22	110.21
Expenditure	138.39	127.85
Profit/(Loss) before tax	(15.18)	(17.63)
Profit/(Loss) after tax	(15.72)	(19.97)
Share Capital	28.87	28.87
Reserve	(54.80)	(39.63)
Average Rate*	26.52	26.83
Closing Rate*	27.14	26.71

*These rates have been taken from Oanda.com

(S$ in mn)

Particulars	Fiscal 2005	Fiscal 2004
Income	4.65	4.11
Expenditure	5.22	4.76
Profit/(Loss) before tax	(0.57)	(0.66)
Profit/(Loss) after tax	(0.59)	(0.74)
Share Capital	1.07	1.07
Reserve	(2.02)	(1.48)
Face Value per share (S$)	0.06	0.06
Book Value per share (S$)	(0.05)	(0.02)
EPS (S$)	(0.03)	(0.04)

Stand Alone Financial Information of Ecnet

The following table sets forth, for the periods indicated, a summary of the financial performance of ECnet on a standalone basis. These figures are audited as per Singapore GAAP.

(Rs. In mn)

Particulars	Fiscal 2005	Fiscal 2004
Income	92.58	86.51
Expenditure	125.43	108.15
Profit/(Loss) before tax	(32.85)	(21.64)
Profit/(Loss) after tax	(33.36)	(22.67)
Share Capital	28.87	28.87
Reserve	5.35	38.87
Average Rate*	26.52	26.83
Closing Rate*	27.13	26.71
Rate as on January 8, 2004*	26.88	26.88

* These rates have been taken from Oanda.com

(S$ in mn)

Particulars	Fiscal 2005	Fiscal 2004
Income	3.49	3.22
Expenditure	4.73	4.03
Profit/(Loss) before tax	(1.24)	(0.81)
Profit/(Loss) after tax	(1.26)	(0.84)
Share Capital	1.07	1.07
Reserve	0.20	1.46
Face Value per Share (S$)	0.06	0.06
Book Value per Share (S$)	0.07	0.14
EPS (S$)	(0.07)	(0.05)

Subsidiaries of ECnet

- ECnet (M) Sdn Bhd, Malaysia
- ECnet Systems (Thailand) Co. Ltd., Thailand
- ECnet (Shanghai) Co. Ltd., China
- ECnet (Suzhou) Co. Ltd., China*
- ECnet (Hong Kong) Ltd., Hong Kong SAR
- ECnet (Taiwan) Co. Ltd., Taiwan**
- ECnet, Inc, USA
- ECnet Korea Co., Korea***
- ECnet Kabushiki Kaisha, Japan

* ECnet had a subsidiariy in China called ECnet Suzhou which has been closed down vide a winding up order dated April 30, 2005.

** ECnet had a subsidiariy in Taiwan called Ecnet Taiwan which has been closed down with effect from December 28, 2005 vide a notification issued by the State Government of Taipei, Taiwan.

*** ECnet Korea is curently in the process of being dissolved and a resolution to this effect has been passed at the extraordinary general meeting of the shareholders on January 19, 2006. The documents for dissolution of ECnet Korea have been registered with Commercial Recording Office, Seoul Central District Court on January 24, 2006. The confirmation from Commercial Recording Office, Seoul Central District Court is still awaited.

ECNET (SHANGHAI) CO. LTD., CHINA ("ECNET SHANGHAI")

Corporate Structure

ECnet Shanghai was incorporated on February 7, 2001 with registration number 028144. The registered address of ECnet Shanghai is Rm H, 20th Floor, Foresight Mansion, No. 768, Xie Tu Rd, Shanghai 200023, People's Republic of China. ECnet (Shanghai) is engaged in the business of provision of marketing assistance and management services on the internet software, IT consulting and other relevant services.

The total investment value of the ECnet Shanghai is USD 280,000 and its registered capital is USD 200,000. The business term of ECnet Shanghai is stated to be for a period of 50 years.

Shareholding Pattern

As on date of filing of this Prospectus, ECnet holds the entire registered capital of US$ 200,000 of ECnet Shanghai.

Board of Directors

As on the date of filing of this Prospectus, the board of directors of ECnet Shanghai comprise of Mr. Daniel Lu, Mr. Tan Cant Wee (Alan Tan) and Mr. Tarun Mathur.

Financial Information

The following table sets forth, for the periods indicated, a summary of the financial performance of ECnet Shanghai. These figures are as per management accounts prepared according to the People's Republic of China GAAP.

(Rs. in mn)

Particulars	**Fiscal 2005**	**Fiscal 2004**
Income	26.19	9.89
Expenditure	7.24	23.34
Profit/(Loss) before tax	18.96	(13.45)
Profit/(Loss) after tax	18.50	(13.45)
Paid-up Capital	9.12	9.12
Reserve	(15.73)	(32.35)
Average Rate*	5.39	5.48
Closing Rate*	5.60	5.29
Rate as on January 8, 2004*	5.51	5.51

* These rates have been taken from Oanda.com

(Rmb in mn)

Particulars	**Fiscal 2005**	**Fiscal 2004**
Income	4.86	1.80
Expenditure	1.34	4.26
Profit/(Loss) before tax	3.52	(2.45)
Profit/(Loss) after tax	3.43	(2.45)
Paid-up Capital	1.66	1.66
Reserve	(2.81)	(6.11)
Face Value per Share (Rmb)	N.A.	N.A
Book Value per Share (Rmb)	N.A.	N.A
EPS (Rmb)	N.A.	N.A

ECNET, INC., USA ("ECNET USA")

Corporate Structure

ECnet USA (originally known as AMO, Inc.) was incorporated on November 6, 1998. The name of the organization was subsequently changed to ECnet, Inc. with effect from March 23, 2000. Initially the authorised capital of ECnet USA was 20,000,000 shares of common stock and 10,000,000 shares of preferred stock of par value of USD 0.001 per share. Subsequently stock was restated w.e.f. October 27, 1999 and as on date ECnet USA is authorized to issue 10,000 shares consisting of common stock of par value USD 2. The registered office address of ECnet USA is Corporation Trust Center 1209 Orange Street, Wilmington, New Castle, DE 19801. ECnet USA is engaged in the business of providing an integrated suite of Internet-based supply chain management service offered on a subscription basis.

Shareholding Pattern

As on the date of filing of this Prospectus, ECnet holds 100% share capital of ECnet USA i.e. 1,000 shares of par value of USD 2 each fully paid-up.

Board of Directors

As on the date of filing of this Prospectus, Mr. Satinder Singh Rekhi is the sole director of ECnet USA.

Financial Information

The following table sets forth, for the periods indicated, a summary of the financial performance of ECnet USA. These figures are as per the management accounts prepared according to US GAAP.

(Rs. In mn)

Particulars	**Fiscal 2005**	**Fiscal 2004**
Income	0.20	0.07
Expenditure	0.01	0.23
Profit/(Loss) before tax	0.19	(0.15)
Profit/(Loss) after tax	0.19	(0.16)
Share Capital	0.09	0.09
Reserve	(143.31)	(138.85)
Average Rate*	44.12	45.34
Closing Rate*	45.20	43.73
Rate as on January 8, 2004*	45.56	45.56

* These rates have been taken from Oanda.com

(USD In mn)

Particulars	**Fiscal 2005**	**Fiscal 2004**
Income	0.004	0.002
Expenditure	0.000	0.005
Profit/(Loss) before tax	0.004	(0.003)
Profit/(Loss) after tax	0.004	(0.004)
Share Capital	0.002	0.002
Reserve	(3.170)	(3.175)
Face Value per Share (USD)	2.000	2.00
Book Value per Share (USD)	(316.887)	(317.314)
EPS (USD)	0.427	(0.352)

ECNET (HONG KONG) LTD., HONG KONG SAR ("ECNET HONG KONG")

Corporate Structure

ECnet Hong Kong (formerly known as AMO {Hong Kong} Pte Limited) was incorporated on November 18, 1998 with registration No. 659949. Subsequently the name was changed to ECnet (Hong Kong) Limited with effect from March 10, 2000. ECnet Hong Kong is engaged in the business of providing an integrated suite of internet-based supply chain management service offered on a subscription basis. The authorized share capital of ECnet Hong Kong is HK$ 10,000 divided into 10,000 shares of HK$ 1 each. ECnet Hong Kong's registered office is situated at Rom 608, 6/F Hang Seng Building, 77 Des Vouex Road Central, Hong Kong.

Director(s)

As on the date of filing this Prospectus, the board of directors of ECnet Hong Kong comprise of Mr. Tan Cant Wee (Alan Tan) and Mr. Tarun Mathur.

Shareholding Pattern

As on the date of filing of this Prospectus ECnet holds 100% shares of ECnet Hong Kong.

Financial Information

The following table sets forth, for the periods indicated, a summary of the financial performance of ECnet Hong Kong. These figures are audited as per Hong Kong GAAP.

(In Rs. mn)

Particulars	Fiscal 2005	Fiscal 2004
Income	2.64	4.31
Expenditure	2.33	0.42
Profit/(Loss) before tax	0.31	3.89
Profit/(Loss) after tax	0.31	3.89
Share Capital	0.00	0.00
Reserve	(4.50)	(4.65)
Average Rate*	5.67	5.82
Closing Rate*	5.83	5.62
Rate as on January 8, 2004*	5.87	5.87

* These rates have been taken from Oanda.com

(HK$ in mn)

Particulars	Fiscal 2005	Fiscal 2004
Income	0.47	0.74
Expenditure	0.41	0.07
Profit/(Loss) before tax	0.06	0.67
Profit/(Loss) after tax	0.06	0.67
Share Capital	0.00	0.00
Reserve	(0.77)	(0.83)
Face Value per Share (HK$)	1.00	1.00
Book Value per Share (HK$)	(385,721.50)	(413,233.50)
EPS (HK$)	27,511.25	333,843

ECNET (M) SDN BHD, MALAYSIA ("ECNET MALAYSIA")

Corporate Structure

ECnet Malaysia, (originally known as SRV Asia Manufacturing Online (M) Sdn Bhd.) was incorporated on January 21, 1997 with registration No. 417897 - W. The name of the organization was first changed to MM Online Services Sdn, Bhd with effect from April 24, 1997. Subsequently the name of the organization was changed to Advanced Manufacturing Online Sdn, Bhd, with effect from March 12, 1999. This name was changed to ECnet (M) Sdn Bhd, with effect from March 11, 2000.

The registered office of ECnet Malaysia is situated at No. 1-2B, Block C, Jalan PJU 1/3B, Sunway Mas Commercial Centre, 47301 Petaling Jaya, Selangor Darul Ehsan. The ECnet Malaysia is engaged in the business of provision of internet electronic commerce services.

ECnet Malaysia initially had an authorized share capital of RM 100,000 divided into 100,000 shares of RM 1 each. Subsequently, the authorized share capital of ECnet Malaysia was increased from RM 100,000 to RM 500,000 of ordinary shares of RM1 vide a resolution passed by its members at an EGM dated August 25, 1998.

ECnet Malaysia is a wholly owned subsidiary of ECnet.

Shareholding Pattern

As on the date of filing of this Prospectus, 200,000 shares of RM 1 each fully paid up are held by ECnet.

Board of Directors

As on the date of filing this Prospectus, the board of directors of ECnet Malaysia comprise of Mr. Lu Kok Wah (Daniel Lu), Mr. Tan Cant Wee (Alan Tan) and Mr. Tarun Mathur.

Financial Information

The following table sets forth, for the periods indicated, a summary of the financial performance of ECnet Malaysia. These figures are audited as per Malaysian GAAP.

(In Rs. mn)

Particulars	**Fiscal 2005**	**Fiscal 2004**
Income	31.64	32.57
Expenditure	29.96	27.13
Profit/(Loss) before tax	1.68	5.43
Profit/(Loss) after tax	1.68	5.43
Share Capital	2.39	2.39
Reserve	(11.43)	(12.69)
Average Rate*	11.66	11.94
Closing Rate*	11.95	11.53
Rate as on January 8, 2004*	11.97	11.97

* These rates have been taken from Oanda.com

(RM In mn)

Particulars	**Fiscal 2005**	**Fiscal 2004**
Income	2.71	2.73
Expenditure	2.57	2.27
Profit/(Loss) before tax	0.14	0.46
Profit/(Loss) after tax	0.14	0.46
Share Capital	0.20	0.20
Reserve	(0.96)	(1.10)
Face Value per Share (RM)	1.00	1.00
Book Value per Share (RM)	(3.78)	(4.50)
EPS (RM)	0.72	2.28

ECNET SYSTEMS (THAILAND) CO. LTD., THAILAND ("ECNET THAILAND")

Corporate Structure

ECnet Thailand (formerly known as Advanced Manufacturing Online (Thailand) Co. Ltd.) was incorporated on March 9, 2000 with registration No. - (4) 339/2543. Subsequently the name of the organization was changed to ECnet Systems (Thailand) Company Limited with effect from May 24, 2000. The organization was incorporated with an authorized share capital of Baht 2,000,000 divided into 400,000 shares of Baht 5 each. The scope of business of ECnet Thailand inter alia includes providing services of supply chain management through internet.

Shareholding Pattern

As on the date of filing of this Prospectus

Shareholder	Number of shares held	% of the issued Equity Share Capital
ECnet	399993	99.99
Tarun Mathur	1	0.00
Daniel Lu	1	0.00
Tan Cant Wee (Alan Tan)	1	0.00
Rekhi Satinder Singh	1	0.00
Nalavadi O'Neil Yeshwant	1	0.00
Guanjin Sae Chai	1	0.00
R Systems (S) Pte Ltd	1	0.00

Board of Directors

As on the date of filing of this Prospectus, the board of directors of ECnet Thailand comprise of Mr. Lu Kok Wah (Daniel Lu), Mr. Satinder Singh Rekhi, Mr. Tarun Mathur and Mr. O'Neil Nalavadi.

Financial Information

The following table sets forth, for the periods indicated, a summary of the financial performance of ECnet Thailand. These figures are audited as per Thailand GAAP.

(Rs. In mn)

Particulars	Fiscal 2005	Fiscal 2004
Income	10.26	9.54
Expenditure	8.77	5.48
Profit/(Loss) before tax	1.49	4.06
Profit/(Loss) after tax	1.42	3.79
Share Capital	2.34	2.34
Reserve	5.13	3.92
Average Rate*	1.10	1.09
Closing Rate*	1.04	1.07
Rate as on January 8, 2004*	1.17	1.17

* These rates have been taken from Oanda.com

(Baht in mn)

Particulars	Fiscal 2005	Fiscal 2004
Income	9.34	8.71
Expenditure	7.99	5.00
Profit/(Loss) before tax	1.36	3.71
Profit/(Loss) after tax	1.29	3.47
Share Capital	2.00	2.00
Reserve	4.94	3.65
Face Value per Share (Baht)	5.00	5.00
Book Value per Share (Baht)	17.36	14.13
EPS (Baht)	3.23	8.67

ECNET KABUSHIKI KAISHA, JAPAN ("ECNET JAPAN")

Corporate structure

ECnet Japan was incorprated on March 17, 2000 with registration number - 040462. The registered office of ECnet Japan is situated at 1-6-17 Godo Building, 6F, Kaji-Cho Chiyoda - Ku, Tokyo, Japan - 101-0044. The scope of business of ECnet Japan inter alia includes internet electronic commerce services, online information services and information technology consultancy services.

ECnet Japan is authorized to issue 800 shares of the face value 50,000 Yen per share. ECnet Japan has issued 200 shares of face value of 50,000 Yen per share.

Shareholding Pattern

As on the date of filing of this Prospectus, ECnet holds all the 200 shares of ECnet Japan.

Board of Directors

As on date of filing of this Prospectus, the board of directors of ECnet Japan comprises of Mr. Itani Yukihiko, Mr. Stephant Gottet and Mr. Tarun Mathur.

Financial Information

The following table sets forth, for the periods indicated, a summary of the financial performance of ECnet Japan. These figures are as per management accounts prepared according to Japanese GAAP.

(Rs. In mn)

Particulars	Fiscal 2005	Fiscal 2004
Income	1.26	1.25
Expenditure	5.83	1.32
Profit/(Loss) before tax	(4.57)	(0.08)
Profit/(Loss) after tax	(4.59)	(0.09)
Share Capital	4.29	4.29
Reserve	(33.54)	(32.26)
Average Rate*	0.40	0.42
Closing Rate*	0.38	0.42
Rate as on January 8, 2004*	0.43	0.43

* These rates have been taken from Oanda.com

(Yen in mn)

Particulars	Fiscal 2005	Fiscal 2004
Income	3.14	2.98
Expenditure	14.52	3.16
Profit/(Loss) before tax	(11.38)	(0.18)
Profit/(Loss) after tax	(11.44)	(0.21)
Share Capital	10.00	10.00
Reserve	(87.46)	(76.02)
Face Value per Share (YEN)	50,000	50,000
Book Value per Share (YEN)	(387,311.67)	(330,093.37)
EPS (YEN)	(57,218.30)	(1,054.23)

ECNET KOREA CO. LTD., KOREA ("ECNET KOREA")

ECnet Korea is curently in the process of being dissolved and a resolution to this effect has been passed at the extraordinary general meeting of the shareholders on January 19, 2006. The documents for dissolution of ECnet Korea have been registered with Commercial Recording Office, Seoul Central District Court on January 24, 2006. The confirmation from Commercial Recording Office, Seoul Central District Court is still awaited.

ECNET (SUZHOU) CO. LTD., CHINA ("ECNET SUZHOU")

ECnet Suzhou has been closed down and the winding up order for ECnet Suzhou was passed on April 30, 2005.

ECNET (TAIWAN) CO. LTD., TAIWAN ("ECNET TAIWAN")

Ecnet Taiwan has been closed down with effect from December 28, 2005 vide a notification issued by the State Government of Taipei, Taiwan.

INDUS INC

Corporate Structure

Indus Inc. was incorporated on November 6, 1996 in the State of Delaware, USA. The authorized capital of Indus Inc. is USD 250,000 comprising 250,000 shares at USD 1 par value. The paid up capital of Indus Inc. is USD 243,750. Indus Inc. is engaged in the business of providing IT services.

The shares held by Indus in Indus Inc. were transferred to the Company subsequent to the merger of Indus into the Company.

Shareholding Pattern

As on the date of the filing of this Prospectus, our Company holds 100% of the total equity capital of Indus Inc.

Board of Directors

As on the date of filing of this Prospectus, the board of directors of Indus Inc. comprise of Mr. Satinder Singh Rekhi and Mrs. Harpreet Singh Rekhi.

Financial Performance

The following table sets forth, for the periods indicated, a summary of the financial performance of Indus Inc. These figures are audited as per US GAAP.

(Rs. in Mn)

Particulars	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Income	49.73	42.80	28.85	38.41
Expenditure	51.02	42.03	27.83	52.79
Profit/(Loss) before tax	(1.30)	0.76	1.02	(14.38)
Profit/(Loss) after tax	(1.01)	(1.76)	(0.25)	(12.69)
Share Capital	10.79	10.79	10.79	10.79
Reserve	(30.64)	(28.65)	(28.10)	(29.35)
Average Rate*	44.12	45.34	46.66	48.68
Closing Rate*	45.20	43.73	45.60	48.04

* These rates have been taken from Oanda.com

(USD in mn)

Particulars	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Income	1.13	0.94	0.62	0.79
Expenditure	1.16	0.93	0.60	1.08
Profit/(Loss) before tax	(0.03)	0.02	0.02	(0.30)
Profit/(Loss) after tax	(0.02)	(0.04)	(0.01)	(0.26)
Share Capital	0.24	0.24	0.24	0.24
Reserve	(0.68)	(0.66)	(0.62)	(0.61)
Face Value per share (USD)	1.00	1.00	1.00	1.00
Book Value per share (USD)	(1.78)	(1.69)	(1.53)	(1.51)
EPS (Annualized) (USD)	(0.09)	(0.16)	(0.02)	(1.70)

SHAREHOLDERS AND OTHER AGREEMENTS

SHAREHOLDERS AGREEMENT WITH GE AND INTEL

The Company entered into a shareholders agreement (the "Shareholders Agreement") on February 16, 2002 with GE, Intel and certain other shareholders of the Company to regulate their inter se relationship and relationship with the Company. Under the Shareholders Agreement, Intel and GE were given certain rights by virtue of them being shareholders in our Company.

The salient features of the Shareholders Agreement are as follows:

- In the event the Promoters intend to make a strategic sale of Equity Shares to a third party, GE and Intel have a tag along right.
- The following matters require the consent of Intel and GE (which consent shall not be unreasonably withheld):

(i) Employment or removal of the chief executive officer or chief operating officer or whole time Director of the Company;

(ii) Any application by the Company to a financial organization or third party, any guarantee or any other acceptance of credit, or incurrence of debt, for financing of Rs. 50 mn or more in the aggregate, excluding the working capital loans already taken prior to the issue of shares to GE and Intel and disclosed;

(iii) Creating any mortgage, charge or other encumbrance on or in respect of any of the Company's properties or assets of Rs. 20 Mn or more in value;

(iv) Increasing the authorized or subscribed or paid up share capital of the Company, except for ESOP and other than in terms of a share purchase agreement dated Februay 16, 2002 ("SPA") between the Company, GE, Intel and certain other shareholders of the Company;

(v) The issue of further shares, other than in terms of the SPA or the warrant agreement between Intel and the Company, from the authorised, but unissued share capital;

(vi) The issue of debentures, whether convertible, non-convertible or partly convertible, or any other debt instruments whether carrying any options or warrants or not;

(vii) Recommending declaration of dividend to the AGM or payment of bonus or other benefit with respect to the Shares or any other securities of the Company;

(viii) Filling vacancies on the Board of Directors other than those of Directors nominated or appointed by GE, Intel and the Promoter Group;

(ix) Entering into contracts, lending or advancing any money guaranteeing the obligations to either the Promoter Group or with companies, firms or other persons affiliated or related to or interested in them, other than to Company's subsidiary(ies);

(x) Purchasing, leasing or otherwise acquiring machinery, equipment or other assets, including movable or immovable, having a value, in any single transaction, of more than 5% of the gross block of the previous Fiscal Year of the Company;

(xi) During any Fiscal Year, make any divestiture of, or commitment to divest, assets, movable or immovable, where the gross proceeds (inclusive of relief or discharge of liabilities), individually or in the aggregate, will exceed Rs. 20 Mn, other than the sale, exchange or other disposition of equipment and services in the ordinary course of business consistent with past practice;

(xii) In any Fiscal Year, make any acquisition of, or commitment to acquire, assets or business, shares or other securities or interest in other entity other than in the ordinary course of business consistent with past practice where the consideration to be paid, individually or in the aggregate (inclusive of assumption of liabilities), exceeds Rs. 20 Mn;

(xiii) Providing loans to third parties or guaranteeing the obligations of third parties, other than loans to, or guarantees concerning, employees of the Company, in either case of an amount not exceeding 2.5% of the turnover in any single transaction, within a ceiling of 5% of the turnover in any Fiscal Year of the Company;

(xiv) Undertaking any new business or entering into a non-core business;

(xv) Recommending to the members a firm of chartered accountants to be appointed as auditors of the Company;

(xvi) Negotiating for or acquiring any licence or right from third parties in respect of patents, trademarks or other intellectual property other than in the ordinary course of business;

(xvii) Other than in the ordinary course of business, granting any licence, sub-licence in respect of technical know-how, trade secrets, patents, copyrights, or other intellectual property by the Company;

(xviii) Negotiating for or forming a subsidiary of the Company (excluding Indus and other existing subsidiaries as of date hereof) or subscribing to the equity shares or acquire substantially all the assets of any other company;

(xix) Entering into a merger, consolidation or other business combination (except the merger of Indus into the Company) involving the Company (whether or not the Company would be the surviving entity of such merger, consolidation or other business combination), or negotiating for the sale of, or selling its undertaking or undertakings of the Company to any third party;

(xx) Creating, adopting or modifying trade marks for use on the Product produced or marketed by the Company, other than in the ordinary course of business;

(xxi) adopt any plan of recapitalization, liquidation or dissolution of the Company; or the notification of its financial status to any statutory authority;

(xxii) Changing or relocating the registered office or principal place of business of the Company;

(xxiii) Amending the Memorandum of Association or Articles of the Company;

(xxiv) Making any change in any method of accounting or accounting practice, unless such change is in accordance with the requirements prescribed by a jurisdictional accounting body. This shall not apply to any change which will have a material impact of upto Rs. 2.5 Mn on the net income of the Company;

(xxv) Entering into transactions with Affiliates of Company or any other entity or company , including, without limitation, financial advisory or other services agreements other than arms-length transactions entered into in the ordinary course of business consistent with past practice;

(xxvi) Satisfying or discharging any indebtedness or making payment of any obligation, other than in the ordinary course of business consistent with past practice;

(xxvii) Waiving a right or debt owed to it exceeding Rs.0.5 mn individually or Rs.1.0 mn in the aggregate, except in the ordinary course of business consistent with past practice;

(xxviii) The modification of the compensation structure of any of the five (5) most highly compensated employees of the Company that will result in the concerned employee's compensation being increased by more than 15% in any fiscal year and the determination of the compensation structure of a new employee if the proposed compensation structure results in such employee being amongst the five (5) most highly compensated employees of the Company;

(xxix) any application or registration to publicly offer or list securities of the Company in India or any third country;

(xxx) the establishment or modification of any bonus, profit sharing, share option or other incentive program for any director or key employee of the Company (except with respect to any such programs applicable to employees in general);

(xxxi) Any substantial changes to the annual operating plan approved by the Board. For the avoidance of doubt, variance in actual results from the annual operating plans will not be considered as modifications to annual operating plan;

(xxxii) Any item with respect to resource allocation or expense pertaining to Company business with GE and/or Intel placed before the Board.

Matters illustrated in (i) to (xxxii) above would apply to all subsidiaries of the Company. The above provision shall terminate upon completion of a Qualified IPO or in respect of GE, if GE ceases to hold at least 2% of the then equity share capital of the Company and in respect of Intel, if Intel ceases to hold at least 2% of the then equity share capital of the Company. "Qualified IPO" has been defined to mean an IPO when:

(i) the terms of the IPO are determined by the Board of Directors of the Company;

(ii) minimum pre IPO valuation of the Company is not less than Rs. 4.0 Billion;

(iii) the IPO satisfies the criteria of minimum equity offering per the regulatory guidelines issued by SEBI; and

(iv) the shares are to be listed on a recognised Stock Exchange in India, as may be approved by the Board of Directors of the Company.

- In the event of an IPO of the Company fulfilling certain criteria, Intel and GE shall have the right to offer the Equity Shares held by them for sale in the ratio of their respective shareholding.

- Other than by way of sale in a Qualified IPO, the Promoters, (consisting of certain individual shareholders and trusts), shall not have the right to sell their shares for a period of 5 years unless they obtain the prior written consent of Intel and GE. However, after the Qualified IPO, the aforesaid Promoters can sell their / dispose of up to 5% of their shareholding in the Company in a financial year without the consent of Intel and GE and this shall be available to them only so long as the aforesaid Promoters retain at least 26% of the total issued and paid up share capital of the Company.

Termination Agreement

The parties to the Shareholders Agreement have entered into a Termination Agreement dated January 25, 2006, under which the rights which were granted to GE and Intel under the Shareholders Agreement will terminate. This Termination Agreement will be effective on receipt of approvals from the NSE and BSE for listing of Equity Shares of the Company and commencement of trading.

Assignment Letter

In terms of the Shareholders Agreement, Intel had been issued 50,667 warrants which were convertible into Equity Shares. Intel has vide an assignment letter dated January 20, 2006 assigned such warrants to Intel Capital (Mauritius) Limited. Intel Capital (Mauritius) Limited has exercised its right of converting the warrants into Equity Shares and has been issued 50,667 Equity Shares at the price of Rs. 2 per share.

In terms of the Shareholders Agreement GE had been issued 445,000 warrants which were convertible into Equity Shares. GE has vide an assignment letter dated January 25, 2006 assigned such warrants to GE Strategic Investment India. GE Strategic Investment India has exercised its right of converting the warrants into Equity Shares and has been issued 445,000 Equity Shares at the price of Rs. 2 per share.

SHAREHOLDERS AGREEMENT WITH VIVEK MANNIGE AND OTHERS

The Company entered into a shareholders agreement on February 16, 2002 inter alia with Mr. Vivek Mannige and certain other persons who were shareholders in Indus. In terms of the aforesaid agreement, the above mentioned individuals have a tag along right to exit along with the Promoters of the Company if the Promoters propose to sell their shares in the Company. The aforesaid individuals also have the right to offer their Equity Shares held by them for sale in an IPO of the Company if such IPO fulfils certain criteria, in the ratio of their respective shareholding.

The parties to the shareholders agreement have entered into a termination agreement dated January 31, 2006, under which the rights which were granted to Vivek Maninge and others under the shareholders agreement will terminate. This termination agreement will be effective on receipt of approvals from the NSE and BSE for listing of Equity Shares of the Company and commencement of trading.

CO-OWNERSHIP AGREEMENT WITH VIVEK MANNIGE AND INDUS

The Company entered into a co-ownership agreement on February 20, 2002, with Vivek Mannige and Indus, wherein, in consideration of Vivek Mannige agreeing to pay a compensation and royalty, the Company granted him co-ownership rights over a software tool called 'Elixir'. The agreement is valid for a term of 10 years from the date of its execution, that is, till February 20, 2012.

As per the co-ownership agreement, during the aforesaid term of 10 years, the Company may not sell Elixir or the IPR in Elixir, or license its use as an independent development tool, or assign their rights in Elixir, but may use Elixir for its own internal use, or distribute it in conjunction with a sale or license of its software products. This restriction shall cease to be applicable upon the expiry of the 10 year term. However, Vivek Mannige is not restricted from selling his co-ownership interest in Elixir during the term provided the purchaser is bound by the terms of the co-ownership agreement.

SPA FOR ECNET

Pursuant to a share purchase agreement dated January 7, 2004 between various companies and individuals, the Company, ECnet, and Rajah and Tann, Singapore (as escrow agents), the Company purchased 17,335,398 fully paid-up equity shares in ECnet from the various companies and individuals. The consideration payable on the shares was partly paid simultaneously, and partly agreed to be paid on a deferred basis. Accordingly there are still some outstanding amounts payable by the Company. For further details, please refer to the section titled “Financial Statement” on page no. 113 of this Prospectus.

AGREEMENT FOR R SYSTEMS INC

Pursuant to an acquisition and stock exchange agreement dated December 12, 2000 between the Company, as the buyer, several trusts, as sellers, and R Systems Inc., the Company acquired all of the issued and outstanding shares of R Systems Inc., namely, 10,000,000 equity shares.

AGREEMENT FOR R SYSTEMS SINGAPORE

Pursuant to an agreement for the sale and purchase of shares dated August 11, 2000 between our Company and Mr. Satinder Singh Rekhi & Mrs. Harpreet Rekhi (the erstwhile shareholders of R Systems Singapore), our Company acquired all of the issued and outstanding shares of R Systems Singapore, namely, 70,000 shares for a total consideration of S$ 3,500.

LOANED EMPLOYEE SERVICES AGREEMENT WITH GEC

We entered into a Loaned Employee Services Agreement with GEC dated November 30, 2005 ("Employee Agreement") under which we are receiving the services of Mr. Raj Swaminathan as COO and President of the Indus Lending Solutions Business. The Employee Agreement has taken effect from January 1, 2006.

The salient features of the Employee Agreement are as follows:

- Mr. Swaminathan will at all times remain an employee of GEC, until the assignment is terminated under the Employee Agreement. Mr. Raj Swaminathan shall not be regarded as our employee for the purposes of tax, employee benefits or any other purpose whatsoever.
- Mr. Swaminathan shall continue to be compensated by GEC and in accordance with GEC's general payroll practices;
- R Systems will participate to the extent required by law, if at all, in workers' compensation insurance for the benefit of Mr. Raj Swaminathan in accordance with applicable workers' compensation laws;
- GEC shall be responsible for all expenses incurred by Mr. Raj Swaminathan in the performance of his assignment;
- Any intellectual property created by Mr. Raj Swaminathan during his assignment with R Systems shall, to the extent, the same does not consist of pre-existing proprietary material of GEC, be and remain the sole property of R Systems;
- Mr. Swaminathan's assignment shall terminate after 12 months of service to R Systems, unless an extension is approved by both parties; and
- In the event GEC wishes to terminate Mr. Swaminathan's employment without cause, such termination is required to be approved by R Systems prior to GEC's termination of Mr. Swaminathan. Further, in the event Mr. Swaminathan's assignment is terminated as a result of termination of his employment with GEC, whether with or without cause, R Systems is entitled to select a replacement employment, mutually satisfactory to GEC and R Systems, which employee will then become a loaned employee under the Employee Agreement.

It is the intention of the parties to the Empoyee Agreement and Mr. Raj Swaminathan that he will enter into direct employment with our Company in fiscal 2006.

AGREEMENT FOR PROVIDING PROFESSIONAL SERVICES WITH ECNET

We have entered into an agreement with effect from January 1, 2004 with ECnet under which we are required to provide professional services to ECnet inter alia comprising supporting, maintaining, developing and upgrading products of ECnet. Under this agreement, all costs relating to staff are to be charged at salary costs plus a 15% margin, while all other costs are to be charged on an actual cost basis.

AGREEMENTS FOR PROVIDING PROFESSIONAL SERVICES WITH R SYSTEMS INC

We have entered into an agreement with effect from April 1, 2003 with R Systems Inc. under which R Systems Inc. is required to provide professional services to us inter alia comprising execution of on site projects in the USA as well as the regions of North and South America and also managing of software development projects for customers in the regions of North and South America. In terms of the agreement, R Systems Inc. will charge a 15% margin for professional services for all projects executed in the regions of North and South America.

We have also entered into another agreement with effect from April 1, 2004 with R Systems Inc. under which R Systems Inc. is required to provide professional services to us inter alia comprising execution of on site projects in the USA as well as the regions of North and South America and also managing of software development projects for customers in the regions of North and South America. In terms of the agreement, we are required to pay an amount per person per month on a pro-rated basis for any services rendered by R Systems Inc, on the basis of a mutually agreed rate and R Systems Inc. will charge a 15% margin for professional services for all projects executed in the regions of North and South America.

AGREEMENT FOR PROMOTION OF OFFSHORE SOFTWARE DEVELOPMENT

We have entered into an agreement dated January 1, 2004 with R Systems Inc. to work together for the promotion of offshore software development. In terms of this agreement we are required to undertake sales and administrative activities on behalf of R Systems Inc. on cost plus 15% based on the value of expenses incurred. All employees assigned to do sales and administrative support for R Systems Inc. shall continue to remain employees of R Systems International Limited. In the event of a breach being committed by either party, the non-defaulting party is entitled to terminate the agreement forthwith in the event the breach is not remedied by the defaulting party within 30 days of having received a written notice to do so from the non-defaulting party.

AGREEMENT FOR SOFTWARE DEVELOPMENT

We have entered into an agreement for software development dated December 23, 1999 with R Systems Inc. In terms of the Agreement we are required to assist R Systems Inc. for offshore development of projects in India at the rate of 75% of the price of the project executed in India. In respect of employees at the level of general manager and above, billing is to be calculated at the rate of USD 60 per hour, while for other employees, billing is to be calculated at the rate of USD 50 per hour. In the event of a breach being committed by either party, the non-defaulting party is entitled to terminate the agreement forthwith in the event the breach is not remedied by the defaulting party within 30 days of having received a written notice to do so from the non-defaulting party.

GLOBAL SOFTWARE LICENSE AGREEMENT

Our Indus Lending Solutions Business entered into a Global Software License Agreement with GEC dated August 31, 1998. In terms of this agreement Indus Lending Solutions Business has permitted the licensing use and product development of the software product LSI/NT, Lending Solutions from Indus for use by GEC. In terms of this agreement GEC will own all rights, title and interests in all intellectual property embodied in the modifications to the software products made by the Indus Lending Solutions Business to meet the requirements of GEC. The Indus Lending Solutions Business is required to indemnify GEC from and against all claims related to the alleged infringement of any intellectual property with respect to the software products. In the event any party is in breach of its material obligations under the agreement and has failed to remedy the breach within 30 days of receiving a written notice from the non-defaulting party to remedy the same, the non-defaulting party has the right to terminate the agreement immediately.

SERVICES AGREEMENT

Our Indus Lending Solutions Business entered into a Services Agreement with GEC dated August 31, 1998. Under this agreement the Indus Lending Solutions Business is required to provide professional services, including custom software development, installation, training and consulting to GEC in respect of the software products licensed to GEC.

ADDENDUM AGREEMENT

An addendum agreement dated February 18, 2002 was entered into between GEC, our Company and our Indus Lending Solutions Business. Under this addendum agreement it was agreed that subsequent to the amalgamation of Indus with our Company, the entity surviving the amalgamation, in this case, the entity being our Company, would continue to be bound by the terms and conditions as contained in the global software license agreement and the services agreement executed between GEC and the Indus lending Solutions Business.

INFORMATION TECHNOLOGY SERVICES AGREEMENT

R Systems Inc. entered into an Information Technology Services Agreement dated June 7, 2004 with GEC. Under the Agreement our Company and R Systems Inc. have been appointed by GEC to provide software development, implementation, maintenance, support and other IT services to GEC. The period of this appointment is from January 1, 2004 to December 31, 2006 and the same may be extended by mutual consent, under the same terms and conditions of this agreement. Further, this agreement does not preclude GEC from obtaining the same or similar services from other vendors, wherever located.

The overall purpose of this agreement is the continuing development of a global development centre which provides GEC with high quality and cost effective software maintenance and development services both at offshore and onshore locations. All deliverables and task orders under this agreement shall remain the exclusive property of GEC. This agreement may be terminated by either party by giving a 90 day written notice to the other party.

OUR MANAGEMENT

BOARD OF DIRECTORS

As per our Articles of Association, we cannot have less than 3 or more than 12 Directors. We currently have 6 Directors[6].

The following table sets forth details regarding our Board of Directors as on the date of filing this Prospectus with ROC:

Details	Age (years)	Other directorships	Term	Date of Appointment
Name: **Satinder Singh Rekhi** Designation: Chairman and Managing Director Father's name: Pritam Singh Rekhi Address: 2051, Last Chance Court, Gold River, CA 95670, USA Occupation: Business Nationality: American	54	RightMatch Holdings Ltd. R Systems Inc. R Systems Singapore Indus Inc. ECnet Thailand ECnet Inc	Rotational Director re-appointed on June 24, 2005 Appointed as Chairman & Managing Director wef January 1, 2006	May 14, 1993
Name: **O'Neil Nalavadi** Designation: Director Finance Father's name: Yeshwant Nalavadi Address: 303, Stage Stop Ct. El Dorado Hills, CA 95762, USA Occupation: Service Nationality: British, American	46	ECnet Thailand	Rotational Director re-appointed on June 24, 2005 Appointed as Director- Finance wef January 1, 2006	January 6, 2001
Name: **Lt. Gen. Baldev Singh (Retd.)** Designation: Senior Executive Director Father's name: Late Shri Tek Singh Sodhi Address: A-8, Sector-23, Noida, UP-201301 Occupation: Service Nationality: Indian	65	Lt. Gen. Baldev Singh (Retd.) is not a Director in any other company other than R Systems	Appointed as Sr. Executive Director wef January 1, 2006	September 1, 1997
Name: **David Richard Sanchez** Designation: Independent Director Father's name: Richard Morales Sanchez Address: 848, Brickell Key Drive, #2906, Miami, Florida 33131, USA Occupation: Professional Nationality: American	53	Arrow Smith LLC (Director) Sanchez Global Advisory Inc (President & Proprietor)	Rotational Director re-appointed on June 25, 2004	July 9, 2002
Name: **Raj Kumar Gogia** Designation: Independent Director Father's name: Dr. H L Gogia Address: 53, Ground Floor, Navjeevan Vihar, New Delhi - 110 017 Occupation: Service Nationality: Indian	66	Mr. Gogia is not a Director in any other company other than R Systems	Rotational Director re-appointed on June 25, 2004	July 9, 2002

[6] This amendment was made vide a resolution passed by our Board on June 24, 2005.

Details	Age (years)	Other directorships	Term	Date of Appointment
Name: **Gurbax Bhasin** Designation: Independent Director Father's name: Mr. Jagjit Singh Address: 2883 Water Course Drive, Diamond Bar, CA - 91765 Occupation: Business Nationality: American	49	Prego Inc. (USA) - President Newlands Capital Inc. (USA)- President Shivam Investments, LLC - Director Group Laxmi, S.A. DE C.V. (Mexico) - President Bonneville Holdings Ltd. (Belize) - President	Up to the forthcoming AGM	December 27, 2005
Name: **Avirag Jain** Designation: Alternate Director to Mr. O'Neil Nalavadi Father's name: Shri S K Jain Address: B-27, Lohia Nagar, Ghaziabad, UP - 201001 Occupation: Service Nationality: Indian	39	Mr. Jain is not a Director in any other company other than R Systems	Up to the return of the original director (Mr. O'Neil Nalavadi) in India	February 15, 2006

BRIEF BIOGRAPHY OF OUR DIRECTORS

Satinder Singh Rekhi, Satinder Singh Rekhi founded R Systems in 1993. With over 20 years of experience, Mr. Singh is one of the leading figures in the information technology industry. Prior to R Systems, Mr. Singh held senior management positions with HCL Technologies and DISC (now Synergex) in the United States, Singapore and India. Mr. Singh received a Bachelor of Technology from IIT, Kharagpur, India and a Masters in Business Administration from California State University, Sacramento. Satinder Singh Rekhi has attended several senior management programs from University of Berkeley and Harvard Business School.

O'Neil Nalavadi, O'Neil Nalavadi joined R Systems as Chief Financial Officer in January 2000. Mr. Nalavadi brings with him over 20 years of experience in financial, accounting, mergers and acquisitions with both public and private companies. Prior to joining R Systems, Mr. Nalavadi was the Senior VP, CFO and director of UBICS, Inc. While at UBICS Mr. Nalavadi provided financial leadership to successfully complete an IPO for UBICS on NASDAQ. He also served in various management capacities for companies in the UB Group in the United Kingdom and India from 1984 to August 1997, including public companies listed on London Stock Exchange and BSE. Mr. Nalavadi has successfully completed several mergers and acquisitions worldwide and has extensive experience in successfully integrating back office operations to deliver measurable benefits and enhance return on investment. Mr. Nalavadi is a Chartered Accountant with Honor Rolls and was awarded the Bachelors of Commerce and Economics degree with First Class Honors from the University of Bombay.

Lt. Gen. Baldev Singh (Retd.), Lt. Gen. Baldev Singh (Retd.) has more than 40 years of international experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkley, in Strategic Account Management and Marketing. Lt. Gen. Baldev Singh (Retd.) was earlier the Managing Director of the Company and has been re-designated as a Senior Executive Director of our Company with effect from January 1, 2006. He is related to Mr. Satinder Singh Rekhi.

David Richard Sanchez, Non Executive & Independent Director, Mr. David Richard Sanchez completed his M.A. Political Science & M. Philosophy Honors from Yale University in 1981. He has over 22 years experience of working with various big concerns including J.P. Morgan & Company (New York), Bankers Trust Company (New York), Merrill Lynch International (California), Bear Stearns & Company (California), Sanchez Global Advisors Inc. (California).

Raj Kumar Gogia, Non Executive & Independent Director, Mr. Raj Kumar Gogia completed his B.Tech Honors. (First Class First) in Electrical Engineering from IIT, Kharagpur in 1961. He has a rich and vast experience of 44 years serving various Indian, multi national and foreign concerns. He joined R Systems as an additional director on 09th July 2002 thereafter he is continuingly providing his guidance and advises on the Board of R Systems International Limited.

Gurbax Bhasin, Non Executive & Independent Director, Mr. Gurbax Bhasin has been involved in the textile/fashion apparel industry for over 25 years. Mr. Bhasin has established entities such as "Angel International" and "Paras Fashions" and in 1994 set up "Rains Group S.A.De.CV" to become an apparel licensee for consumer industry leaders like the National Football League and the National basketball Association in the United States. With the advantage of Mr. Bhasin's wide diversification and experience on our side, we will continue to motivate and challenge our company to attain even higher levels in customer satisfaction by constantly striving to be the best in all we do through a combination of product excellence, creativity and technological innovation.

Avirag Jain, Alternate Director to O'Neil Nalavadi' is a BSc & MBA Finance. Mr. Jain has over 20 years of experience out of which 8 years is of banking domain experience and has a technical background and proven delivery track record for several years. Prior to joining R Systems, Mr. Jain has worked with Modi Olivetti Ltd., Usha India Limited, Regional Computer Center, Chandigarh for about 10 years in different capacities, ranging from a Programmer to Project Manager.

CORPORATE GOVERNANCE

The provisions of the listing agreement to be entered into with NSE and BSE, including with respect to corporate governance will be applicable to us immediately upon listing of our Equity Shares on the stock exchanges and we are in compliance with the provisions of the listing agreements with these stock exchanges especially relating to corporate governance, broad basing of management and setting up necessary committees like the Audit Committee and the Shareholders'/ Investors' Grievance Committee. We are in compliance with the DIP Guidelines in respect of corporate governance specially with respect to broad basing of the Board, constituting the committees such as shareholding/ investor grievance committee details of which are provided herein below. We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

- Audit Committee;
- Remuneration Committee;
- Shareholder's Committee/Investor Grievance Committee;
- Compensation Committee;
- Share Transfer Committee.

Audit Committee

The terms of reference of the Audit Committee covers the matters specified under Section 292A of the Companies Act. The Committee is responsible for effective supervision of the financial operations and ensuring that financial, accounting activities and operating controls are exercised as per the laid down policies and procedures. The Audit Committee consists of the following Directors:

- Mr. David Richard Sanchez
- Mr. O'Neil Nalavadi
- Mr. Raj Kumar Gogia

Shareholders' / Investors' Grievance Committee

The Company has formed a Shareholders' / Investors' Grievance Committee pursuant to Clause 49 of the Listing Agreement for looking into the redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet etc. The composition of the Shareholders' / Investors' Grievance Committee is as follows:

- Mr. O'Neil Nalavadi
- Mr. Raj Kumar Gogia
- Mr. Satinder Singh Rekhi
- Lt. Gen. Baldev Singh (Retd.)

Remuneration Committee

The Company has a Remuneration Committee formed pursuant to the requirement of Schedule XIII of the Companies Act for approving minimum remuneration to the Executive Directors in the event of absence or inadequacy of profits in any year. This Remuneration Committee, while approving minimum remuneration under Schedule XIII, takes into account the financial position of the Company, trends in industries, Director's qualifications, experience, past performance, past remuneration etc. The composition of the Remuneration Committee is as follows:

- Mr. David Richard Sanchez
- Mr. Raj Kumar Gogia
- Mr. Gurbax Bhasin

Compensation Committee

As required under the ESOP scheme, the Compensation Committee was constituted to approve, amend, vary or modify the terms and conditions pertaining to the grant of options, pricing of options, issue or allotment of Equity Shares or warrants pursuant to the options, to make adjustments as maybe required and to the extent permissible in law for dividends, bonus and other rights that may accrue in respect of the options granted. The composition of the Compensation Committee is as follows:

- Mr. David Richard Sanchez
- Mr. Raj Kumar Gogia
- Lt. Gen. Baldev Singh (Retd.)

Share Transfer Committee

The composition of the Share Transfer Committee is as follows:

- Mr. Satinder Singh Rekhi
- Lt. Gen. Baldev Singh (Retd.)
- Mr. O'Neil Nalavadi

SHAREHOLDING OF THE DIRECTORS

Our Articles of Association do not require our Directors to hold any qualification Equity Shares. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as at the date of this Prospectus.

Name of the Director	Number of Equity Shares	Percentage of shareholding
Lt Gen Baldev Singh (Retd.)	78,808	0.74
O'Neil Nalavadi	280,000	2.61
Avirag Jain	34,000	0.32
Satinder Singh Rekhi	90,600*	0.85
David Richard Sanchez	4,000	0.04

* In addition to this, Mr. Satinder Singh Rekhi also holds Equity Shares of our Company as Trustee jointly with Mrs. Harpreet Rekhi. For more details, please refer to the section titled "Capital Structure" beginning on page no. 11 of this Prospectus.

INTEREST OF OUR DIRECTORS

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association. Lt. Gen. Baldev Singh (Retd.) and Mr. Avirag Jain, Mr. Satinder Singh Rekhi and Mr. O'Neil Nalavadi are entitled to receive remuneration from R Systems. For further details, please refer to the section titled "Our Management" on page no. 92 of this Prospectus.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and Promoters. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated above and transactions disclosed in "Related Party Transactions" on page no. 110 of this Prospectus, our Directors do not have any other interest in our business.

Except as stated otherwise in this Prospectus and above, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them except in relation to their appointment.

REMUNERATION OF OUR DIRECTORS

Lt. Gen. Baldev Singh (Retd.)

In terms of the appointment letter issued by the Company to Lt. Gen. Baldev Singh (Retd.) dated December 27, 2005, Lt. Gen. Baldev Singh (Retd.) has been appointed as President and Senior Executive Director with effect from January 1, 2006 for a period of 2 years. The remuneration payable to him is as follows:

Consolidated Salary	:	Annual salary of Rs. 2,600,000
Incentive Compensation	:	Periodic bonus as per the incentive scheme of our Company subject to maximum of Rs. 1,350,000
Provident fund	:	12% of basic salary
Benefits, Perquisites and Expenses	:	Entitled to a chauffeur driven car, telephone and internet reimbursement; and Medical and Leave Travel Allowance as per Company policy

Mr. Avirag Jain

In terms of the appointment letter issued by the Company to Mr. Avirag Jain with effect from January 1, 2006, is entitled to receive remuneration as set out hereunder:

Consolidated Salary	:	Annual salary of Rs. 1,889,184
Incentive Compensation	:	Eligible to participate in our Company's annual incentive compensation plan for its senior executive officers in accordance with the terms thereof as in effect from time to time
Provident fund	:	12% of basic salary
Benefits, Perquisites and Expenses	:	Medical and Leave Travel Allowance as per Company policy

Mr. Satinder Singh Rekhi

In terms of the appointment letter issued by the Company to Mr. Satinder Singh Rekhi dated December 27, 2005, Mr. Rekhi has been appointed as Chairman and Managing Director with effect from January 1, 2006 for a period of 5 years. The remuneration payable to him is as follows:

Consolidated Salary	:	USD 250,000 per annum
Incentive Compensation	:	Entitlement to incentive schemes as set up and approved by the Remuneration Committee
Benefits, Perquisites and Expenses	:	■ Health insurance through the Company or its subsidiaries' insurance carriers ■ Provision of automobile along with fuel and maintenance expenses ■ Company retirement plan

Mr. O'Neil Nalavadi

In terms of the appointment letter issued by the Company to Mr. O'Neil Nalavadi dated December 27, 2005, Mr. O'Neil Nalavadi has been appointed as Director, Finance with effect from January 1, 2006 for a period of 3 years. The remuneration payable to him is as follows:

Consolidated Salary	:	USD 126,000
Incentive Compensation	:	■ Entitlement to bonus for every acquisition completed by the Company or its subsidiary equal to 1% of the revenue of the target acquired subject to a maximum of USD 25,000 ■ In the event of acquisition by issuance of shares by the Company bonus will be equal to 1.5% of the target's revenue subject to a maximum of USD 37,500
Benefits, Perquisites and Expenses	:	■ Health insurance through the Company or its subsidiaries' insurance carriers ■ Company retirement plan ■ Provision of automobile along with fuel and maintenance expenses

Mr. Raj Kumar Gogia

Mr. Raj Kumar Gogia is an independent, non-executive director and is not paid any salary.

Mr. David Richard Sanchez

Mr. David Richard Sanchez is an independent, non-executive director and is not paid any salary.

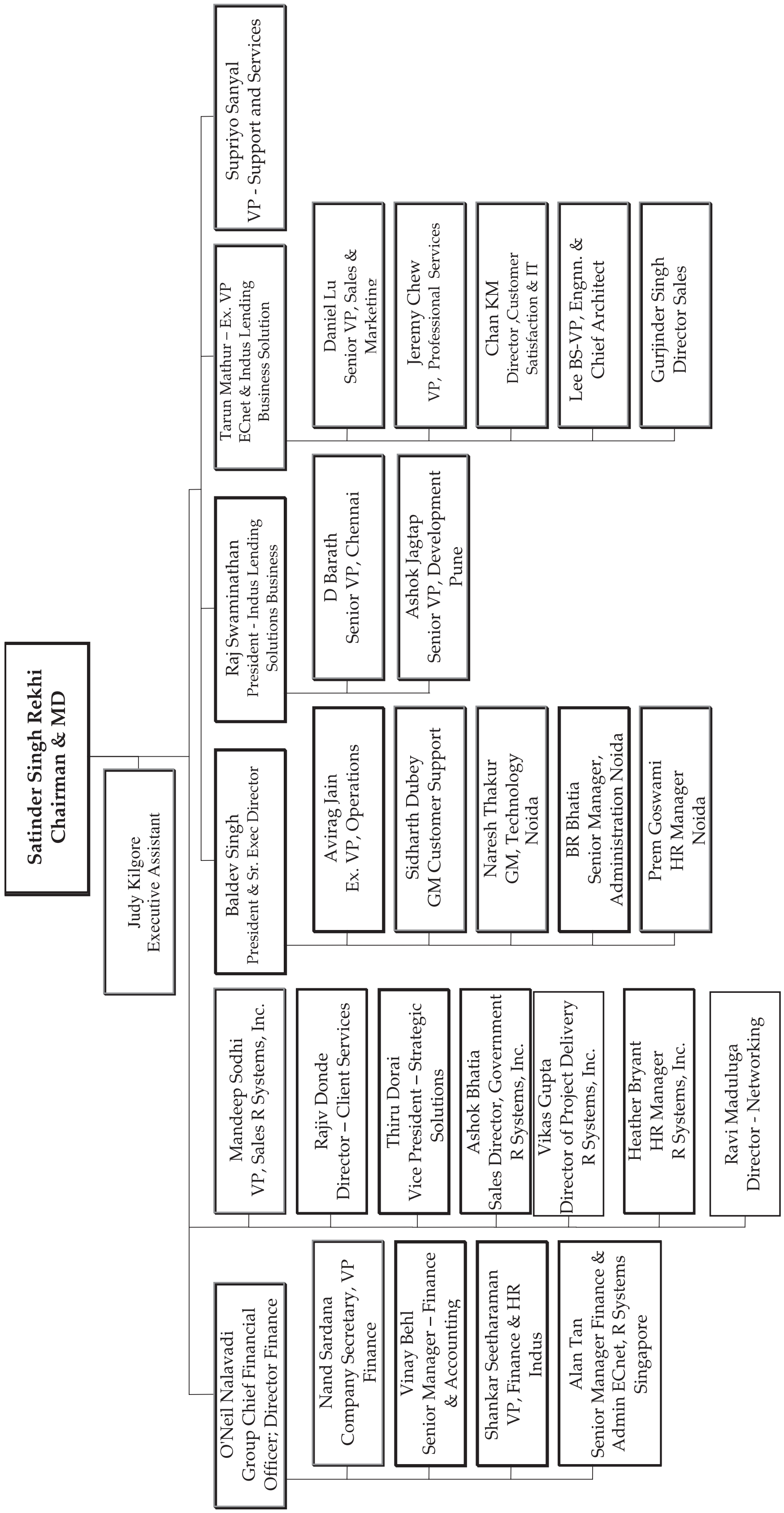
Mr. Gurbax Bhasin

Mr. Gurbax Bhasin is an independent, non-executive director and is not paid any salary.

CHANGES IN THE BOARD IN THE LAST THREE YEARS

Sl. No.	Name of Director	Date of Appointment	Date of cessation	Reason for change
1.	Ralph Kenny	January 6, 2001	January 23, 2004	Resignation
2.	Avirag Jain	September 4, 2002	June 15, 2003	Return of original Director
3.	Avirag Jain	June 23, 2003	December 27, 2004	Return of original Director
4.	Avirag Jain	March 31, 2005	December 26, 2005	Return of original Director
5.	Robin Gerald McCosh	August 20, 2002	March 31, 2005	Resigned
6.	N. K. Garg	September 9, 2002	December 24, 2002	Return of original Director
7.	N. K. Garg	December 28, 2002	October 20, 2003	Return of original Director
8.	N. K. Garg	November 12, 2003	January 23, 2004	Return of original Director
9.	N. K. Garg	January 24, 2004	April 6, 2004	Return of original Director
10.	N. K. Garg	April 12, 2004	June 25, 2004	Return of original Director
11.	N. K. Garg	June 30, 2004	October 10, 2004	Return of original Director
12.	Mr. Gurbax Bhasin	December 27, 2005	–	
13.	Avirag Jain	January 18, 2006	January 31, 2006	Return of original Director
14.	Avirag Jain	February 15, 2006	March 12, 2006	Return of original Director

ORGANISATION CHART



KEY MANAGERIAL PERSONNEL

The details regarding our key managerial personnel are as follows:

Name	Designation	Age	Qualification	Total Experience (years)	Gross Remuneration in last fiscal (Rs./USD/ S$ as indicated)
Noida Office					
Lt. Gen Baldev Singh (Retd.)	President and Sr. Executive Director	65	Masters in Military Sciences, Madras University.	40	Rs. 1,337,363
Avirag Jain	Executive Vice President	39	BSc, MBA specialization in Finance and International Marketing	20	Rs. 1,195,100
Nand Sardana	Vice President (Finance) & Company Secretary	39	M.Com,A.C.A. and A.C.S.	15	Rs. 1,212,667
N K Garg	Vice President - IT	40	BE in Computer Science & Technology from IIT, Roorkee and MTech in Automation and Computer Vision from IIT, Kharagpur	18	Rs. 1,644,075
Mukesh Bindal	Vice President - IT	37	BE in Computer Science	17	Rs. 1,957,298
Sidharth Dubey	GM Customer Support	35	Six sigma black belt from Indian Statistical Institute, M.A.	12	Rs. 1,292,324
Supriyo Sanyal [7]	Vice President - Support & Systems	40	Graduate from IIT, Kharagpur	18	Rs. 747,481 (for part of the Year)
Pune office					
Ashok Jagtap	Senior Vice President	51	BSc. In Computer Science & MSc in Mathematics	24	Rs. 1,837,175
Shankar Seetharaman	Vice President, Finance and HR (Indus Lending Solution Business)	44	BCom Graduate and a Chartered Accountant	20	Rs. 1,998,734
Tarun Mathur [8]	Chief Marketing Officer (Indus Lending Solution Business)	40	MSc in Electronics and MBA	17	Rs. 2,685,476

[7] Mr. Sanyal has been rendering his services to R Systems Inc. w.e.f. January 2006.

[8] Mr. Tarun Mathur has been rendering his services as Executive VP to ECnet w.e.f. January 2006.

Name	Designation	Age	Qualification	Total Experience (years)	Gross Remuneration in last fiscal (Rs./USD/ S$ as indicated)
Rajesh Rathi	Associate Vice President - Development and Head of New Initiatives (Indus Lending Solution Business)	42	BTech in Mechanical Engineering from IIT, Delhi, PGDM in Systems & Finance from IIM, Calcutta	20	Rs. 1,896,038
Chennai Office					
Barath Doraiswamy	Sr. Vice President & Head, Chennai operations (Indus Lending Solution Business)	43	BE, PGDM from IIM Calcutta	17	Rs. 448,535 (for part of the year)
R Systems Inc.					
Satinder Singh Rekhi	Chairman and Managing Director	55	Bachelor of Technology from IIT Kharagpur; MBA from California State University, Sacramento; Senior management programs from University of Berkeley and Harvard Business School	20	USD 277,843.52
O'Neil Nalavadi	Group Chief Financial Officer & Director Finance	46	Chartered Accountant with Honor Rolls; Bachelors of Commerce and Economics degree with First Class Honors from the University of Bombay	20	USD 145,752.52
Thiru Dorai	Vice President of Strategic Solutions	44	Bachelor's Degree in Engineering from University of Bangalore and post graduate diploma in Marketing & Sales Management as well as Electronic Commerce from Bangalore	15	USD 79,847.06
Mandeep Sodhi	Vice President Sales	38	Bachelor's degree in Electronics Engineering from Maharastra University and MBA from University of California Davis	14	USD 162,836.71

Name	Designation	Age	Qualification	Total Experience (years)	Gross Remuneration in last fiscal (Rs./USD/ S$ as indicated)
Vinay Behl	Senior Manager - Finance and Accounting	30	Bachelors Degree in Accounting, an Intermediate Degree in Chartered Accounting, and a Masters Post Graduate Diploma in Financial management, CPA	11	USD 46,333.59
Rajiv Donde	Director of Client Services	51	Bachelors and a Masters degree in Economics and also holds a MBA with major in finance and MIS	15	USD 68,114.83
Vikas Gupta	IT Director	40	BSc in Electrical Engineering	19	USD 84,806.98
Ashok Bhatia	Director of Sales-Government Solutions	39	BSc	16	USD 188,586.34
ECnet					
Lee Boon Shim	Vice President - Engineering & Chief Architect	42	Diploma in Information Management and System Analysis from the British Computer Society. Graduated from the Singapore Polytechnic with a Diploma in Production Engineering	20	S$ 124,069.40
Lu Kok Wah (Daniel Lu)	Senior Vice President, Sales & Marketing	42	Applied Science in Mechanical Engineering from the University of Windsor in Canada	18	S$ 113,819.41
Tan Cant Wee (Alan Tan)	Senior Manager, Finance and Admin	30	Graduated with a Bachelor of Commerce from the University of Western Australia in 1996 and has been a certified public accountant since 1997	10	S$ 76,270

Name	Designation	Age	Qualification	Total Experience (years)	Gross Remuneration in last fiscal (Rs./USD/ S$ as indicated)
Gurjinder Singh	Sales Director	33	B.A in English from Delhi University; Post Graduate Diploma in Business Management from Symbiosis, Pune; Diploma in Software Exports from NIIT; Young Professional Programme Graduate from IIM, Calcutta	11	S$ 75,877.80
Jeremy Chew	VP, Professional Services	44	Degree in Business Administration from RMIT University, Diploma in Mechanical Engineering	22	S$ 139,019.05

The brief profiles of the key personnel are given below:

NOIDA

Lt. Gen. Baldev Singh (Retd.), President and Sr. Executive Director

The brief profile of Lt. Gen. Baldev Singh (Retd.) is set out on page no. 93 of this Prospectus.

Avirag Jain, Executive Vice President

The brief profile of Mr. Jain is set out on page no. 94 of this Prospectus.

Nand Sardana, Vice President (Finance) & Company Secretary

Mr. Nand Sardana having experience of 14 years in finance, secretarial and accounting matters, joined the Company in March 2000. Prior to joining the Company, Mr. Sardana worked with S. R. Batliboi & Co., Chartered Accountants in their Audit & Consultancy Division for more than two years & prior to that he has worked in various companies and consultancy organizations.

Sidharth Dubey, Head Customer Technical Help Desk Services

Mr. Siddharth Dubey heads the support services operations of our Company. Siddharth is an industry specialist with over 12 years of international experience in onshore / offshore outsourcing of third party IT enabled services. As a certified six sigma black belt from the Indian Statistical Institute (ISI), Siddharth also plays a vital role in driving the six sigma implementation at an organizational level. Prior to joining R Systems, Siddharth was with Patni Computer Systems.

NK Garg, Vice President - IT

Mr. NK Garg has over 18 years of technical and managerial experience in the IT field in diverse roles and responsibilities including System Study, Design, Development, Software Testing, Implementation, Maintenance / Servicing, Project Management and Client liaison. Mr. Garg has experience in handling projects in Client Server Architecture, Product Development / Maintenance/Customization, Robotics & Automation, Knowledge Management, Network Security and E-business security. Prior to joining the Company, Mr. Garg worked as a Scientist with India's premier R&D Organization - Defence Research & Development Organization and has extensive experience in the field of Image Processing, Pattern Recognition, Artificial Intelligence and Neural Networks.

Mukesh Bindal, Vice President - IT

Mr. Mukesh Bindal has industry experience for more than 17 years, and has worked at Senior Management positions with organizations which include fortune 500 IT multinationals. Mr. Bindal has experience of customer management for offshore IT businesses that helps in scheming strategic policies for business development and world marketing. Prior to joining the Company, Mr. Bindal has been with organizations like Oracle Corp. USA, Xerox UK, HP Singapore, newtron AG Germany.

PUNE

Raj Swaminathan, President (Indus Lending Solutions Business)

Mr. Raj Swaminathan joined the Indus Lending Solution Business as President and COO on deputation from GEC under the Employee Agreement. For details of the Agreement, please refer to the section titled "Shareholders and Other Agreements" beginning on page no. 87 of this Prospectus. Prior to joining the Indus Lending Solution Business as President and COO, Raj Swaminathan was Vice-President (Technology) at GE-Capital & Chief Information Officer at GE-Countrywide and prior to that has managed the IT functions at Standard Chartered Bank, leading the IT efforts in the banking and finance business. He has built and led large IT teams, managed multiple and key vendor relationships, and has significant experience in effectively managing large capital expenditure programs.

Ashok Jagtap, Senior Vice President (Indus Lending Solutions Business)

Mr. Ashok Jagtap joined the Indus Lending Solution Business on July 3, 1995 and is an MSc in Mathematics. Prior to joining the Indus Lending Solution Business, he was with Kirloskar Oil Engines and Continental Bank, Chicago.

Shankar Seetharaman, Vice President, Finance & HR (Indus Lending Solutions Business)

Mr. Shankar Seetharaman joined the Indus Lending Solution Business on May 2, 2000 and is a BCom Graduate and a Chartered Accountant. Prior to joining Indus he was with Ernst & Young Kuwait - Dubai, Unilever Arabia - Dubai, Skycell.

Tarun Mathur, Chief Marketing Officer (Indus Lending Solutions Business)

Mr. Tarun Mathur joined the Indus Lending Solution Business on March 1, 2002 and is an MSc electronics and MBA. Prior to joining the Indus Lending Solution Business, he was with Thermax Culligan and DoctorAnywere.

Rajesh Rathi, Associate Vice President -Development and Head -New Initiatives (Indus Lending Solutions Business)

Mr. Rakesh Rathi joined the Indus Lending Solution Business from Standard Chartered Bank where he had been since 1991, prior to which he was with Asian Paints. He has a B- Tech degree, Mechanical, from IIT, Delhi and a PGDM (Specialization in Systems and Finance) from IIM, Calcutta.

CHENNAI

Barath Doraiswamy, Senior Vice President & Head, Chennai operations

Mr. Barath Doraiswamy joined the Indus Lending Solution Business on September 20, 2005 and is a BE, PGDM from IIM Calcutta. Prior to joining the Indus Lending Solution Business, he was with IFlex Solutions, Citicorp Overseas Software Limited.

As on date all these persons, with the exception of Raj Swaminathan are on the rolls of the Company.

R SYSTEMS INC

Satinder Singh Rekhi, Chairman and Managing Director

The brief profile of Mr. Rekhi is set out on page no. 93 of this Prospectus.

O'Neil Nalavadi, Group Chief Financial Officer & Director Finance

The brief profile of Mr. Nalavadi is set out on page no. 93 of this Prospectus.

Thiru Dorai, Vice President of Strategic Solutions

Mr. Thiru Dorai has been with R Systems Inc since 1999. He manages Strategic Alliances, Technical Marketing and Pre-Sales Support and is also responsible for Corporate Strategy. He is an Engineer from Bangalore University with Post Graduate Qualifications in Marketing and Sales Management. He has also received the Stanford University Advanced Project Management certificate. He has over 15 years of experience. Prior to joining R Systems Inc he has worked with HCL and Tata Telecom.

Supriyo Sanyal

Mr. Supriyo Sanyal has been associated with the Indian third party BPO industry since its formative stages, in 2001. Prior to joining R Systems Inc he was at I-OneSource since its inception and been a key member during its high growth phase. He has more than 17 years of experience, working in the areas of services sales and marketing. He has worked with HCL, Wipro-British Telecom and Cisco. Supriyo is a graduate from IIT (Indian Institute of Technology), Kharagpur.

Mandeep Sodhi, Vice President Sales

Mr. Mandeep Sodhi joined R Systems Inc in April 1993 and has provided significant contribution to the success and growth of R Systems Inc. Prior to joining R Systems Inc, Mr. Sodhi worked for Sark Synertek in India and was responsible for international sales. Mr. Sodhi holds a bachelor's degree in Electronics Engineering and Masters in Business Administration. Mr. Sodhi is related to Mr. Satinder Singh Rekhi.

Vinay Behl, Senior Manager - Finance & Accounting

Mr. Vinay NS Behl joined R Systems Inc in November 1997 and has worked in our India, Singapore and US offices. With over 11 years accounting experience he is responsible for all US operations accounting/finance functions and coordination with overseas offices. Mr. Behl has a Bachelors Degree in Accounting, an Intermediate Degree in Chartered Accounting, and a Masters Post Graduate Diploma in financial management and is currently pursuing his MBA in Auditing and Finance from University of California, Davis in 2006. He is also a CPA and a member of the American Institute of Certified Public Accountants and Institute of Internal Auditors. Mr. Behl is related to Mr. Satinder Singh Rekhi.

Rajiv Donde, Director of Client Services

Mr. Rajiv Donde joined R Systems Inc as Director of Client Services in March 2005. Rajiv Donde has over 15 years of software product development experience as well as team and executive leadership. His industry experience includes Health care, financial institutions, On-line Services, Risk Management and Product Design. He was also the co founder of AnyTime Access, an e-commerce company and has been a public speaker in Banking and Technology. Mr. Donde has both a Bachelors and a Masters degree in Economics and also holds a degree in Masters of Business Administration with major in finance and MIS.

Vikas Gupta, IT Director

Mr. Vikas Gupta holds the position of IT Director and has been with R Systems Inc since June 1994. Through his leadership, the IT staff has developed many projects including the content management module of commerce platform for a multi-store environment and a community portal which establishes connection between artists and audience. Mr. Gupta holds a Bachelors of Science in Electrical Engineering in which he graduated with honors.

Ashok Bhatia, Director of Sales- Government Solutions

Mr. Ashok Bhatia joined R Systems Inc as Director of Sales in December 2000 and has 16 years experience in IT Industry. Mr. Bhatia manages a team of sale professionals to generate consulting and project sales for our government division. Prior to joining R Systems, Mr. Bhatia worked as Vice President-Marketing, for Act, Inc. where he was responsible for sales marketing and operations of the company. He also served in various sales management capacities for companies in India from 1994-1998. Mr. Bhatia has a Bachelor of Science Degree.

As on date all these persons are on the rolls of R Systems Inc.

ECNET

Lee Boon Shim, Vice President, Engineering & Chief Architect

As ECnet's Director of Engineering and Chief Architect, Lee Boon Shim, is responsible for defining its product roadmap and strategy and overseeing the implementation of the company's solution architecture. Mr. Lee acquired a professional qualification (Honors Degree equivalent) from the British Computer Society in Information Management and System Analysis in 1994. He graduated from the Singapore Polytechnic with a Diploma in Production Engineering in 1983.

Lu Kok Wah (Daniel Lu), Senior Vice President, Sales

Daniel Lu gained broad experience and deep insight into the IT solutions and electronics industry while serving for 17 years in various senior management positions in Asia and the United States. As ECnet's Vice President for Sales, Mr. Lu's task is to spearhead the growth and business development for Asia. A Malaysian by citizenship, Mr. Lu graduated with an honors degree in Applied Science in Mechanical Engineering from the University of Windsor in Canada in 1986.

Tan Cant Wee (Alan Tan), Senior Manager, Finance and Admin

Mr. Alan Tan brings more than 10 years of finance and accounting experience to ECnet. As ECnet's finance and administration manager Alan Tan's role is to oversee cash management, planning, budgetary control, finance management and other treasury related-matters for the ECnet group. In addition, Mr. Tan's responsibilities also include the daily administrative functions and all staff related issues such as staff welfare, payroll and policy review. Prior to joining ECnet Mr. Tan was financial advisor to Long Life Driving Centre wherein he helped the company to reorganize the accounting processes to improve its efficiency the boost productivity. Mr. Tan also worked at Milling Systems and Concepts Pte Ltd. As its Finance Manager, where, apart from the daily finance operations, he was also involved in analyzing potential acquisition and joint venture projects. Mr. Tan's work experience also includes stints at Raintree Pictures Pte Ltd. And Chua Soo Chiew & Co. Mr. Tan graduated with a Bachelor of Commerce from the University of Western Australia in 1996 and has been a certified public accountant since 1997.

Gurjinder Singh, Sales Director

Mr. Gurjinder Singh has a B.A. in English from Delhi University and also holds a Post Graduate Diploma in Business Management from Symbiosis, Pune, a Diploma in Software Exports from NIIT and is also a Young Professional Programme Graduate from IIM, Calcutta. He brings with him over 11 years of extensive sales and marketing experience in the areas of IT and BPO for international markets. As Sales Director, Mr. Singh is responsible for growing the business for both IT and Supply Chain Management services in the high -tech, manufacturing and public sector verticals. His key thrust is to focus on acquiring new customers and building an identity for ECnet in the Asia - Pacific region.

Mr. Singh has previously worked in elite IT organizations such as NIIT, DSQ Software, Compudyne Winfosystems Limited and Birlasoft. In his course of work Mr. Singh has won several awards such as the "Business Excellence Award" from XIM, Bhubhaneshwar; the "Young Entrepreneurial Manager Award" from ABS, Noida; "Best Performer Award" from NIIT and he is also a green and black belt trained six sigma consultant with hands on training in IT Project Management.

Jeremy Chew, Director, Professional Services

As ECnet's Director of Professional Services, Mr. Jeremy Chew's core responsibilities include the management of Professional Services' Asia operations as well as the growth and development of the consultants.

Prior to joining ECnet, Mr. Chew was the Chief Technology Officer for YCH Group, a leading provider of supply chain management solutions, where he was involved in mapping the supply chain solutions. Mr. Chew's 22 years of working experience in the manufacturing, logistics and consulting areas include stints at Oracle Consulting and Sun Microsystems where he consulted clients such as Dell, Compaq, Shell, Danone, CIBA and Roche.

Mr. Chew graduated with a degree in Business Administration from the RMIT University and has a Diploma in Mechanical Engineering.

As on date, all these persons are on the rolls of ECnet.

SHAREHOLDING OF THE KEY MANAGERIAL EMPLOYEES

The following table details the shareholding of our key managerial employees, as at the date of this Prospectus:

Name	Number of Equity Shares	Percentage of shareholding
Lt Gen Baldev Singh (Retd)	78,808	0.74
Mr. O'Neil Nalavadi & Meera Nalavadi	280,000	2.61
Mr. Satinder Singh Rekhi	90,600	0.85
Mr. Ashok Jagtap	5,590	0.05
Mr. Thiru Dorai	15,200	0.14
Mr. Tarun Mathur	11,400	0.11
Mr. Shankar Seetharaman	4,920	0.05
Mr. Nand Sardana	10,160	0.09
Mr. Vikas Gupta	22,800	0.21
Mr. Mandeep Singh Sodhi	68,760	0.64
Mr. N K Garg	6,080	0.06
Mr. Avirag Jain	34,000	0.32
Mr. Siddharth Dubey	4,100	0.04
Mr. Mukesh Bindal	2,360	0.02
Mr. Lee Boom Shim	12,800	0.12
Mr. Vinay NS Behl	2,000	0.02

BONUS OR PROFIT SHARING PLAN FOR OUR KEY MANAGERIAL EMPLOYEES

There is no bonus or profit sharing plan for our key managerial employees.

CHANGES IN THE KEY MANAGERIAL PERSONNEL

Following are the changes in our key managerial personnel in the last three years (other than superannuation) up to the date of filing this Prospectus:

Name of the Employee	Last Designation	Date of Joining	Date of Leaving	Reason for change
Mr. Sarvi Dhaliwal	Vice President, Sales	May 1, 1993	April 22, 2005	To pursue other opportunities
Mr. Ralph Kenney	Chief Operations Officer	October 5, 1998	January 16, 2004	Re-organisation of USA operations
Mr. Peter See Kwee Tong	President - Supply Chain Solutions (ECnet)	May 8, 2000	December 31, 2005	Consolidation of position in R Systems products business
Mr. Subir Kumar Dikshit	Director	September 20, 2000	April 30, 2004	Re-organisation of Singapore operations
Mr. Daniel Loh Hong Chye	VP, Business Development & Mktg.	September 25, 2000	October 9, 2004	To pursue other opportunities
Mr. R. Manickavasagam	Senior Vice President and Head of Chennai Operations	December 20, 2000	May 31, 2005	To pursue other opportunities

PAYMENT OR BENEFIT TO OFFICERS OF OUR COMPANY

Provident Fund

All our employees are members of the Employees provident Fund and are covered from their first day of employment.

In case an employee leaves the services of the Company to join any other organization in India, the Provident Fund amount to his credit will be transferred to his new account, whether it is a Provident Fund Trust or with the Provident Fund Commissioner.

Gratuity

All employees who are covered under the Payment of Gratuity Act, 1972 are paid gratuity in accordance with the provisions of the enactment.

Employees who have worked with us for a continuous period of five (5) years are paid gratuity as per the provisions of the Payment of Gratuity Act, 1972.

The amount of gratuity payable is fifteen (15) days basic salary for every completed year of service by the employee in the organization.

Personal Accident Insurance Policy

All our employees are covered under a "Group Accident Insurance Policy".

Leave Travel Allowance

All confirmed employees who have completed one year of continuous service with us are entitled to leave travel allowance.

Leave Travel Allowance is paid to all eligible employees as part of their annual compensation package.

Maternity Leave

All female employees who have worked for eighty (80) days in the company in the preceding twelve (12) months are entitled to maternity leave for a period of twelve (12) weeks i.e. six (6) weeks prior to the expected date of delivery and six (6) weeks following the delivery day, in accordance with the provisions of the Maternity Benefit Act, 1961.

OUR PROMOTERS

INDIVIDUALS

The requisite details of our individual promoters have been set out in the table below.

Mr. Satinder Singh Rekhi

A complete profile of Mr. Satinder Singh Rekhi is set out at page no. 93 of this Prospectus.

Pan No. : AEWPR5412H
Driving License No.: A1167996
Voter ID No: N/A
Passport No: 017367176
Bank Account No.: NRO 0993000600186699 INR, Punjab National Bank at Branch Office at Greater Kailash - I, New Delhi

Mrs. Harpreet Rekhi

Pan No. : N/A
Driving License No.: N/A
Voter ID No: N/A
Passport No: 056220157
Bank Account No.: NRO 0993000600186699 INR, Punjab National Bank at Branch Office at Greater Kailash - I, New Delhi

We confirm that the above mentioned Permanent Account Number, Bank Account Number and Passport Number of the above Promoters has been submitted to the NSE and BSE at the time of filing the Red Herring Prospectus.

OUR CORPORATE AND OTHER PROMOTERS

RightMatch Holdings Ltd.

RightMatch Holdings Ltd. ("RightMatch") was incorporated as a private limited company in Port Louis, Mauritius on April 10, 2000 with an authorised capital of USD 100,000.

The details of the bank account of RightMatch are as follows - Bank Account No.: Account No. 080-052285-020, HSBC (OBU), 5th Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius.

Financial Information

The following table sets forth, for the periods indicated, a summary of the consolidated financial performance of RightMatch Holdings. These figures are prepared under International Financial Reporting Standards as required under Mauritian Law.

(Rs. In Mn)

Particulars	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Income	-	-	-	-
Expenditure	0.36	0.27	0.28	0.29
Profit/(Loss) before tax	(0.36)	(0.27)	(0.28)	(0.29)
Profit/(Loss) after tax	(0.36)	(0.27)	(0.28)	(0.29)
Share Capital	0.26	0.26	0.26	0.26
Reserve	51.01	49.71	57.59	(0.98)
Average Rate*	44.12	45.34	46.66	48.68
Closing Rate*	45.20	43.73	45.60	48.04
Rate for conversion of Share Capital*	48.04	48.04	48.04	48.04

* These rates have been taken from Oanda.com

(USD in mn)

Particulars	Fiscal 2005	Fiscal 2004	Fiscal 2003	Fiscal 2002
Income	-	-	-	-
Expenditure	0.01	0.01	0.01	0.01
Profit/(Loss) before tax	(0.01)	(0.01)	(0.01)	(0.01)
Profit/(Loss) after tax	(0.01)	(0.01)	(0.01)	(0.01)
Share Capital	0.01	0.01	0.01	0.01
Reserve	1.13	1.14	1.26	(0.02)
Face Value per Share (USD)	1	1	1	1
Book Value per Share (USD)	206.20	207.69	230.61	(2.72)
EPS (USD)	(1.49)	(1.10)	(1.09)	(1.09)

Satinder and Harpreet Rekhi Family Trust

The Satinder and Harpreet Rekhi Family Trust was established vide a revocable trust agreement entered into on August 22, 1997. Under this agreement the settlors of the trust are Mr. Satinder Singh Rekhi and Mrs. Harpreet Rekhi. Mr. Satinder Singh Rekhi and Mrs. Harpreet Rekhi are the trustees of the trust. The trust is to be administered in accordance with the laws of the State of CA.

The trust has been established for the primary benefit of the settlors and their children and comprises of 1,921,718 shares of our Company.

The trust may be revoked by the settlors at any time during their joint lifetimes with respect to the community property or the separate property by an instrument in writing and signed by the settlor who had contributed that property to the trust. On such revocation, the trustee is required to deliver all designated portions of the community and, or separate property to the contributing settlor. This power to revoke the trust is personal to the settlors.

On the death of one of the settlors, the trustee is required to divide the balance trust estate into three separate trusts - the Survivor's Trust, the Marital Trust, and the Exemption Trust.

The Survivor's Trust is stated to be funded with that portion of the trust estate which consists of the surviving settlor's community and separate property. The surviving settlor has been given the power to revoke or amend the Survivor's Trust, by a written notice thereof, but not in a manner that substantially increases the duties and liabilities of the trustee or changes the trustee's compensation.

Upon the surviving settlor's death the trustee is required to distribute the balance principal and undistributed accrued income to the persons appointed by the surviving settlor vide a written instrument filed with the trustee. To the extent that is not disposed by the exercise of this power of appointment, the balance is required to be added to the exemption trust.

The Marital Trust is stated to comprise the minimum dollar amount that is necessary as a marital deduction in order to eliminate or reduce any federal estate and generation skipping transfer tax at the deceased settlor's death.

Upon the surviving settlor's death the trustee is required to distribute undistributed accrued income to the surviving settlor's estate. The balance principal is required to be added to the exemption trust.

The exemption trust is stated to be funded with - (i) the deceased settlor's share of community and separate property not allocated to the marital trust, and (ii) any part of the Survivor Trust and Marital Trust added to the exemption trust.

Upon the surviving settlor's death, the trustee is required to divide the balance remaining in the exemption trust as many separate equal shares as there are - (i) children then living and (ii) children then deceased leaving issue then living.

Where such living child is Sartaj Singh Rekhi and he is at the time under the age of 26 years the trustee is required to administer his share as a separate trust known as the Sartaj Singh Rekhi Trust.

This trust shall terminate on final distribution (balance principal and accrued undistributed income) of the trust which is stated to have happened on the twenty sixth birthday of Sartaj Singh Rekhi, unless it is terminated sooner owing to Sartaj Singh Rekhi's death prior to receiving such final distribution of the trust. In such event the entire principal balance in the trust along with all accrued undistributed income shall be distributed to Sartaj Singh Rekhi's then living issue or if there are no such issues then to the Settlors' then living issue.

Where such living child is Ramneet Singh Rekhi and he is at the time under the age of 24 years the trustee is required to administer his share as a separate trust known as the Ramneet Singh Rekhi Trust.

The trust shall terminate on final distribution (balance principal and accrued undistributed income) of the trust which is stated to happened on the twenty fourth birthday of Ramneet Singh Rekhi, unless it is terminated sooner owing to Sartaj Singh Rekhi's death prior to receiving such final distribution of the trust. In such event the entire principal balance in the trust along with all accrued undistributed income shall be distributed to Ramneet Singh Rekhi's then living issue or if there are no such issues then to the Settlors' then living issue

The bank account details of the Satinder and Harpreet Rekhi Family Trust are as follows - Bank Account No. 0822111125, Bank of America, Campus Commons, 9 Park Centre Dr, Sacramento CA, USA

We confirm that the documents in relation to the company registration numbers and the addresses of the jurisdictional Registrar of Companies of the above companies/trusts have been submitted to NSE and BSE at the time of filing the Red Herring Prospectus with them.

COMMON PURSUITS

The Promoters of our Company do not have any common pursuits with other companies.

PAYMENT OF BENEFITS TO THE PROMOTERS FOR THE PAST 2 YEARS

No amount or benefit has been paid or given to the Promoters since the incorporation of the Company nor is intended to be paid or given to any Promoter of the Company except their normal remuneration and /or reimbursement for services as Directors of the Company or otherwise in accordance with law.

INTEREST OF PROMOTERS

Two of our promoters - Mr. Satinder Singh Rekhi and Mrs. Harpreet Rekhi have let out commercial premises to our US Subsidiary R Systems Inc. For the details of the terms of the lease, please refer to the section titled "Business Overview" beginning on page no. 47 of this Prospectus.

RELATED PARTY TRANSACTIONS

For related party transactions, please refer to the section titled 'Financial Statements' on page no. 113 of this Prospectus.

CURRENCY OF PRESENTATION

In this Prospectus, all references to "Rupees" and "Rs." are to the official currency of India, all references to USD are to the official currency of the United States Dollars, all references to "S$" are to the official currency of Singapore.

In this Prospectus, Foreign Currency amounts have been translated into Rupees for each period and presented solely to comply with the requirements of the DIP Guidelines. Investors are advised to not rely on such translated amounts. The translations should not be considered as a representation that such Foreign Currency amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated elsewhere in this Prospectus, or at all. The following table sets forth, for each period indicated, information concerning the number of Rupees for which each Foreign Currency could be exchanged. The currency conversion rates are taken from December 31, 2000 till December 31,2005.

Currency	December 31, 2000	December 31, 2001	December 31, 2002	December 31, 2003	December 31, 2004	December 31, 2005
USD Average	44.95	47.23	48.68	46.66	45.34	44.12
SGD Average	26.08	26.37	27.20	26.79	26.83	26.52
USD Closing	46.69	48.34	48.04	45.60	43.73	45.20
SGD Closing	26.94	26.13	27.70	26.77	26.71	27.14

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

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. We have not paid any dividend to our shareholders since incorporation.

FINANCIAL STATEMENTS

SELECTED CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report

To,

Board of Directors
R System International Limited
B-104A Greater Kailash
New Delhi - 110048

1. We have examined the attached Consolidated Balance Sheet of R Systems International Limited (the Company) and its subsidiaries (as per the list appearing at Note 2 under Schedule 19 to the consolidated financial statements) as at December 31, 2005, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year then ended, prepared in accordance with accounting principles generally accepted in India. The comparative information included in the attached consolidated financial statements is extracted from consolidated financial statements examined by us for the years ended December 31, 2004 and December 31, 2003 on which we issued our opinion on March 31, 2005 and March 26, 2004 respectively and, in relation to Consolidated Cash Flow Statement, Segmental Information (under note 3 of Schedule 19) and Related Party Disclosures (under note 4 of Schedule 19) for the year ended December 31, 2003, on which we issued certificates on January 30, 2006. We have not performed any additional procedures in relation to the comparative information.

2. These financial statements are the responsibility of R Systems International Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of the Company's subsidiaries, whose financial statements reflect:

   (i) in relation to R Systems Inc., US subsidiary, total assets (net) of Rs.174,007,077 (US$3,850,140) as at December 31, 2005 and revenues of Rs.757,642,714 (US $17,172,319) for the year then ended.

   (ii) in relation to the R System (Singapore) Pte Ltd., Singapore subsidiary, total assets (net) of Rs.98,349,517 (US $ 2,176,115) as at December 31, 2005 and revenues of Rs.16,506,792 (US $ 374,134) for the year then ended.

   (iii) in relation to Indus Software Inc., US subsidiary, total liabilities (net) of Rs.19,191,856 (US$434,254) as at December 31, 2005 and revenues of Rs. 49,731,579 (US $ 1,127,189) for the year then ended.

   (iv) in relation to EC Net Limited, total liabilities (net) of Rs.25,648,798 (Sing $ 945,097) as at December 31, 2005 and revenues of Rs.122,469,904 (Sing $ 4,618,752) for the year then ended.

4. These financial statements of Company's subsidiaries have been audited by other auditors who have submitted their audit opinions, prepared under generally accepted auditing standards of their respective countries, to the shareholders of the respective countries, copies of which have been provided to us by the Company. Our opinion thus, insofar it relates to amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors and figures certified by the management.

5. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of R Systems International Limited and its subsidiaries included in the consolidated financial statements.

6. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on the individual audited financial statements of R Systems International Limited and its aforesaid subsidiaries, we are of the opinion that:

   (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of R Systems International Limited and its subsidiaries a at December 31, 2005;

(b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of R Systems International Limited and its subsidiaries for the year then ended and

(c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of R Systems International Limited and its subsidiaries for the year then ended.

7. This report is intended solely for your information and for inclusion in the Red Herring Prospectus in connection with the Initial Public Offering and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S. R. Batliboi & Associates
Chartered Accountants

Sd/-

per Pankaj Chadha
Partner
Membership No. 91813

Place: New Delhi
Date: March 10, 2006

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Consolidated Balance Sheet as at December 31, 2005

	Schedules	**As at December 31, 2005 Rs.**	As at December 31, 2004 Rs.	As at December 31, 2003 Rs.
SOURCES OF FUNDS				
Shareholders' funds				
Share capital	1	**51,391,886**	51,371,530	51,371,530
Share application money pending allotment		**1,598,100**	-	-
Reserve and surplus	2	**560,175,285**	458,636,089	469,861,871
		613,165,271	510,007,619	521,233,401
Minority interest	3	**-**	-	-
Loan funds				
Secured loans	4	**101,330,290**	125,865,458	59,704,737
Deferred payments liability (refer note 10(a) under Schedule 19)		**-**	21,372,513	-
TOTAL		**714,495,561**	657,245,590	580,938,138
APPLICATION OF FUNDS				
Fixed assets	5			
Gross block		**462,720,909**	439,632,049	295,176,366
Less : Accumulated depreciation / amortisation		**235,155,904**	183,701,820	102,431,900
Net block		**227,565,005**	255,930,229	192,744,466
Capital work-in-progress including capital advances		**54,517,277**	26,144,930	18,142,472
		282,082,282	282,075,159	210,886,938
Investments	6	**1,645,376**	1,592,852	1,659,897
Deferred tax assets (net)	7	**22,036,866**	30,280,652	34,584,236
Current assets, loans and advances				
Sundry debtors	8	**418,807,643**	345,165,358	270,075,610
Cash and bank balances	9	**115,277,949**	96,629,581	121,368,252
Other current assets	10	**66,662,694**	63,852,967	91,736,121
Loans and advances	11	**49,561,250**	38,513,837	41,429,972
Less : Current liabilities and provisions				
Current liabilities	12	**198,645,255**	171,374,786	163,515,503
Provisions	13	**42,933,244**	29,490,030	31,566,131
Net current assets		**408,731,037**	343,296,927	329,528,321
Miscellaneous expenditure (to the extent not written off or adjusted)	14	**-**	-	4,278,746
TOTAL		**714,495,561**	657,245,590	580,938,138
Notes to accounts	19			

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S.R.Batliboi & Associates
Chartered Accountants

sd/-
per Pankaj Chadha
Partner
Membership No. 91813

New Delhi
Date: March 10, 2006

For and on behalf of the Board of Directors of R Systems International Limited

sd/-
Satinder Singh Rekhi
[Managing Director]

sd/-
Lt. Gen. Baldev Singh (Retd)
[Senior Executive Director]

sd/-
Nand Sardana
[Vice President Finance)
& Company Secretary]

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Profit and Loss Account for the year ended December 31, 2005

	Schedules	For the year ended December 31, 2005 Rs.	For the year ended December 31, 2004 Rs.	For the year ended December 31, 2003 Rs.
INCOME				
Sale of software products and rendering software development services		**1,573,778,868**	1,323,455,650	1,224,665,286
Amortisation of government grant received (refer note 10(b) under Schedule 19)		**712,268**	715,476	-
Other income	15	**7,742,816**	3,256,659	2,266,186
Total		**1,582,233,952**	1,327,427,785	1,226,931,472
EXPENDITURE				
Personnel expenses	16	**932,475,919**	821,587,004	766,130,154
Operating and other expenses	17	**448,223,337**	438,919,811	405,739,612
Depreciation /amortisation	5	**48,924,178**	48,218,244	63,975,807
Finance expenses	18	**8,422,630**	11,784,366	2,160,190
Exceptional item (refer note 13 under Schedule 19)		**-**	-	22,630,294
Profit / (Loss) before tax and minority interest		**144,187,888**	6,918,360	(33,704,585)
Current tax (net of excess provision amounting to Rs. 181,145, Rs. Nil and Rs. 25,566,064 for years ended December 31, 2005, December 31, 2004 and December 31, 2003 respectively.)		**7,397,477**	2,472,921	(5,619,608)
Deferred tax (net of prior period item of Rs. 2,380,094 , Rs. Nil , Rs. Nil for years ended December 31, 2005, December 31, 2004 and December 31, 2003 respectively.)		**9,379,542**	2,304,394	8,607,112
Fringe benefit tax		**2,641,190**	-	-
Total tax expense		**19,418,209**	4,777,315	2,987,504
Share of losses of ECnet Ltd relating to minority shareholders		**-**	149,585	-
Net Profit/(Loss)		**124,769,679**	2,290,630	(36,692,089)
Surplus brought forward from previous year		**2,369,048**	78,418	55,905,127
Less: Foreign currency translation differences (also refer note 12 under Schedule 19)		**-**	-	15,287,807
Less : Deferred tax liabilities as on January 1, 2003 (refer note 1(b) under Schedule 19)		**-**	-	3,846,813
Balance carried forward to Balance Sheet		**127,138,727**	2,369,048	78,418

	Schedules	**For the year ended December 31, 2005 Rs.**	For the year ended December 31, 2004 Rs.	For the year ended December 31, 2003 Rs.
Earnings per share (refer note 14 under Schedule 19)				
Basic [Nominal value of shares Rs. 2 (Rs 2 and Rs 2 for the years ended December 31, 2004 and December 31, 2003 respectively)]		**4.82**	0.09	(1.36)
Diluted [Nominal value of shares Rs. 2 (Rs 2 and Rs 2 for the years ended December 31, 2004 and December 31, 2003 respectively)]		**4.72**	0.08	(1.34)
Notes to accounts	19			

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For S.R.Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors of R Systems International Limited

sd/-
per Pankaj Chadha
Partner
Membership No. 91813

sd/-
Satinder Singh Rekhi
[Managing Director]

sd/-
Lt. Gen. Baldev Singh (Retd)
[Senior Executive Director]

sd/-
Nand Sardana
[Vice President Finance)
& Company Secretary]

New Delhi
Date: March 10, 2006

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

Balance Sheet and Profit and Loss Account

Cash Flow Statement for the year ended December 31, 2005

	For the year ended December 31, 2005	For the year ended December 31, 2004	For the year ended December 31, 2003
A. Cash flow from / (used in) operating activities			
Net profit / (loss) before taxation	**144,187,869**	6,918,360	(33,704,585)
Adjustments for:			
Depreciation / amortization	**48,924,178**	48,521,678	63,975,807
Amortisation of government grant	**(712,268)**	(715,476)	-
Miscellaneous expenditure written off	**-**	4,251,319	3,071,592
Debts and advances provided / written off	**23,291,004**	12,580,917	12,798,344
Loss on sale of fixed assets	**807,113**	2,071,554	1,725,533
Unrealised foreign exchange loss / (gain)	**(4,787,364)**	(2,350,847)	(902,560)
Interest income	**(1,416,984)**	(1,398,471)	(1,927,063)
Excess provisions written back (including provision for doubtful debts)	**(2,072,730)**	(294,291)	(252,981)
Interest expense	**6,597,353**	9,543,190	1,133,343
Operating profit before working capital changes	**214,818,171**	79,127,933	45,917,430
Movements in working capital :			
Decrease / (Increase) in sundry debtors	**(64,089,638)**	(53,870,371)	(8,446,924)
Decrease / (Increase) in other current assets	**(616,002)**	30,923,563	(27,497,460)
Decrease / (Increase) in loans and advances	**(33,493,819)**	(29,173,380)	(1,600,878)
Increase / (Decrease) in provisions	**3,823,217**	(41,206,919)	(7,527,695)
Increase / (Decrease) in current liabilities	**(7,088,852)**	21,221,207	(35,130,990)
Cash generated from/(used in) operations	**113,353,077**	7,022,033	(34,286,517)
Direct taxes(paid)/ refund net	**(4,992,569)**	2,572,741	2,761,518
Interest on income-tax refund	**(394,148)**	218,720	366,893
Net cash from/(used in) operating activities	**107,966,360**	9,813,494	(31,158,106)
B. Cash flows used in investing activities			
Purchase of fixed assets	**(68,020,711)**	(91,360,160)	(67,163,079)
Proceeds from sale of fixed assets	**121,177**	2,723,317	1,961,866
Additions in miscellaneous expenditure	**-**	-	(4,671,865)
Cash inflow on acquisition of subsidiary	**-**	6,732,544	-
Interest received	**1,390,306**	1,179,751	1,808,835
Net cash used in investing activities	**(66,509,228)**	(80,724,548)	(68,064,243)

	For the year ended December 31, 2005	For the year ended December 31, 2004	For the year ended December 31, 2003
C. Cash flows from/(used in) financing activities			
Proceeds from borrowings	**20,663,849**	535,567,746	315,312,452
Proceeds from issue of equity shares, including share application money pending allotment	**1,764,574**	-	-
Share issue expenses	**(2,390,943)**	-	-
Repayment of borrowings	**(45,645,837)**	(477,817,332)	(247,970,203)
Interest paid	**(6,597,353)**	(9,649,208)	(1,027,343)
Net cash from / (used in) financing activities	**(32,205,710)**	48,101,206	66,314,906
Net increase in cash and cash equivalents (A + B + C)	**9,251,422**	(22,809,848)	(32,907,443)
Cash and cash equivalents at the beginning of the year	**103,273,407**	126,083,255	158,990,698
Cash and cash equivalents at the end of the year	**112,524,829**	103,273,407	126,083,255

Components of cash and cash equivalents as at	**December 31, 2005**	December 31, 2004	December 31,2003
Cash and cheques on hand	**148,611**	464,800	126,134
Balances with scheduled banks			
on current accounts	**7,904,760**	9,568,591	5,144,579
on EEFC accounts	**4,959,507**	2,241,103	1,130,365
on deposit accounts	**16,011,748**	1,776,976	18,291,007
Balances with other banks			
on current accounts	**32,328,384**	31,137,882	16,428,539
on deposit accounts	**53,924,939**	51,440,229	80,247,628
	115,277,949	96,629,581	121,368,252
Unrealised loss/ (gain) on foreign currency cash and cash equivalents	**(2,753,120)**	6,643,826	4,715,003
Net cash and cash equivalents	**112,524,829**	103,273,407	126,083,255

As per our report of even date

For S.R.Batliboi & Associates
Chartered Accountants

sd/-

per Pankaj Chadha
Partner
Membership No. 91813

For and on behalf of the Board of Directors of R Systems International Limited

sd/-

Satinder Singh Rekhi
[Managing Director]

sd/-

Lt. Gen. Baldev Singh (Retd)
[Senior Executive Director]

sd/-

Nand Sardana
[Vice President Finance)
& Company Secretary]

New Delhi
Date: March 10, 2006

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2005 Rs.	As at December 31, 2004 Rs.	As at December 31, 2003 Rs.
Schedule 1: Share capital			
Authorised			
50,000,000 (50,000,000 and 50,000,000 at the years ended December 31, 2004 and December 31, 2003 respectively) equity shares of Rs. 2 each	**100,000,000**	100,000,000	100,000,000
Issued, subscribed and paid up capital			
26,890,087 (26,890,087 and 26,890,087 at the years ended December 31, 2004 and December 31, 2003 respectively) equity shares of Rs. 2 each fully paid-up	**53,780,174**	53,780,174	53,780,174
Less: Equity shares buy-back			
997,500 (997,500 and Nil at the years ended December 31, 2004 and December 31, 2003 respectively) equity shares of Rs. 2 each fully paid-up	**1,995,000**	1,995,000	-
Less: Advance to Indus Software Employees Welfare Trust (also refer note 11 (b) under Schedule 19)	**393,288**	413,644	413,644
Less: Advance to R Systems Employees Stock Option Trust (also refer note 3 below)	**-**	-	1,995,000
	51,391,886	51,371,530	51,371,530

Notes:

1) Pursuant to the shareholders' agreement dated February 16, 2002, the Company had agreed to issue warrants to its two strategic shareholders. The number of warrants to be issued were to be determined based on the proportionate new revenues to the Group by these shareholders over an agreed period, subject to the maximum of 7.5% of equity stake each in the Company's then diluted share capital (including shares issued / to be issued under an ESOP or any instruments convertible into equity shares). Such warrants, were to be issued, at zero cost and consideration for exercise of warrants, to the extent eligible, was to be paid at the time of exercise of the warrants at the par value of Company's shares, subject to the minimum pricing guidelines of the Reserve Bank of India prevailing on the exercise date. These warrants were convertible into equity shares of the Company. Subsequent to the year ended December 31, 2005, the company has issued 495,667 warrants to the shareholders, which have been converted into 495,667 shares upon exercise of option by these shareholders.

2) Out of issued, subscribed and paid up capital, 23,213,233 equity shares of Rs. 2 each (23,213,233 and 23,213,233 equity shares as at years ended December 31, 2004 and December 31, 2003 respectively) were issued for consideration other than cash. (See also note 9 under Schedule 19).

3) The Company had earlier advanced Rs.115,131,450 to R Systems Employee Stock Option Trust, and allotted 997,500 equity shares at the rate of Rs.115.42. During the year ended December 31, 2004, the Company bought back these shares at the rate of Rs 115.42 per equity share.

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2005 Rs.	As at December 31, 2004 Rs.	As at December 31, 2003 Rs.
Schedule 2: Reserves and surplus			
Securties premium account			
Balance as per last account	**468,310,600**	581,447,050	581,447,050
Less: Utilised for buy back of equity shares	**-**	113,136,450	-
Less: Utilised for written off of goodwill arised on amalgamation of EC net Limited. (also refer note 10(a) under Schedule 19)	**24,495,721**		
Less: Utilised for share issue expenses	**8,278,872**	-	-
	435,536,007	468,310,600	581,447,050
Less: Advance to Indus Software Employees Welfare Trust (also refer note 11 (b) under Schedule 19)	**2,837,030**	2,969,147	2,969,147
Less: Advance to R Systems Employees Stock Option Trust (also refer note 3 under Schedule 1)	**-**	-	113,147,450
	432,698,977	465,341,453	465,330,453
Capital reserve	**31,726**	31,726	31,726
Balance in Profit and Loss account	**127,138,727**	2,369,048	78,418
Government grant (also refer note 10(b) under schedule 19)			
Balance as per last account/at the time of acquisition	**712,268**	1,427,744	-
Less: Amortised during the year	**712,288**	715,476	-
Balance at the end of the year	**-**	712,268	-
Balance as per last account	**(9,818,406)**	4,421,274	-
Foreign currency translation differences relating to earlier years- transferred from profit and loss account (also refer note 12 under Schedule 19)	**-**	-	15,287,807
Less: Current year translation differences (also refer note 12 under Schedule 19 and note 1 below)	**10,124,261**	(14,239,680)	(10,866,533)
	305,855	(9,818,406)	4,421,274
Total	**560,175,285**	458,636,089	469,861,871

Note:

Net of Rs. 888,362 representing currency translation adjustment arising due to change in reporting currency from Singapore $ to US $ by R Systems Singapore Pte Ltd. during year ended 2004.

Schedule 3: Minority interest			
Minority interest in ECnet Limited at the time of acquisition	**149,585**	149,585	-
Less: Minority interest in post acquisition losses to the extent allocable	**149,585**	149,585	-
	-	-	-

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2005 Rs.	As at December 31, 2004 Rs.	As at December 31, 2003 Rs.
Schedule 4: Secured loans			
Loan from banks			
Cash credit facilities (Secured by first charge over current assets and collateral charge over the immovable property and fixed assets)	**43,915,477**	76,057,790	35,834,058
Working capital loan (Secured by substantially all of the assets of a US subsidiary, R Systems Inc.)	**17,698,515**	2,724,104	22,773,855
For motor vehicles (Secured by hypothecation of underlying motor vehicles)	**6,336,939**	6,737,634	1,051,499
Term loan (Secured by first charge over the immovable property, fixed assets and current assets)	**33,379,359**	40,345,930	-
Other loans - motor vehicles (Secured by hypothecation of underlying motor vehicles)	-	-	45,325
	101,330,290	125,865,458	59,704,737

Note:

In case of term loan facilities- the amount repayable within 1 year is Rs 14,974,382 (Rs. 12,198,820 and Rs. Nil as at years ended December 31, 2004 and December 31, 2003 respectively).

In case of motor vehicle loans, amount repayable within one year is Rs. 2,225,354 (Rs.1,921,413 and Rs 394,967 as at years ended December 31, 2004 and December 31, 2003 respectively).

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)
BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

Schedule 5: Fixed assets

	Land - freehold	Land- leasehold	Building- freehold	Building- lease- hold (1)	Computers	Office and electrical equipment	Furniture and fittings	Vehicle (2)	Software	Prduct development cost	Right to provide services	Goodwill	Total	As at December 31, 2004(6)	As at December 31, 2003
Gross block															
As at January 1, 2005	4,765,674	10,005,968	31,767,889	47,437,240	153,969,962	38,104,004	32,749,551	19,433,689	67,280,308	4,057,182	5,564,861	24,495,721	439,632,049	295,176,366	244,867,989
Acquisiton of EC net (Refer note 10 (c) of Schedule 19)	-	-	-	-	-	-	-	-	-	-	-	-	-	204,081,009	-
Additions	-	-	123,264	860,883	29,335,639	2,275,528	2,530,346	6,232,329	5,646,999	-	-	-	47,004,988	107,990,043	82,130,874
Deductions/adjustments	-	-	276,571	(471,058)	(1,423,210)	13,581	(125,292)	2,215,719	(879,475)	-	(186,429)	24,495,721	23,916,128	167,615,369	31,822,497
At December 31, 2005	**4,765,674**	**10,005,968**	**31,614,582**	**48,769,181**	**184,728,811**	**40,365,951**	**35,405,189**	**23,450,299**	**73,806,782**	**4,057,182**	**5,751,290**	**-**	**462,720,909**	439,632,049	295,176,366
Depreciation/ amortisation															
As at January 1, 2005	-	120,554	2,018,526	13,711,538	77,513,452	12,934,610	14,226,069	6,308,592	54,358,710	422,623	2,087,146	-	183,701,820	102,431,900	65,754,269
Acquisiton of EC net	-	-	-	-	-	-	-	-	-	-	-	-	-	195,978,572	-
(Refer note 10 (c) of Schedule 19)															
For the year	-	163,097	637,475	1,380,132	24,556,683	2,640,184	2,837,441	2,406,883	10,480,652	1,014,300	2,807,331	-	48,924,178	48,521,585	63,975,807
Deletions/adjustments	-	-	119,503	(423,553)	(1,327,471)	(162,705)	(187,885)	459,016	(868,192)	-	(138,619)	-	(2,529,906)	163,230,236	27,298,176
At December 31, 2005	**-**	**283,651**	**2,536,498**	**15,515,223**	**103,397,606**	**15,737,499**	**17,251,395**	**8,256,459**	**65,707,554**	**1,436,923**	**5,033,096**	**-**	**235,155,904**	183,701,820	102,431,900
Net block															
At December 31, 2005	**4,765,674**	**9,722,317**	**29,078,084**	**33,253,957**	**81,331,205**	**24,628,451**	**18,153,794**	**15,193,840**	**8,099,229**	**2,620,259**	**718,194**	**-**	**227,565,005**	255,930,229	192,744,466
At December 31, 2004	4,765,674	9,885,414	29,749,363	33,725,702	76,456,510	25,169,394	18,523,482	13,125,097	12,921,598	3,634,559	3,477,715	24,495,721			
At December 31, 2003	4,765,674	-	29,856,061	28,436,462	71,178,363	22,536,127	17,233,497	7,864,252	18,976,469	-	-				
Capital work in progress (including capital advances)	-												54,517,277	26,144,930	18,142,471
													282,082,282	282,075,159	210,886,937

Notes:

(1) Includes Rs. 21,155,390 (Rs. 21,155,390 and Rs. 21,155,390 as at the years ended 2004 and 2003 respectively) paid towards land and building under a composite lease for which no separate values are assignable.

(2) Vehicles amounting to Rs 10,746,455 (Rs. 8,787,677 and Rs. 1,956,281 as at years ended December 31, 2004 and December 31, 2003 respectively) are hypothecated against terms loans for vehicle finance from banks.

(3) Goodwill on consolidation of Rs. 24,460,860 resulting from acquisition of Indus Software Inc., pursuant to amlagamation of the Company with Indus Software Private Limited in 2002 has been amortised during the year ended December 31, 2003. The accumulated amortisation of Rs.24,460,860 has been adjusted against the gross block during the year ended December 31, 2003.

(4) The exchange difference included in the assets capitalized is Rs.31,340 (Rs.116,856 and 369,888 for the years ended December 31, 2004 and December 31, 2003 respectively)

(5) At the time of acquisition of R Systems Inc and R Systems (Singapore) Pte Ltd, the opening gross block was increased by the net value of assets in the books of the subsidiaries at the time of acquisition. In the year ended 2004, the gross block has been reinstated. As a result, the amount of deletions/adjustments for year ended 2004 include an amount of Rs 30,730,346.

(6) For the year ended December 31, 2004, depreciation of Rs. 303,433 has been capitalised towards product development costs.

(7) The goodwill arising on acquisition of ECnet Limited has been written off during the year against Securities Premium Account (also refer note 10 (a) under Schedule 19)

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2005 Rs.	As at December 31, 2004 Rs.	As at December 31, 2003 Rs.
Schedule 6: Investments			
Long term investments (at cost)			
Other than trade, unquoted			
Equity Shares			
2,500 (Previous year 2,500) equity shares of Rs.10 each in The Saraswat Co-operative Bank Limited	**25,000**	25,000	25,000
Current investment			
Non trade, unquoted			
30,000 * (Previous year 30,000) shares of common stock of "no par" value in Caranything.com Inc., USA	**46,099**	46,512	46,512
34,000 ** (Previous year 34,000) shares of common stock of "no par" value in N Techra Inc., USA	**1,574,277**	1,521,340	1,588,385
	1,645,376	1,592,852	1,659,897
Aggregate amount of unquoted investments	**1,645,376**	1,592,852	1,659,897

* represent shares issued by Caranything.com Inc. to settle the amount owed by it to a US subsidiary, R Systems Inc.

** represent shares (series A preferred stock) issued by N Techra Inc. to settle the amount owed by it to a US subsidiary, R Systems Inc.

Schedule 7: Deferred tax assets (net)			
Deferred tax assets			
Payroll related liabilities	**1,271,109**	5,070,055	8,811,470
Allowance for doubtful advances	**11,909,606**	6,638,608	8,317,531
Accrued vacation	**4,274,557**	4,308,367	4,852,752
Prepaid expenses	**1,671,718**	2,550,334	-
Unabsorbed tax losses and depreciation	**14,345,707**	19,851,059	19,192,721
Miscellaneous temporary differences	**423,568**	370,087	367,126
Gross deferred tax assets	**33,896,265**	38,788,510	41,541,600
Deferred tax liability			
Differences in depreciation/amortisation and other differences in block of fixed assets as per tax books and financial books	**11,859,399**	8,507,858	6,957,364
Gross deferred tax liability	**11,859,399**	8,507,858	6,957,364
Deferred tax assets (net)	**22,036,866**	30,280,652	34,584,236

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2005 Rs.	As at December 31, 2004 Rs.	As at December 31, 2003 Rs.
Schedule 8: Sundry debtors			
Debts outstanding for more than six months			
Unsecured, considered good	**15,107,576**	32,896,336	7,821,853
Considered doubtful	**43,451,924**	23,353,652	30,665,406
Other debts			
Unsecured, considered good	**403,700,068**	312,269,022	262,253,757
Considered doubtful	**5,432,459**	5,257,081	385,071
	467,692,027	373,776,091	301,126,087
Less : Provision for doubtful debts	**48,884,384**	28,610,733	31,050,477
	418,807,643	345,165,358	270,075,610
Schedule 9: Cash and bank balances			
Cash on hand	**148,611**	464,800	126,134
Balances with scheduled banks			
On current accounts	**7,904,760**	9,568,591	6,274,944
On EEFC account	**4,959,507**	2,241,103	-
On deposit accounts	**16,011,748**	1,776,976	18,291,007
Balances with other banks			
On current accounts	**32,328,384**	31,137,882	16,428,539
On deposit accounts	**53,924,939**	51,440,229	80,247,628
	115,277,949	96,629,581	121,368,252

Notes:

1) Balances with scheduled banks - on deposit accounts include receipts pledged with Banks and various Government departments Rs 16,011,748, Rs. 1,076,976 and 1,203,000 for the years ended December 31, 2005, December 31, 2004 and December 31, 2003 respectively)

Schedule 10: Other current assets			
Interest accrued on deposits	**142,397**	256,624	556,630
Unamortised expense on forward cover contracts	**-**	712,041	-
Interest accrued on staff advance	**45,799**	12,542	-
Unbilled revenue	**68,888,755**	64,177,408	93,515,777
Less: Anticipated cost to complete contracts	**3,088,802**	1,316,148	2,346,786
	65,799,953	62,861,260	91,168,991
Fixed assets held for disposal (at net book value or estimated net realisable value, whichever is lower)	**674,545**	10,500	10,500
	66,662,694	63,852,967	91,736,121

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

	As at December 31, 2005 Rs.	As at December 31, 2004 Rs.	As at December 31, 2003 Rs.
Schedule 11: Loans and advances			
(Unsecured, considered good, except where otherwise stated)			
Advances recoverable in cash or in kind or for value to be received (including Rs. 8,762,506, Rs. 6,837,533 and Rs. 6,147,395 considered doubtful as at December 31, 2005, December 31, 2004 and December 31, 2003 respectively)	**36,152,497**	**31,259,956**	**23,613,411**
Deposits - others	**12,501,830**	**9,149,067**	**8,430,797**
Income tax receivable	**9,669,429**	**4,942,347**	**15,533,159**
	58,323,756	**45,351,370**	**47,577,367**
Less Provision for doubtful advance	**8,762,506**	**6,837,533**	**6,147,395**
	49,561,250	**38,513,837**	**41,429,972**
Schedule 12: Current liabilities			
Sundry creditors	**157,352,059**	141,186,277	118,559,714
Deferred compensation to erstwhile ECnet shareholders (Refer note 10(a) under schedule 19)	**26,368,974**	4,579,825	-
Unamortised income on forward cover contracts	**909,484**	474,687	-
Bank overdraft	**-**	-	12,221,127
Security deposits	**1,247,834**	1,132,402	485,290
Other liabilities	**12,766,904**	24,001,595	32,249,372
	198,645,255	171,374,786	163,515,503
Schedule 13: Provisions			
Provision for taxation - income tax	**9,475,026**	**2,814,263**	**8,211,841**
Provision for fringe benefit tax	**2,641,190**	**-**	**-**
Provision for taxation - wealth tax	**23,252**	**44,398**	**47,000**
Provision for gratuity	**8,913,558**	**6,523,900**	**4,260,453**
Provision for leave encashment	**21,880,218**	**20,107,469**	**19,046,837**
	42,933,244	**29,490,030**	**31,566,131**

Schedules to the Accounts

		As at December 31, 2005 Rs.	As at December 31, 2004 Rs.	As at December 31, 2003 Rs.
Schedule 14: Miscellaneous expenditure				
(to the extent not written off or adjusted)				
a) Pre-operational expenses				
Balance as per last Balance Sheet	**-**		317,096	470,373
Add: Additions in current year	**-**		-	42,586
Less : Written off	**-**	**-**	317,096	195,863
			-	317,096
b) Fees for increase in share capital				
Balance as per last Balance Sheet	-		112,371	196,849
Less : Written off	-	**-**	112,371	84,478
			-	112,371
c) Rights for customer services	-		-	2,070,889
Less : Written off	-	**-**	-	2,070,889
d) Advance to customers			-	-
Balance as per last Balance Sheet	-		3,849,279	4,629,279
Less : Written off	-		3,849,279	780,000
			-	3,849,279
		-	-	4,278,746

	For the year ended December 31, 2005 Rs.	For the year ended December 31, 2004 Rs.	For the year ended December 31, 2003 Rs.
Schedule 15: Other income			
Interest on :			
-Loans and bank deposits (Gross, Tax deducted at source Rs.35,805, Rs.72,147and Rs.151,069 for the years ended December 31, 2005, December 31, 2004 and December 31, 2003 respectively)	**1,309,340**	1,179,751	1,514,845
-Interest received on Income tax refund	**107,644**	218,720	366,893
-Others	**-**	-	45,325
Consultancy fee	**4,155,054**	539,543	-
Provision for doubtful debts written back	**449,256**	-	-
Excess provisions written back, as no longer required	**1,623,474**	294,291	252,982
Miscellaneous income	**98,048**	1,024,354	86,141
	7,742,816	3,256,659	2,266,186
Schedule 16: Personnel expenses			
Salaries, wages and bonus	**878,183,717**	768,541,383	726,565,649
Contribution to provident fund and other funds	**42,769,439**	44,347,280	32,352,442
Staff welfare expenses	**11,522,763**	8,698,341	7,212,063
	932,475,919	821,587,004	766,130,154

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedules to the Accounts

		For the year ended December 31, 2005 Rs.		For the year ended December 31, 2004 Rs.		For the year ended December 31, 2003 Rs.
Schedule 17: Operating and other expenses						
Recruitment and training expenses		**15,524,430**		7,704,430		8,747,084
Travelling and conveyance		**98,848,944**		103,458,152		79,295,013
Insurance		**7,501,739**		7,425,391		9,809,578
Commission		**19,512,677**		11,405,433		10,801,881
Repair and maintenance		**14,833,444**		16,723,008		10,949,728
Provision for doubtful debts and advances		**19,777,882**		12,198,887		12,797,692
Debts and advances written off		**3,513,122**		382,030		651
Rent - premises		**22,600,734**		30,814,835		5,151,376
Rent - equipment		**7,951,028**		5,987,365		7,542,733
Power and fuel		**17,704,899**		14,011,764		9,090,700
Communication costs (Including Rs. Nil, Rs. 1,005,989 and Rs. Nil as prior period expenses for the years ended December, 2005, December 31, 2004 and December 31, 2003 respectively)		**34,811,771**		40,104,267		38,860,793
Printing and stationery		**4,788,125**		3,680,758		3,466,686
Advertising and sales promotion		**5,383,578**		5,860,911		5,932,407
Legal and professional expenses		**153,098,214**		157,834,149		183,009,239
Auditor's remuneration						
- Audit fee	1,322,400		716,300		594,000	
- Other services	330,600		307,900		226,800	
- Out of pocket expenses	65,000	**1,718,000**	22,000	1,046,200	20,000	840,800
Director's sitting fee		**35,000**		5,000		5,000
Loss on sale of fixed assets		**807,113**		2,071,554		1,725,533
Amortisation of miscellaneous expenditure		**-**		4,278,746		3,131,230
Rates and taxes		**979,565**		3,293,866		1,765,723
Loss on exchange fluctuation (net of prior period income of Rs.538,160, Rs. Nil and Rs. Nil for years ended December 31, 2005, December 31, 2004 and December 31, 2003 respectively)		**10,579,230**		4,363,433		7,140,255
Miscellaneous expenses		**8,253,842**		6,269,632		5,675,510
		448,223,337		438,919,811		405,739,612
Schedule 18: Financial expenses						
Interest on loan from banks		**6,597,353**		9,543,190		1,133,343
Bank Charges		**1,825,277**		2,241,176		1,026,847
		8,422,630		11,784,366		2,160,190

Schedule 19: Notes to Accounts

1. Statement of Significant Accounting Policies

(a) Basis of preparation

The consolidated financial statements of R Systems International Limited ('The Company') and its subsidiaries (collectively referred to as 'R Systems Group' or 'the Group') have been prepared under the historical cost convention on an accrual and going concern basis.

All figures are in Rupees except where expressly stated.

The consolidated financial statements include the financial statements of R Systems International Limited and its subsidiaries. These accounts do not include enterprises, which are set-up for the benefit of employees like ESOP trusts (more fully explained in note 11 below) as not required to be consolidated as per Accounting Standard 21. The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidation financial statements as laid down under Accounting Standard 21 issued by the Institute of Chartered Accountants of India. All material inter-company transactions and accounts are eliminated on consolidation.

(b) Change in accounting policies

During the year ended December 31, 2003, the Company had changed its accounting policy for taxes on income as a result of the new accounting standard AS- 22 on 'Accounting for taxes on income' issued by the Institute of Chartered Accountants of India. In accordance with the transitional provisions the deferred tax liability as on January 1, 2003 of Rs.3,846,812 had been charged directly to the general reserves. Deferred tax expense of Rs.1,788,163 had been charged to the Profit and Loss Account.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the remaining estimated useful lives of the fixed assets.

The useful lives of the fixed assets have been estimated giving due consideration to environment in respective countries by the Group management as:

Category of fixed assets	Estimated useful life
Furniture and fittings	5-15 years
Office equipment	3 -20 years
Leasehold improvements	5-7 years
Freehold / leasehold land and buildings	Shorter of period of lease term or 61 years
Computer hardware	3-6years
Vehicles	7 -10 years

Individual assets costing up to Rs. 5,000 in the parent company and US $ 250 in its US companies are considered fully depreciated in the year of put to use.

(e) Intangibles

Product development costs

Product development cost represents direct cost incurred by the Group for developing new product. Research costs are expensed as incurred. Development expenditure incurred on an individual product is carried forward when its future recoverability can reasonably be regarded as assured. The expenditure incurred is carried forward under capital work in progress till the product is ready to be marketed. Expenditure carried forward is charged off over the expected useful life of product of 48 months beginning in the month when revenue from the product starts accruing.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer softwares

Costs relating to acquired production softwares are capitalised and amortised on a straight-line basis over their useful lives estimated by the management at 3 years or below as in specific cases.

Rights to provide services

R Systems Inc (subsidiary) has entered into verbal agreements with a technology service firm to acquire the rights to provide technology services to four of the service firm's customers. The cost incurred to acquire these rights are being amortised over a two year period.

(f) Expenditure on new projects

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised to the extent allocable. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account.

(g) Goodwill / capital reserve

Goodwill / capital reserve represents the cost to the parent of its investment in subsidiaries over / under the parent's portion of equity of the subsidiary, at the date on which the investment in the subsidiaries is made.

(h) Impairment

The carrying amounts of assets, including intangibles and goodwill, are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

The Group evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the year of such determination. Management also ascertains the future revenues and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

(i) Leases

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(j) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of software products

Revenue from the sale of software license is recognised when the sale has been completed with the transfer of title.

Rendering of services

Revenues from software development services and projects comprise income from time-and-material and fixed-price contracts.

Revenue associated with software development services / customisation of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

Fixed-price contracts vary in duration depending on the terms of the work being performed and historically have ranged in length from two months to six months. Revenue from fixed price contracts (including maintenance and support contracts) is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revisions to costs and revenues and are recognised in the period in which the revisions are determined. If a loss is projected on any contracts in process, the entire projected loss is recognised currently.

Management fee from the customers for managing projects is being recognised on time basis over the estimated life of the project.

(l) Foreign currency translation

Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India are capitalised as a part of fixed asset.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(v) Foreign operations

In translating the financial statements of a non-integral foreign operation for incorporation in consolidated financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non- integral foreign operations are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2005, the rates used were US $ 1= Rs. 44.12 and Singapore $ 1 = Rs. 26.52. For translating assets and liabilities at the year-end, the rates used were US $ 1= Rs. 45.20 and Singapore $ 1= Rs. 27.14.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2004, the rates used were US $ 1= Rs. 45.34 and Singapore $ 1 = Rs. 26.83. For translating assets and liabilities at the year-end, the rates used were US $ 1= Rs. 43.73 and Singapore $ 1= Rs. 26.71.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2003, the rates used were US $ 1= 46.66 Rs. and Singapore $ 1 = Rs.26.79. For translating assets and liabilities at the year-end, the rates used were US $ 1= Rs. 45.6 and Singapore $ 1= Rs.26.77.

(m) Retirement benefits

Retirement benefits in the form of Provident Fund are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. The Group's US subsidiaries maintain a defined contribution retirement plan (the "Plan"), qualified under Section 401 (K) of the Internal Revenue Code, for certain eligible employees. Pursuant to the plan, eligible employees may contribute a portion of their compensation, subject to a maximum amount per year as specified by law. The Group's US subsidiaries provide a matching contribution based on specified percentages of amounts contributed by participants. These amounts are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

Gratuity liability under the Payment of Gratuity Act and provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year. The US and Singapore subsidiaries provides the liability towards accrued leave, where en cashable, of employees on accrual basis determined on the basis of leaves standing in credit of the account of each employee at the close of the year.

(n) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax.

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant tax regulations applicable to the Group. However, payments of current taxes are determined and made based on results on the tax year basis.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the company does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

The Company claims exemption under section 10A of the Income Tax Act, 1961 in respect of taxable income. Deferred tax is recognised after eliminating timing differences, which reverse during the tax holiday period.

The companies in the Group are subject to tax legislation as applicable in the respective country of incorporation. Accordingly, the calculations does not represent tax liability / income attributable to Group results, if these were to be analysed under the local legislation of the parent company.

(o) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(p) Government grants and subsidies

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant/ subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognised as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

(q) Provisions

A provision is recognised when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions are not discounted to their present value and are determined based on best management estimate required to settle the obligation at the each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

(r) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(s) Segment reporting policies

Identification of segments :

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the major customers of the Group operate.

Intersegment transfers :

The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items :

The Corporate and other segment include general corporate income and expense items which are not allocated to any business segment.

2. Description of the Group

R Systems Group provides full service information technology solutions for a mix of Global 1000, mid-sized companies and government organizations. The portfolio of services include, software architecture, design and development, web enabling, ASP migration, platform consulting, optimization and migration, data migration, data warehousing, re-engineering and productivity tools, software customization and implementation, application maintenance and documentation with global delivery capabilities.

The parent company, R Systems International Limited is registered under the Indian Companies Act, 1956 with its Registered Office at New Delhi.

Subsidiary	Holding	Country of incorporation and other particulars
R Systems Inc.	100%	A company registered under the laws of California, USA in 1993 and subsidiary of the Company since January 2, 2001. R Systems Inc. has a division in Japan.
R Systems (Singapore) Pte Limited	100%	A company registered under the laws of Singapore in 1997 and subsidiary of the Company since September 19, 2000.
Indus Software Inc.	100%	A company registered under the laws of Delaware, USA in 1996 and subsidiary of the Company since April 1, 2002.
ECnet Limited	98.59%	A company registered under the laws of Singapore in 1996. The Company has acquired majority share on January 8, 2004. The Company has subsidiaries in Malaysia, Thailand, China, Hong Kong, USA, Korea and Japan.

The Company has following wholly owned subsidiaries:

Name	Holding in %	Country of incorporation
ECnet (M) Sdn Bhd	100	Malaysia
ECnet Systems (Thailand) Co. Ltd.	100	Thailand
ECnet (Shanghai) Co. Ltd.	100	People's Republic of China
ECnet (Hong Kong)	100	Hong Kong
ECnet (Taiwan) Co.	100	People's Republic of China
ECnet Inc.	100	United State Of America
ECnet Korea Co, Ltd.	100	Korea
ECnet Kabushiki Kaisha	100	Japan

3. Segment information

Business Segments :

R Systems International Limited is a leading global provider of IT solutions and Business Process Outsourcing (BPO) services. The Company considers business segment as the basis for primary segmental reporting. The Company is organized into two business segments - software development and customisation services and BPO services. All other costs and expenses are reflected in the corporate segment. Segments have been identified and reported based on the nature of the services, the risks and returns, the organization structure and the internal financial reporting system.

Geographical Segments :

The group operates in four principal geographical areas of the world which are: India, United States of America, South East Asian countries and Other areas.

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

NOTES TO ACCOUNTS

For the year ended December 31, 2003

The following table provides required information for the primary segments:

(Amount in Rs)

Particulars	Software development and customisation services	Business process outsourcing services	Eliminations	Corporate and Others	Total
REVENUE					
External Sales	1,202,933,006	21,732,280	-	-	1,224,665,286
Inter-segment sales	-	-	-	-	-
Total revenue	1,202,933,006	21,732,280	-	-	1,224,665,286
RESULT					
Segment profit/ (loss)	(22,769,442)	(11,171,805)	-	-	(33,941,247)
Unallocated corporate expenses	-	-	-	896,180	896,180
Operating profit/ (loss)					(34,837,427)
Interest Expenses	-	-	-	(1,133,343)	(1,133,343)
Interest income	-	-	-	1,927,063	1,927,063
Other Income	-	-	-	339,123	339,123
Income Taxes	-	-	-	(2,987,504)	(2,987,504)
Net profit/ (loss)	-	-	-	-	(36,692,088)
OTHER INFORMATION					
Segment assets	665,554,764	50,363,009	60,465,068	-	655,452,704
Unallocated corporate assets	-	-	-	100,755,162	100,755,162
Income Tax Assets	-	-	-	15,533,159	15,533,159
Total assets	665,554,764	50,363,009	60,465,068	116,288,321	771,741,025
Segment liabilities	182,630,355	65,754,505	60,465,068	-	187,919,792
Unallocated corporate liabilities	-	-	-	58,607,737	58,607,737
Income Tax Liabilities	-	-	-	8,258,841	8,258,841
Total liabilities	182,630,355	65,754,505	60,465,068	66,866,578	254,786,370
Capital expenditures	43,429,606	38,701,269			82,130,875
Depreciation & Amortization	35,414,758	4,100,189			63,975,807
Other non-cash expenses	16,794,137	860,969			17,655,106

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

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Geographical segments:

The Company reports secondary segment information on the basis of the geographical location of the customers. The management views the domestic and export markets as distinct geographical segments.

The geographical segments considered for disclosure are based on the sales within India and sales outside India on the basis of location of customers. The following is the distribution of the Company's revenues by geographical market:

	Rs.
India	32,423,244
USA	1,041,426,613
South East Asia	53,148,935
Others	97,666,494
	1,224,665,286

Information about Secondary segment assets and liabilities:

The following is the net carrying amount of assets by geographical area in which the assets are located along with additions to fixed assets and intangible assets as at the year-end:

	Carrying amount of assets Rs.	**Addition to fixed assets And intangible assets Rs.**
India	306,524,706	73,147,727
USA	411,440,804	8,977,108
South East Asia	21,649,377	6,039
Others	32,126,138	–
	771,741,025	82,130,875

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For the year ended December 31, 2004 *(Amount in Rs.)*

Particulars	Software Development	Business Process Outsourcing	Eliminations	Corporate and Others	Total
REVENUE					
External sales	1,251,371,416	72,084,234	-		1,323,455,650
Inter-segment sales	1,588,657	-	1,588,657	-	-
Total revenue	1,252,960,073	72,084,234	1,588,657	-	1,323,455,650
RESULT					
Segment result	11,075,949	3,409,552			14,485,502
Unallocated corporate expenses				(1,051,200)	(1,051,200)
Operating profit					13,434,302
Interest expenses				(9,543,190)	(9,543,190)
Interest income				1,318,645	1,318,645
Other income				1,858,188	1,858,188
Income taxes				(4,777,315)	(4,777,315)
Net profit					2,290,630
OTHER INFORMATION					
Segment assets	801,488,825	57,858,115	59,392,441		799,954,499
Unallocated corporate assets					53,213,558
Income tax assets					4,942,347
Total assets	801,488,825	57,858,115	59,392,441		858,110,404
Segment liabilities	225,790,091	67,374,609	59,392,441		233,772,260
Unallocated corporate liabilities					111,471,866
Income tax liabilities					2,858,661
Total liabilities	225,790,091	67,374,609	59,392,441		348,102,787
Capital expenditures	107,990,042	7,809,293			
Depreciation and amortization	43,521,859	4,696,385			48,218,244
Other non-cash expenses	14,452,341	4,451,449			18,903,790

Revenue by geographical market

	Rs.
India	42,662,958
USA	997,970,913
South East Asia	122,086,170
Others	160,735,609
Total	1,323,455,650

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

NOTES TO ACCOUNTS

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and additions to fixed assets and intangible assets by geographical area in which assets are located as at the year-end:

	Carrying amount of assets Rs.	**Addition to fixed assets and intangible assets Rs.**
India	331,877,471	96,804,352
USA	337,330,862	35,000,001
South East Asia	115,559,297	644,721
Others	73,342,774	-
	858,110,404	132,449,074

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R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

NOTES TO ACCOUNTS

For the year ended December 31, 2005

(Amount in Rs.)

Particulars	Software Development and customisation services	Business Process Outsourcing	Eliminations	Corporate and Others	Total
REVENUE					
External sales	1,492,484,833	81,294,035	-	-	1,573,778,868
Inter-segment sales	-	-	-	-	-
Total revenue	1,492,484,833	81,294,035	-	-	1,573,778,868
RESULT					
Segment profit	137,050,441	9,775,948			146,826,389
Unallocated corporate expenses				1,711,252	1,711,252
Operating profit					145,115,136
Interest expenses				(6,597,353)	(6,597,353)
Interest income				1,416,984	1,416,984
Other income				4,253,102	4,253,102
Income taxes				(19,418,209)	(19,418,209)
Net profit					124,769,660
OTHER INFORMATION					
Segment assets	755,217,901	63,016,582	49,933,067		768,301,416
Unallocated corporate assets				156,066,328	156,066,328
Income tax assets				31,706,294	31,706,294
Total assets	755,217,901	63,016,582	49,933,067	187,772,622	956,074,038
Segment liabilities	238,416,818	64,641,566	49,933,067		253,125,317
Unallocated corporate liabilities				77,530,873	77,530,873
Income tax liabilities				12,252,597	12,252,597
Total liabilities	238,416,818	64,641,566	49,933,067	89,783,470	342,908,787
Capital expenditures	71,631,136	3,746,200			75,377,336
Depreciation and amortization	43,722,156	5,203,135			48,925,291
Other non-cash expenses	22,443,696	1,654,421			24,098,117

Revenue by geographical market

	Rs.
India	49,854,451
USA	1,181,712,896
South East Asia	153,666,222
Others	188,545,299
Total	1,573,778,868

R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

NOTES TO ACCOUNTS

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and additions to fixed assets and intangible assets by geographical area in which assets are located as at the year-end:

	Carrying amount of assets Rs.	Addition to fixed assets and intangible assets Rs.
India	427,969,816	57,783,090
USA	453,480,374	10,067,898
South East Asia	8,812,966	7,287,012
Others	65,810,882	239,337
Total	956,074,038	75,377,337

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R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

NOTES TO ACCOUNTS

4. Related party disclosure

(i) Names of related parties

Key management personnel

	Name of Person	Designation	Company
1	Lt. Gen. Baldev Singh(Retd)	Managing Director (as per Board of Directors resolution dated January 18, 2006 appointed Senior Executive Director)	R Systems International Limited
2	Avirag Jain	Alternate Director	R Systems International Limited
3	N. K. Garg	Alternate Director	R Systems International Limited
4	Raj Swaminathan	COO	Indus unit, R Systems International Limited
5	Satinder Singh Rekhi	Director	R Systems International Limited
		CEO and Director	R Systems Inc
		Director	R Systems (Singapore) Pte Ltd
		Director	Indus Software Inc.
6	O'Neil Nalavadi	Director	R Systems International Limited
		CFO	R Systems Inc
7	Sarvi Dhaliwal	Vice President	R Systems Inc
8	Mandeep Sodhi	Vice President	R Systems Inc
9	Thiru Dorai	Vice President	R Systems Inc
10	See Kwee Tong Peter	Director	R Systems (Singapore) Pte Ltd
		Director	ECnet Ltd
11	Harpreet Rekhi	Director	R Systems (Singapore) Pte Ltd
		Director	Indus Software Inc
		Director	R Systems Inc
12	LuKokWah	Director	ECnet Ltd
13	Subir Kumar Dikshit	Director	R Systems (Singapore) Pte Ltd
14	Tan Cant Wee	Director	ECnet Ltd
		Director	R Systems (Singapore) Pte Ltd
15	Tarun Shankar Mathur	Director	ECnet Ltd
		Director	R Systems (Singapore) Pte Ltd

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R SYSTEMS INTERNATIONAL LIMITED (CONSOLIDATED FINANCIAL STATEMENTS)

NOTES TO ACCOUNTS

(Amount in Rs.)

Key managerial personnel

	For the year ended December 31, 2005	For the year ended December 31, 2004	For the year ended December 31, 2003
Remuneration			
Satinder Singh Rekhi	**12,257,151**	13,035,250	13,059,318
O` Neil Nalavadi	**6,429,928**	5,496,296	5,726,400
Sarvi Dhaliwal	**4,303,632**	3,853,900	6,780,366
Mandeep Sodhi	**7,183,603**	3,627,200	6,991,597
Thiru Dorai	**3,522,483**	3,762,857	3,633,774
Baldev Singh	**1,337,363**	1,126,174	1,118,802
Avirag Jain	**1,195,100**	934,051	888,240
N.K.Garg	**-**	1,253,401	962,094
Peter See Kwee Tong	**15,547,381**	9,712,326	-
Daniel Loh Hong Chye	**-**	3,886,911	-
Daniel Lu Kok Wah	**3,018,013**	2,522,516	-
Tan Cant Wee	**2,022,032**	-	-
Subir Kumar Dikshit	**-**	758,528	1,445,801
Tarun Shankar Mathur	**2,685,476**	-	-
Rent			
Satinder Singh Rekhi	**4,764,461**	5,304,780	6,719,100
Commission			
Subir Kumar Dikshit	**-**	55,816	80,956
Total	**64,266,623**	55,330,006	47,406,448

5. Lease - In the case of assets taken on lease

The Company has operating leases for office premises, etc. including composite leases for land and building, where lease rentals toward land are not separated.

	Year ended December 31,2005 Rs.	Year ended December 31,2004 Rs.	Year ended December 31,2003 Rs.
Minimum Lease Payments:			
Not later than one year	**21,294,507**	21,655,551	10,903,140
Later than one year but not later than five years	**14,050,955**	31,825,518	13,367,436
Later than five years	**Nil**	Nil	6,150,980

6. Capital Commitments

	Year ended December 31,2005 Rs.	Year ended December 31,2004 Rs.	Year ended December 31,2003 Rs.
Estimated amount of contracts remaining to be executed on capital account and not provided for. Commitments for acquisition of fixed assets	**25,979,161**	370,001	40,804,678
	25,979,161	370,001	40,804,678

7. Contingent Liabilities not provided for

	Year ended December 31,2005 Rs.	Year ended December 31,2004 Rs.	Year ended December 31,2003 Rs.
(i) Guarantees and Counter guarantees given by the Company	**4,775,000**	3,800,000	3,775,000
Guarantee given by R Systems International Limited, India on behalf of R Systems Inc, USA	**99,429,000**	96,206,000	Nil
	104,204,000	100,006,000	3,775,000

(ii) The Company has export obligations under the Software Technology Park (STP) scheme. The Company has imported capital goods without payment of duties under the STP scheme for which agreements and bonds have been executed and Bank Guarantees given by the Company. The Company shall, if the obligations are not met, pay on demand an amount equal to such duties saved including interest and liquidated damages. As the Company has met all the requirements stipulated by STP and in future also expects to meet its commitment to earn the requisite revenue in the foreign exchange as per the norms prescribed by the STP authorities; and is using such imported capital goods for earning such revenue, the contingent liability on this account is unlikely.

8. Sundry creditors do not include any amounts payable to small scale and ancillary industrial undertakings; to the extent such parties have been identified by the management from available documents/information.

9. Issued, subscribed and paid up capital includes:

- 18,000,000 (18,000,000 and 18.000,000 as at year ended December 31,2004 and December 31,2003 respectively) equity shares of Rs. 2 each, allotted as fully paid up bonus shares by way of capitalisation of accumulated profits.
- 335,000 (335,000 and 335,000 as at year ended December 31, 2004 and December 31, 2003 respectively) equity shares of Rs. 2 each, allotted at a premium of Rs. 2,167.55 per equity share pursuant to a contract for share swap with existing shareholders of R Systems Inc., USA after obtaining necessary regulatory approvals.
- 3,596,869 (3,596,869 and 3,596,869 as at year ended December 31, 2004 and December 31,2003 respectively) equity shares of Rs. 2 each, allotted at a premium of Rs. 113.42 per equity share pursuant to a "Shareholders

Agreement" resulting in share swap with specific shareholders of Indus Software Private Limited (or 'Indus') after obtaining necessary regulatory approvals.

- 1,281,364 (1,281,364 and 1,281,364 as at year ended December 31, 2004 and December 31, 2003 respectively) equity shares of Rs. 2 each, allotted at a premium of Rs. 113.42 per equity share to the remaining shareholders of Indus, pursuant to the approval of "Scheme of Amalgamation" relating to the amalgamation of Indus with the Company by the High Courts of Delhi and Mumbai.

10. (a) During the year ended December 31, 2004, the Company had acquired 98.59% shares in ECnet Limited, a Company incorporated in Singapore at total consideration of Rs.34,938,958 (including Rs. 24,495,721 towards goodwill). As at December 31, 2004, the Company had to pay balance amount of Rs.25,952,338 to the erstwhile shareholders of ECnet Limited, out of which Rs. 4,579,824 was payable on January 8, 2005 and the balance Rs. 21,372,514 was payable on January 8, 2006. Rs. 26,368,974 (Previous year Rs.4,579,824), being the amount payable within a year has been shown under 'current liabilities' and amount payable beyond a year at the previous year-end of Rs.21,372,514 had been disclosed separately as 'deferred payment liabilities'.

Considering that cash flows from the subsidiary are currently negative, Rs. 26,368,974 payable to the erstwhile shareholders of ECnet Limited has not been paid. The said erstwhile shareholders have no legal recourse to recover this amount other than instructing the Company to dispose of such number of shares in the subsidiary which shall permit Company to pay these liabilities, net of expenses incurred on such disposal. Management has no plans of disposal of shares of subsidiary and has neither received from the said erstwhile shareholder, any instructions to dispose any shares and believes that this liability shall be settled once the subsidiary's financial position improves.

During the year ended December 31, 2005, the Company has filed a petition with the Delhi High Court seeking its approval for writing down the goodwill value to Rs. Nil and adjusting the write off of Rs.24,495,721 against the Securities Premium Account as this is not represented by available assets. The above adjustment to the carrying value of goodwill and Securities Premium Account has been undertaken on the basis of the order of High Court of Delhi dated Feburary 16, 2006.

Had such accounting treatment been undertaken in accordance with Accounting Standard - 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, Securities Premium Account and Goodwill would have been higher by Rs.24,495,721

(b) ECnet Limited had received government grant of Rs 2,136,800 which is being amortised over a period of three years, the current year being the third year balance unamortised amount of the grant has been recognised as other income.

(c) The details of assets acquired on acquisition of ECnet Limited are as under:

Asset	**Gross block**	**Accumulated depreciation**
Building	18,887,729	17,075,348
Computer hardware	64,277,984	62,878,568
Computer Software	113,754,790	109,640,778
Furniture & fixtures	3,751,106	3,049,396
Office & electrical equipments	3,409,400	3,334,460
Total	204,081,009	195,978,548

11 (a) R Systems International Limited- Year 2004 Employee Stock Option Plan'

During the year 2004, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 997,500 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a compensation committee and exercise price is "1.60 times the Book Value of the Share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 42 per Share or 1.60 times of the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee as on the date of Exercise which ever is higher".

The vesting period is 4 years (25% in each year) commencing from September 1, 2004. The eligible employees have an option to exercise it over a period up to August 31, 2014. The movement in the options during the years ended December, 2005 and December 31, 2004 is set out below:

	Year Ended December 31, 2005	Year Ended December 31, 2004
At the beginning of the year		
- Grants outstanding under the plan	**887,200**	-
- Grants pending determination by the compensation committee	**110,300**	52,800
Option issued to the employee during the year	**185,100**	944,700
Option lapsed or surrendered during the year	**171,175**	57,500
Option exercised during the year	**38,050**	-
At the end of the year		
- Grants outstanding under the plan	**863,075**	887,200
- Grants pending determination by the compensation committee	**96,375**	110,300
-Option exercised during the year	**38,050**	-

(b) Indus Software Employees Stock Option Plan - Year 2001 ('the plan'):

Indus Software Private Limited (Indus) had outstanding options aggregating to 21,967 equity shares as on March 31, 2002, to be issued to the eligible employees under the Indus Software Employees Stock Options Plan - Year 2001 under various vesting periods as specified in the said Plan, duly approved by the erstwhile shareholders. Indus had established "Indus Software Employees Welfare Trust" ('the Indus Trust') to administer the plan, as approved by the members, for the benefits of the Company's employees and had provided an interest free loan of Rs. 3,382,792. Consequently, Indus had allotted 21,967 equity shares of Rs. 10 each at a premium of Rs. 144 per equity share to the Indus Trust to be further issued to the Indus' eligible employees on the exercise of the underlying options granted to them.

As a result of the merger of Indus with the Company, all employees had surrendered their options in favour of the Indus Trust to enable them to obtain options for shares in R Systems International Limited after the merger. Also, the Company had issued 206,822 equity shares of Rs. 2 each at a premium of Rs. 113.42 per share to the Indus Trust in exchange of 21,967 equity shares of Indus, apropos to the agreed swap ratio. The movement in the options (in equivalent number of shares of the Company) held by the Trust during the years ended December 31, 2005, December 31, 2004 and December 31, 2003 is set out below:

	Year Ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003
At the beginning of the year			
- Grants outstanding under the plan	**25,308**	41,172	48,412
- Grants pending determination by the compensation committee	**181,514**	165,650	158,410
Option issued to the employee during the year	**-**	-	-
Option lapsed or surrendered during the year	**3,229**	15,864	7,240
Option exercised during the year	**10,178**	-	-
At the end of the year			
- Grants outstanding under the plan	**11,901**	25,308	41,172
- Grants pending determination by the compensation committee	**184,743**	181,514	165,650
- Grants exercised at year-end	**10,178**	-	-

(c) R Systems International Limited - Year 2004 Employees Stock Option Plan -ECnet (the plan)

The Company had instituted the plan for all eligible employees in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 1,000,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a compensation committee and exercise price is "Book Value of the Share as per the audited Balance Sheet as on 31st December 2003 i.e. Rs. 26 or as on the date of Exercise, the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee which ever is higher".

The vesting period is 4 years (40% in 1st year & 20% each in 2nd, 3rd & 4th year) commencing from September 1, 2004. The eligible employees have an option to exercise it over a period up to August 31, 2014. The movement in the options during the years ended December 31, 2005 and December 31, 2004 is set out below:

	Year Ended December 31, 2005	Year ended December 31, 2004
At the beginning of the year		
- Grants outstanding under the plan	**862,000**	-
- Grants pending determination by the compensation committee	**138,000**	-
Option issued to the employee during the year	**-**	862,000
Option lapsed or surrendered during the year	**277,200**	-
Option exercised during the year		
At the end of the year		
- Grants outstanding under the plan	**-**	862,000
- Grants pending determination by the compensation committee	**584,800**	138,000

(d) For the purpose of valuation of the options granted during earlier years, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants (N Maini & Co.), to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer (mentioned above), the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	**Unit**	**Scheme (a) ***	**Scheme (b) ****	**Scheme (c)*****	**Comments by the valuer**
Strike price	Rs.	42	154	26	
Current share price	Rs.	16	140	16	Taken on the basis of NAV and PECV method of valuation
Expected option life	No of Years	5	2.5	5	Being half of the maximum option life
Volatility	%	1	0.5	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	11.3	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE
Expected dividend Yield	%	-	15	-	Company has no set policy so dividend taken as zero In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

* : R Systems International Limited- Year 2004 Employee Stock Option Plan
** : Indus Software Employees Stock Option Plan - Year 2001
*** : R Systems International Limited - Year 2004 Employees Stock Option Plan ECnet (the Plan)

(e) For the purpose of valuation of the options granted during the year under R Systems International Limited- Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants (N Maini & Co.), to determine accounting impact, if any, of options granted. In the considered opinion of the valuer (mentioned above), the fair value of these option determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	**Unit**	**Scheme**	**Comments by the valuer**
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation
Expected option life	No of Years	5	Being half of the maximum option life
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero

(f) Subsequent to the year end, the Company has issued a bonus share to each existing shareholder by way of capitalisation of accumulated profits. The Board of Directors has suggested the compensation committee to consider the possibility of offering the same benefit to its option holders.

12. To comply with the provision of Accounting Standard (AS) - 11 (Revised 2003), "The Effects of Changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India, the management had for the first time translated its wholly owned subsidiaries on a 'non-integral operations' approach basis for the year ended December 31, 2003. The resultant difference of Rs. 4,421,274 represents net credit of Rs.15,287,807 towards such differences upto December 31, 2002 and net debit Rs. 10,866,533 of such differences arising during the year ended December 31, 2003.

13. In May 2002, the Company's subsidiary, R System, Inc. was notified by the United States Department of Labor, ("DOL") of a formal inquiry regarding the Company's compliance with various regulations related to the hiring of H-1B employees. As a result of the investigation, monetary violations were noted resulting in compensation being due to eighty employees and former employees. The subsidiary recognised this liability of $ 485,000 (Rs.22,630,294) during the year ended December 31, 2003.

14. Subsequent to the year-end, the Company has converted 495,667 warrants to equity shares of Rs.2 each and has allotted 388,021shares of Rs 2 each to employees on exercise of options by them. The Company has consolidated five equity shares of Rs.2 each to one equity share of Rs.10 each and then issued a bonus share to each existing shareholder by way of capitalization of accumulated profits. Adjusting the shares data for the above changes, the Earnings per share would be as under:

Earnings / (Loss) per share	**For the year ended December 31, 2005**	**For the year ended December 31, 2004**	**For the year ended December 31, 2003**
Basic [nominal value of share Rs10 (previous year Rs10)]	11.65	0.21	(3.39)
Diluted [nominal value of share Rs10 (previous year Rs10)]	11.65	0.21	(3.39)
Net profit after tax	124,769,660	2,290,630	-36,692,089
Weighted average number of shares	25,892,587	26,582,116	26,890,087
Number of warrants converted into equity shares	495,667	495,667	495,667
Number of equity shares issued on exercise of ESOP	388,021	-	-
Number of shares after consolidation before bonus issue	5,355,255	5,415,557	5,477,151
Number of bonus shares issues	5,355,255	5,355,255	5,355,255
Number of share after bonus issue and consolidation	10,710,510	10,770,812	10,832,406

15. Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date

For S.R.Batliboi & Associates Chartered Accountants	For and on behalf of the Board of Directors of R Systems International Limited		
Sd/-	Sd/-	Sd/-	Sd/-
per Pankaj Chadha Partner Membership No. 91813	Satinder Singh Rekhi [Managing Director]	Lt. Gen. Baldev Singh (Retd) [Senior Executive Director]	Nand Sardana [Vice President Finance) & Company Secretary]

New Delhi

Date: March 10, 2006

UNCONSOLIDATED FINANCIAL STATEMENTS, AS RESTATED

UNCONSOLIDATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AND PROFIT AND LOSSES, AS RESTATED FOR THE YEARS ENDED DECEMBER 31, 2005, DECEMBER 31, 2004, DECEMBER 31, 2003, DECEMBER 31, 2002 AND DECEMBER 31, 2001

AUDITOR'S REPORT

To,

Board of Directors
R System International Limited
B-104A Greater Kailash
New Delhi- 110048

Dear Sirs,

We have examined the financial information of R Systems International Limited ('The Company') annexed to this report stamped and initialed by us for identification and as approved by the Board of Directors, which has been prepared in accordance with the terms of reference received from the Company vide their letter dated November 22, 2005, requesting us to carry out the work, proposed to be included in the offer document of the Company in connection with its proposed Initial Public Offer ('IPO').

A. Financial Information as per the audited financial statements

We have examined the attached Summary Statement of Assets and Liabilities of the Company as at December 31, 2005, December 31, 2004, December 31, 2003, December 31, 2002 and December 31, 2001 (Annexure II), the attached Summary Statement of Profit and Loss Accounts (Annexure I) and the attached Summary Cash Flow Statements (Annexure III) for the years ended on December 31, 2005, December 31, 2004, December 31, 2003, December 31, 2002, and December 31, 2001, together referred to as 'Restated Summary Statements'. These Restated Summary Statements have been extracted from the financial statements of these years, after undertaking adjustments, compilation and regroupings, more fully explained in Annexure IV to this report audited by us and adopted/approved by the Board of Directors / Members for the respective years.

Based on our examination of these Restated Summary Statements, we confirm that:

1. Material amounts relating to previous years have been adjusted in the Restated Summary Statements in the years to which they relate, except to the extent stated in Note 3 in Annexure IV.
2. The accounting policies have been consistently applied by the Company (as disclosed in Annexure IV A) and are consistent with those used in the previous years.
3. There are no extraordinary items, which need to be disclosed separately in the Restated Summary Statements.
4. Qualifications in the auditors' report which do not require any corrective adjustments in the financial statements are disclosed in Note 3(f) of Annexure IV.
5. Significant Notes to the Restated Summary Statements are enclosed as Annexure IV B to this report.

The financial statements of R System Inc USA., a subsidiary of the Company, for the period from January 2, 2001(date of acquisition) to December 31, 2005 have not been consolidated. The financial statements of R System Inc. for the aforesaid periods, as prepared by the management and approved by its Board of Directors, have been audited and reported upon by auditors of the subsidiary for respective periods.

The financial statements of R System (Singapore) Pte Limited, Singapore, a subsidiary of the Company, for the period from January 1, 2001 to December 31, 2005 have not been consolidated. The financial statements of R System (Singapore) Pte Limited for the aforesaid periods, as prepared by the management and approved by its Board of Directors, have been audited and reported upon by auditors of the subsidiary for respective periods.

The financial statements of Indus Software Inc., USA a subsidiary of the Company, for the period from April 1, 2002 (date of acquisition) to December 31, 2005 have not been consolidated. The financial statements of Indus Software Inc. for the aforesaid periods, as prepared by the management and approved by its Board of Directors, have been audited and reported upon by auditors of the subsidiary for respective periods.

The consolidated financial statements of ECnet Limited, Singapore a subsidiary of the Company, for the period from period January 8, 2004 (date of acquisition) to December 31, 2005 have not been consolidated. The consolidated financial statements of ECnet Limited for the aforesaid periods, as prepared by the management and approved by its Board of Directors, have been audited and reported upon by auditors of the subsidiary for respective periods.

B. Other financial information

We have examined the following financial information extracted from Restated Summary Statements, relating to the Company proposed to be included in the Red Herring Prospectus, as approved by the Board of Directors and annexed to this report:

1. Details of items of other income which exceed 20 per cent of the net profit before tax enclosed as Annexure IV C.
2. Capitalisation Statement of the Company, enclosed as Annexure IV D.
3. Details of Secured and Unsecured Loans as, appearing in Annexure IV E.
4. Details of Investments, as appearing in Annexure IV F.
5. Details of Sundry Debtors, as appearing in Annexure IV G.
6. Details of Loans and Advances, as appearing in Annexure IV H.
7. Summary of accounting ratios based on the profits relating to earning per share, net asset value and return on net worth enclosed as Annexure IV I.
8. Tax Shelter Statement of the Company, enclosed as Annexure IV J.

In our opinion, the financial information of the company, as attached to this report, as mentioned in Paragraphs (A) and (B) above, read with respective significant accounting policies and notes to accounts, after making groupings adjustments has been prepared in accordance with Part II of Schedule II of the Act and Guidelines issued by SEBI.

This report is intended solely for use for the Board of Director's information and for inclusion in the Red Herring Prospectus in connection with the IPO and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Batliboi & Associates
Chartered Accountants

Sd/-

per Pankaj Chadha
Partner
Membership No. 91813

Place: New Delhi
Date: March 10, 2006

Summary Statement of Profit and Loss Accounts, As Restated **Annexure I**

(Amount in Rs.)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
Income					
From services					
Export	758,720,330	518,498,080	396,265,291	243,457,677	96,000,151
Domestic	49,854,451	42,662,958	30,170,555	23,684,558	2,878,470
Total	808,574,781	561,161,038	426,435,846	267,142,235	98,878,621
Other income	7,684,001	2,556,120	1,193,380	4,639,869	14,251,263
Total income	**816,258,782**	**563,717,158**	**427,629,226**	**271,782,104**	**113,129,884**
Expenditure					
Personnel expenses	402,594,005	283,289,956	205,584,846	120,603,280	46,847,929
Operating and other expenses	234,375,308	213,776,829	177,852,825	96,985,992	48,068,837
Financial expenses	8,481,056	9,505,114	1,559,800	2,097,395	601,670
Depreciation/ amortization (*)	31,741,364	28,384,704	23,496,108	12,420,742	4,553,087
Provision for diminution in the value of long term investments	-	2,000,000	16,774,508	-	-
Total expenditure	**677,191,733**	**536,956,603**	**425,268,087**	**232,107,409**	**100,071,523**
Net profit before tax	**139,067,049**	**26,760,555**	**2,361,139**	**39,674,695**	**13,058,361**
Provision for tax					
Current tax/ (excess provision written back)	5,939,145	3,457,808	(3,133,692)	7,294,964	3,840,051
Deferred tax expense/ (income)	5,848,175	881,343	1,167,917	2,855,119	(797,963)
Fringe benefit tax	2,641,190	-	-	-	-
Total	**14,428,510**	**4,339,151**	**(1,965,775)**	**10,150,083**	**3,042,088**
Net Profit after tax, as restated	**124,638,540**	**22,421,404**	**4,326,914**	**29,524,612**	**10,016,273**
Balance brought forward from previous year	89,736,455	67,315,051	62,988,137	33,463,525	60,846,852
Adjustments to balance brought forward from previous year (also refer Annexure IV)	-	-	-	-	(1,399,600)
Balance brought forward from previous year, as restated	89,736,455	67,315,051	62,988,137	33,463,525	59,447,252
Profit available for appropriations, as restated	214,374,994	89,736,455	67,315,051	62,988,137	69,463,525
Utilised for bonus issue		-	-	-	(36,000,000)
Balance carried forward, as restated	**214,374,994**	**89,736,455**	**67,315,051**	**62,988,137**	**33,463,525**

Note:

1. The above statement should be read with the Notes on Adjustments to Restated Summary Statements, Significant Accounting Policies and Notes to Accounts as appearing in Annexure IV, IV-A and IV-B.
2. The reconciliation between the audited and restated accumulated profit and loss balance as at January 1, 2001 is given in Annexure IV.

* Depreciation / amortization for the year ended December 31, 2004 is net of amount capitalized towards product development costs of Rs.303,433.

Annexure II

Summary Statement of Assets and Liabilities, As Restated

(Amount in Rs.)

	As at December 31, 2005	As at December 31, 2004	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
Fixed assets, including intangibles					
Gross block	315,767,880	286,552,877	215,815,021	148,347,488	51,587,635
Less: Depreciation/ amortization	114,134,022	83,042,787	56,068,570	34,565,257	7,985,609
Net block	**201,633,858**	**203,510,090**	**159,746,451**	**113,782,231**	**43,602,026**
Capital work in progress, including capital advances	54,517,277	26,144,930	16,930,731	30,538,458	-
Total	**256,151,135**	**229,655,020**	**176,677,182**	**144,320,689**	**43,602,026**
Investments (net)	**310,071,569**	**334,567,290**	**301,628,332**	**318,404,840**	**830,973,570**
Current assets, loans and advances					
Sundry debtors	278,164,190	247,507,887	146,916,882	100,152,923	36,072,658
Cash and bank balances	39,079,839	24,165,355	32,988,413	35,174,455	113,269,831
Other current assets	48,052,939	35,373,500	53,722,586	20,776,701	7,082,950
Loans and advances	89,424,486	56,788,558	38,789,279	34,518,773	15,656,505
Total	**454,721,454**	**363,835,300**	**272,417,160**	**190,621,852**	**172,081,944**
Liabilities and provisions					
Secured loans	83,631,775	123,141,354	36,930,882	761,860	1,584,732
Unsecured loans	15,366,300	14,868,200	15,609,998	-	-
Deferred payment liabilities	-	21,372,514	-	-	-
Current liabilities	180,832,888	140,931,307	94,144,465	49,063,489	7,203,514
Provisions	29,627,789	15,735,526	15,331,365	20,311,899	7,630,675
Deferred tax liabilities	11,407,449	5,559,272	4,677,931	3,510,014	654,914
Total	**320,866,201**	**321,608,173**	**166,694,641**	**73,647,262**	**17,073,835**
Net worth	**700,077,957**	**606,449,437**	**584,028,033**	**579,701,119**	**1,029,583,705**
Net worth represented by					
Share capital	51,785,174	51,785,174	53,780,174	53,780,174	42,028,708
Less : Advance to Indus software employees welfare trust/R Systems employees stock option trust	(393,288)	(413,644)	(2,408,644)	(2,408,644)	-
Share application money pending allotment	1,598,100	-	-	-	-
Share capital (net)	52,989,986	51,371,530	51,371,530	51,371,530	42,028,708
Profit and Loss Account	214,374,994	89,736,455	67,315,051	62,988,137	33,463,525
Securities premium account	435,536,007	468,310,600	581,447,050	581,447,050	954,091,472
Less : Advance to Indus software employees welfare trust/R Systems employees stock option trust	(2,823,030)	(2,969,148)	(116,105,598)	(116,105,598)	-
Reserve and surplus (net)	**647,087,971**	**555,077,907**	**532,656,503**	**528,329,589**	**987,554,997**
Net worth	**700,077,957**	**606,449,437**	**584,028,033**	**579,701,119**	**1,029,583,705**

Note:
1. The above statement should be read with the Notes on Adjustments to Restated Summary Statements, Significant Accounting Policies and Notes to Accounts as appearing in Annexure IV, IV-A and IV-B.

Summary Cash Flow Statements, As Restated **Annexure III**

(Amount in Rs.)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
A. Cash flow from operating activities					
Net profit before taxation, as restated	**139,067,049**	**26,760,555**	**2,361,139**	**39,674,695**	**13,058,361**
Adjustments for:					
Depreciation / amortization	31,741,364	28,688,137	23,496,108	12,420,742	4,553,087
Provision for diminution in value of investment	-	2,000,000	16,774,508	-	-
Bad debts/advances written off	3,345,418	307,474	937,519	727,112	80,557
Provision for doubtful debts/advances	7,658,583	-	161,570	4,635,002	2,256,495
Loss /(Profit) on sale of investments	-	-	-	(9,071)	-
Loss on sale/discard of fixed assets(net)	654,517	793,436	1,725,533	520,992	5,694,049
Unrealised foreign exchange loss / (gain)	1,170,033	2,929,269	(1,045,480)	809,986	(455,606)
Interest income	(2,328,082)	(1,303,317)	(859,802)	(3,891,497)	(13,335,577)
Excess provisions written back	(661,685)	(294,291)	-	(1,345,542)	-
Interest expense	7,305,198	8,097,086	972,792	1,254,213	373,788
Operating profit before working capital changes	**187,952,395**	**67,978,349**	**44,523,887**	**54,796,632**	**12,225,154**
Movements in working capital :					
Decrease / (Increase) in sundry debtors	(41,843,564)	(105,516,354)	(46,671,097)	(3,052,866)	(19,702,427)
Decrease / (Increase) in other current assets	(12,730,323)	18,983,045	(33,194,550)	(6,086,846)	1,877,426
Decrease / (Increase) in loans and advances	(26,882,797)	(26,447,082)	(5,952,118)	(16,415,597)	110,824,422
Increase / (Decrease) in provisions	5,453,365	4,835,794	2,958,487	1,314,402	1,352,134
Increase / (Decrease) in current liabilities	8,996,905	41,563,915	42,883,772	5,536,534	1,535,445
Cash generated from operations	**120,945,981**	**1,397,667**	**4,548,380**	**36,092,259**	**108,112,154**
Direct taxes (paid) / refunds, net	(4,868,517)	2,701,370	(3,261,269)	5,940,115	(8,463,216)
Interest on income-tax refund	107,664	218,720	366,893	349,729	-
Net cash from operating activities	**116,185,128**	**4,317,757**	**1,654,004**	**42,382,103**	**99,648,938**

(Amount in Rs.)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
B. Cash flows used in investing activities					
Purchase of fixed assets	(56,579,728)	(82,358,777)	(57,971,202)	(41,274,411)	(6,236,782)
Proceeds from sale of fixed assets	791,945	202,800	1,961,866	1,085,331	6,032,366
Purchase consideration for Indus operations	-	-	-	(58,849,036)	-
Purchase of investments	-	-	-	(4,849,000)	(104,080,000)
Purchase of investments (net of deferred compensation to the erstwhile shareholders of ECnet Limited)	-	(8,825,231)	-	-	-
Sale / maturity of investments	-	-	2,000	8,166,266	-
Interest received	2,301,388	1,084,597	741,574	2,736,473	12,151,826
Net cash used in investing activities	**(53,486,395)**	**(89,896,611)**	**(55,265,762)**	**(92,984,377)**	**(92,132,590)**
C. Cash flows from / (used in) financing activities					
Proceeds from borrowings	6,136,257	93,607,621	16,431,400	-	1,190,367
Proceeds from short term borrowings	-	-	35,834,058	-	-
Repayment of borrowings	(45,645,837)	(7,397,149)	(681,036)	(20,791,773)	(16,419,338)
Issue /(buy back) of equity shares, including share application money pending allotment	1,764,574	-	-	(5,304,192)	116,028,750
Share issue expenses	(2,390,943)	-	-	-	-
Interest paid	(7,305,198)	(8,203,084)	(866,794)	(1,254,213)	(373,788)
Net cash from/(used in) financing activities	**(47,441,147)**	**78,007,388**	**50,717,628**	**(27,350,178)**	**100,425,991**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**15,257,586**	**(7,571,465)**	**-2,894,130**	**(77,952,452)**	**107,942,339**
Cash and cash equivalents at the beginning of the year	**24,851,785**	**32,423,250**	**35,317,379**	**113,269,831**	**5,327,492**
Cash and cash equivalents at the end of the year	**40,109,371**	**24,851,784**	**32,423,249**	**35,317,379**	**113,269,831**

Components of cash and cash equivalents as at	As at December 31, 2005	As at December 31, 2004	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Cash on hand	38,483	131,174	120,735	172,420	8,021
Balances with scheduled banks					
On current accounts	7,904,760	9,568,591	5,144,578	9,344,375	1,434,071
On EEFC accounts	4,959,507	2,241,103	1,130,365	2,424,837	63,890
On deposit accounts	16,011,748	1,776,976	18,291,007	21,136,635	111,763,849
Balance with other bank					
On current account	10,165,341	10,447,511	8,301,728	2,096,189	-
Net cash and cash equivalents	**39,079,839**	**24,165,354**	**32,988,413**	**35,174,455**	**113,269,831**
Unrealised loss/ (gain) on foreign currency cash and cash equivalents	1,029,532	686,429	(565,164)	142,923	-
Net cash and cash equivalents	**40,109,371**	**24,851,785**	**32,423,250**	**35,317,379**	**113,269,831**

Notes:

1. The Cash Flow Statements have been prepared under indirect method as set out in Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

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Notes on Adjustments for Restated Summary Statements **Annexure IV**

Impact on profit due to restatements and other material adjustments made to the audited financial statements

(Amount in Rs.)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001	Brought forward balance as on January 1, 2001
Net Profit after tax as per audited Profit and Loss Account	**127,375,650**	**17,185,314**	**6,848,954**	**35,309,504**	**6,655,534**	**60,846,852**
Deferred tax charge as per Accounting Standard 22 "Accounting for taxes on Income", including impact of the prior period adjustment (refer note 1 (a) below)	(2,380,094)	1,423,050	620,246	(2,855,119)	797,963	(1,452,857)
Provision for leave encashment (Refer Note 1(b) below)	-	-	-	(1,271,324)	971,396	299,928
Impact on charging off deferred revenue expenditure in the year in which incurred. (Refer note 1 (c) below	-	4,226,699	(3,635,678)	(406,331)	61,981	(246,671)
Prior period income and expenses now adjusted in the respective earlier financial years (Refer note 2 (a) below)	(538,162)	1,544,149	(418,286)	(957,153)	369,450	-
Income tax demands and refunds now adjusted in respective earlier financial years (Refer 2 (b) below)	-	-	(649,931)	(645,791)	1,295,722	-
Total adjustments	**(2,918,256)**	**7,193,898**	**(4,083,649)**	**(6,135,718)**	**3,496,512**	**(1,399,600)**
Tax impact of the adjustments	181,145	(1,957,808)	1,561,609	350,826	(135,773)	-
Adjustments, net of tax impact thereof	**(2,737,111)**	**5,236,090**	**(2,522,040)**	**(5,784,892)**	**3,360,739**	**(1,399,600)**
Net Profit as per Restated Summary Statements	**124,638,539**	**22,421,404**	**4,326,914**	**29,524,612**	**10,016,273**	**59,447,252**

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1. **Adjustments resulting from changes in accounting policies**

(a) **Deferred tax**

The Company changed its accounting policy for taxes on income as a result of the new Accounting Standard AS- 22 on 'Accounting for taxes on income' issued by the ICAI for the year ended December 31, 2003. In accordance with the transitional provisions, the opening deferred tax liability had been charged directly to the general reserves and the deferred tax expense for the year ended December 31, 2003 had been charged to the Profit and Loss Account.

For the purposes of these Restated Summary Statements, the revised policy has been applied retrospectively.

(b) **Provision for leave encashment**

For the year ended December 31, 2002, the Company changed its accounting policy for provision for leave encashment, and accrued this for on the basis of an actuarial valuation made at the end of each financial year, which was earlier made on arithmetic basis.

For the purposes of these Restated Summary Statements, the revised policy has been applied retrospectively.

(c) **Deferred revenue expenses expensed off**

For the year ended December 31, 2004, the Company changed its earlier accounting policy of amortising costs incurred for contract acquisition equally over the period for which the contract is undertaken on the basis of mutually agreed terms between contracting parties and amortizing pre-operative expenses over a period of three years. The entire unamortised amounts were written off for the year ended December 31, 2004.

For the purposes of these Restated Summary Statements, the revised policy has been applied retrospectively.

2. **Other adjustments**

(a) **Prior period income and expenses**

Prior period income and expenses as reported in the financial statements or elsewhere of the year ended December 31, 2005 and years ended December 31,2004, December 31, 2003, December 31, 2002, and December 31, 2001 have been adjusted in the Restated Summary Statements of such years to which these amounts pertain.

(b) **Income tax demands and refunds**

Income taxes provided in earlier years in respect of which either additional demand has been subsequently paid to the authorities or refunds have been subsequently received from the authorities, on completion of assessments, have been adjusted in the Restated Summary Statements of such years when such amounts were originally provided.

(c) **Material regroupings**

i. In the financial statements for the year ended December 31, 2001, unbilled revenue from customers was included in Sundry Debtors. From December 31, 2002, this has been corrected and unbilled revenue has been included under Other Current Assets. In the Restated Summary Statements for the year ended December 31, 2001, such unbilled revenue has been regrouped and disclosed accordingly.

ii. Upto the year ended December 31, 2003, employee related costs anticipated to complete contracts were included under Operating and Other expenses. In the financial statements for the year ended December 31, 2004, the same has been corrected and included in Personnel expenses. In the Restated Summary Statements for the years ended December 31, 2004 and December 31, 2003, such expense has been regrouped and disclosed accordingly.

iii. In the financial statements for the year ended December 31, 2002 the 'Incidental expenditure during construction (Pending Capitalization/Allocation)' had been presented as separate line item on the face of balance sheet. In the Restated Summary Statements for the year ended December 31, 2002 the same has been classified along with capital work in progress.

(d) **Applicability of other accounting standards**

The provision relating to segment reporting, related party disclosure, earnings per share and cash flow statements as per Accounting Standards (AS) 17, AS 18, AS 20 and AS 3 respectively, issued by the Institute of Chartered Accountants of India (ICAI), became mandatory for the Company with effect from January 1, 2004 for AS 17, AS 18 and AS 3 and January 1, 2003 for AS 20. However, for the purpose of disclosure of Other Financial Information in respect of above, the aforesaid Accounting Standards have been applied retrospectively.

For relevant disclosures refer note 8 and 9 to Annexure IVB and Annexure IV-I and III respectively.

3. Non adjustment items

(a) Change in estimated useful lives of assets

During the year ended December 31, 2001, management reassessed the lives of the software used by Company, to be three years, as compared to earlier assessed life of six years.

During the year ended December 31, 2003, for office and electrical items included in Plant and Machinery, the lives of UPS, stand alone air conditioners and telephone instruments (other than meridian phones) were reassessed at 12 years, 6 years and 6 years respectively, as against earlier assessed lives of 20 years.

Adjustment on this account has not been made in the Restated Summary Statements, since in the opinion of the Company, the change in estimates were assessed / determined only in those respective years.

(b) Loss on discard of fixed assets

During the year ended December 31, 2001, in line with its expansion plans, the Company retired/ surrendered certain parts of its building at Noida, India together with certain associated fixed assets. In line with Accounting Standard 10 (AS 10) "Accounting for Fixed Assets" issued by the Institute of Chartered Accountants of India, such fixed assets were written down to the lower of net book value of such assets, being Rs 5.76 million and the realisable value of Rs 2.37 million (estimated by the management, mainly on the basis of quotations). In this regard, a loss of Rs 3.39 million was charged to the Profit and Loss Account for the year ended December 31, 2001. The assets were included in Other Current Assets.

Subsequently, during the year ended December 31, 2002, the company sold most of these assets and carried assets at net realisable of Rs.0.01 million. During the year ended December 31, 2005, in view of the passage of time and its inability to sell the said assets, the management charged off this amount to the Profit and Loss Account.

Adjustment on this account has not been made in the Restated Summary Statements, since in the opinion of the Company, the change in estimates were assessed / determined only in those respective years.

(c) Loan to another company

During the year ended December 31, 2001, the Company had advanced Rs 4.7 million to another company and its promoter in pursuance of an agreement executed in August 2001 in accordance with the terms of a Letter of Intent indicating the Company's intention to acquire the said another company. However, during the year, the transaction was shelved and claims for recovery were filed by the Company. As at December 31, 2001, the management was confident of the recovery of the amount in view of the ongoing negotiations with the said parties.

Subsequently, for the year ended December 31, 2002, the management assessed provision for doubtful loans at Rs. 4 million.

During the year ended December 31, 2003, the legal cases were decided in favour of the Company and a settlement plan was agreed with the parties involved. However, considering the uncertainty of recoverability from the parties involved, the provision was retained in the financial statements for the year ended December 31, 2003.

For the year ended December 31, 2004, due to non- settlement as per agreed plan, the balance amount had also been provided for in the financial statements.

Adjustment on this account has not been made in the Restated Summary Statements, since in the opinion of the Company, the change in estimates were assessed / determined only in those respective years.

(d) Accounting for investment

(i) In terms of the Scheme of Amalgamation ("the Scheme") approved by order dated August 1, 2002 of Honorable High Court of Mumbai and the Honorable High Court of New Delhi, Indus Software Private Limited (referred to as 'Indus') had amalgamated with the Company with effect from April 1, 2002. During the year ended December 31, 2002, the goodwill arising out of the amalgamation was determined at Rs. 513,767,211.

Honorable High Courts had approved the amount of goodwill at Rs. 546,034,828 and has ordered this goodwill amount to be adjusted against securities premium account. As this goodwill had been determined based on results of Indus as at March 31, 2001, goodwill for adjustment against securities premium account had been restricted to amount calculated above of Rs. 513,767,211, which has been considered as appropriate compliance with orders of the Honorable High Courts.

Had such accounting treatment been undertaken in accordance with Accounting Standard - 14 "Accounting for amalgamations" issued by the Institute of Chartered Accountants of India, securities premium account and goodwill would have been higher by Rs. 513,767,211.

(ii) Further, the shareholders of the Company at the Extraordinary General Meeting held on September 28, 2002 had approved the adjustment / set-off of investment against securities premium account, to the extent of Rs.523,381,468, representing the excess of the consideration paid over the underlying net assets as at the time of acquisition of R Systems Inc. by the company, as this had not been represented by available assets. The High Court of Delhi had confirmed the utilization of the securities premium account in accordance with the provisions of Section 78 read with Section 100, 102 and 103 of the Companies Act, 1956, towards above noted adjustment. As a result, securities premium account and investments had been reduced by an amount of Rs 523,381,468.

Had such accounting treatment been undertaken in accordance with Accounting Standard - 13 "Accounting for investments" issued by the Institute of Chartered Accountants of India, securities premium account and Investment would have been higher by Rs.523,381,468.

(e) Indirect costs included in Product development costs

In the financial statements for the year ended December 31, 2004, the Company changed its policy to include indirect costs incurred by it for developing new products against hitherto followed policy of including only direct costs. No adjustment on this account has been made in the summary of assets and liabilities and profits and losses for the earlier years as the amount involved is not material.

(f) Audit qualifications which do not require any corrective adjustment in the financial information are as follows:

<u>Year ended December 31, 2005: CARO</u>

For transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and exceeding value of Rupees five lakhs during the financial year, the prevailing prices were not ascertainable considering the uniqueness of transactions and accordingly, we had not commented as to whether these transactions were entered at the prevailing market prices at the relevant time.

There have been slight delays in payment of provident fund and service tax.

<u>Year ended December 31, 2004: CARO</u>

For transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and exceeding value of Rupees five lakhs during the financial year, the prevailing prices were not ascertainable considering the uniqueness of transactions and accordingly, we had not commented as to whether these transactions were entered at the prevailing market prices at the relevant time.

<u>Year ended December 31, 2003: CARO</u>

For transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and exceeding value of Rupees five lakhs during the financial year, the prevailing prices were not ascertainable considering the uniqueness of transactions and accordingly, we had not commented as to whether these transactions were entered at the prevailing market prices at the relevant time.

For loans taken from parties covered in register maintained under Sec 301 of the Companies Act, 1956, we had reported that the interest aggregating Rs.105,998 had been due at the year end but had been paid only subsequent to the year end.

The company had availed a cash credit borrowing which remained outstanding at the year end for Rs.35,834,058 for purchase of fixed assets of Rs.56,626,643(net).

Other than this funds raised on short term basis have not been used for long- term investment. Funds raised on a long-term basis have been so employed.

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Statement of significant accounting policies ***Annexure IV A***

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(c) Depreciation

Depreciation is provided on Straight Line method over the estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

Category of fixed assets	Estimated useful life
Land - leasehold	Lease period
Buildings - freehold / leasehold	Lower of lease period or 61 years
Plant and machinery - office and electrical equipments other than	20 years
i) UPS systems,	
ii) stand alone air conditioners and	
iii) telephone instruments, other than meridian phones.	
UPS systems	12 years
Stand alone air conditioners and telephone instruments other than meridian phones.	6 years
Computer hardware and network installations	6 years
Furniture and fittings	15 years
Vehicles	10 years

In the following cases, the estimated useful lives of the assets followed by the Company result in depreciation rates to be higher than that provided under Schedule XIV.

	Rates (SLM)	Schedule XIV Rates (SLM)
UPS systems	8.33%	4.75%
Stand alone air conditioners and telephone instruments other than meridian phones.	16.66%	4.75%

Individual assets costing upto Rs. 5,000 are fully depreciated in the year of put to use.

Depreciation on additions made to fixed assets on account of foreign exchange fluctuation, is provided for over the remaining useful life of such assets.

(d) Intangibles

Product development costs

Product development cost represents direct cost incurred by the Company for developing new product. Research costs are expensed as incurred. Development expenditure incurred on an individual product is carried forward when its future recoverability can reasonably be regarded as assured. The expenditure incurred is carried forward under capital work in progress till the product is ready to be marketed. Expenditure carried forward is charged off over the expected useful life of product of 48 months beginning in the month when revenue from the products starts accruing.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer softwares

Costs relating to acquired production softwares are capitalized and amortized on a straight-line basis over their useful lives estimated by the management at 3 years or below as in specific cases.

(e) Expenditure on new projects

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised to the extent allocable. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account.

(f) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

(g) Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of software products

Revenue from the sale of software license is recognized when the sale has been completed with the transfer of title.

Rendering of services

Revenues from software development services and projects comprise income from time-and-material and fixed-price contracts.

Revenue associated with software development services / customization of products rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

Fixed-price contracts vary in duration depending on the terms of the work being performed and historically have ranged in length from two months to six months. Revenue from fixed price contracts (including maintenance and support contracts) is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined. If a loss is projected on any contracts in process, the entire projected loss is recognized currently.

Management fees from the customers for managing projects are being recognised on time basis over the estimated life of the project.

(j) Foreign currency translation

Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India are capitalized as a part of fixed asset.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(k) Retirement benefits

i. Retirement benefits in the form of Provident Fund are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

ii. Gratuity liability under the Payment of Gratuity Act and provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.

(l) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax.

Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant tax regulations applicable to the Company. Payments of current income tax are made based on the assessable profits on the yearly basis from April to March.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The Company claims exemption under section 10A of the Income Tax Act, 1961 in respect of taxable income. Deferred tax is recognized after eliminating timing differences, which reverse during the tax holiday period.

(m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(n) Provision

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

(o) Segment reporting policies

Identification of segments :

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the major customers of the Company operate.

Intersegment transfers :

The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items :

The corporate and other segment includes general corporate income and expense items which are not allocated to any business segment.

(p) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

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Significant Notes to Restated Summary Statements Annexure IV B

1. List of subsidiaries

Subsidiary	**Holding**	**Country of incorporation and other particulars**
R Systems Inc.	100%	A company registered under the laws of California, USA in 1993 and subsidiary of the Company since January 2, 2001. R Systems Inc. has a division in Japan.
R Systems (Singapore) Pte Limited	100%	A company registered under the laws of Singapore in 1997 and subsidiary of the Company since September 19, 2000.
Indus Software Inc.	100%	A company registered under the laws of Delaware, USA in 1996 and subsidiary of the Company since April 1, 2002.
ECnet Limited	98.59%	A company registered under the laws of Singapore in 1996. The Company has acquired majority share on January 8, 2004. The Company has subsidiaries in Malaysia, Thailand, China, Hong Kong, USA, Korea and Japan. (List of subsidiaries)

The Company has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
ECnet (M) Sdn Bhd	100	Malaysia
ECnet Systems (Thailand) Co. Ltd.	100	Thailand
ECnet (Shanghai) Co. Ltd.	100	People's Republic of China
ECnet (Hong Kong)	100	Hong Kong
ECnet (Taiwan) Co.	100	People's Republic of China
ECnet Inc.	100	United State Of America
ECnet Korea Co, Ltd.	100	Korea
ECnet Kabushiki Kaisha	100	Japan

2. (a) The Company has export obligations under the Software Technology Park (STP) scheme. The Company has imported capital goods without payment of duties under the STP scheme for which agreements and bonds have been executed and Bank Guarantees given by the Company. The Company shall, if the obligations are not met, pay on demand an amount equal to such duties saved including interest and liquidated damages. As the Company has met all the requirements stipulated by STP and in future also expects to meet its commitment to earn the requisite revenue in the foreign exchange as per the norms prescribed by the STP authorities; and is using such imported capital goods for earning such revenue, the contingent liability on this account is unlikely.

(b) Contingent liabilities (Amount in Rs.)

	As at December 31, 2005	**As at December 31, 2004**	**As at December 31, 2003**	**As at December 31, 2002**	**As at December 31, 2001**
Bank Guarantees	4,775,000	3,800,000	3,775,000	5,275,000	1,175,650
Corporate Guarantees	99,429,000	96,206,000	-	-	-
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	25,979,161	370,001	40,804,678	1,878,028	-
Total	130,183,161	100,376,001	44,579,678	7,153,028	1,175,650

3. Issued, subscribed and paid up capital includes:

- 18,000,000 equity shares of Rs. 2 each, allotted as fully paid up bonus shares by way of capitalisation of accumulated profits.
- 335,000 equity shares of Rs. 2 each, allotted at a premium of Rs. 2,167.55 per equity share pursuant to a contract for share swap with existing shareholders of R Systems Inc., USA after obtaining necessary regulatory approvals.
- 3,596,869 equity shares of Rs. 2 each, allotted at a premium of Rs. 113.42 per equity share pursuant to a "Shareholders Agreement" resulting in share swap with specific shareholders of Indus Software Private Limited (or 'Indus') after obtaining necessary regulatory approvals.
- 1,281,364 equity shares of Rs. 2 each, allotted at a premium of Rs. 113.42 per equity share to the remaining shareholders of Indus, pursuant to the approval of "Scheme of Amalgamation" relating to the amalgamation of Indus with the Company by the High Courts of Delhi and Mumbai.

4. (a) During the earlier years, a provision of Rs.7,989,770 had been made towards decline, in the value of the Company's investment in one of its wholly owned subsidiaries, R Systems (Singapore) Pte Ltd, which was considered as other than temporary by the management. During the year, the management has re-assessed this wholly owned subsidiary's future projections and budgets based on current year's actual performance being at par with that budgeted. Accordingly, the management is of the view that no diminution, other than temporary and other than already provided for, exists in the value of investments in this subsidiary company and hence, no further provision on this account is required.

(b) During the year ended December 31, 2004, the Company had acquired 98.59% shares in ECnet Limited, a Company incorporated in Singapore at total consideration of Rs.34,938,958. As at December 31, 2004, the Company had to pay balance amount of Rs. 25,952,338 to the erstwhile shareholders of ECnet Limited, out of which Rs. 4,579,824 was payable on January 8, 2005 and the balance Rs. 21,372,514 was payable on January 8, 2006. Rs. 26,368,974 (Previous year Rs.4,579,824), being the amount payable within a year has been shown under 'current liabilities' and amount payable beyond a year at the previous year-end of Rs.21,372,514 had been disclosed separately as 'deferred payment liabilities'.

(c) Considering that cash flows from the investment are currently negative, Rs. 26,368,974 payable to the erstwhile shareholders of ECnet Limited has not been paid. The said erstwhile shareholders have no legal recourse to recover this amount other than instructing the Company to dispose of such number of shares in the subsidiary which shall permit Company to pay these liabilities, net of expenses incurred on such disposal. Management has no plans of disposal of shares of subsidiary and has neither received from the said erstwhile shareholder, any instructions to dispose any shares and believes that this liability shall be settled once the subsidiary's financial position improves.

(d) As referred in note 4(b) above, the Company had invested Rs. 34,938,958 towards acquisition of 98.59% shareholding in ECnet Limited, Singapore. The investee company is currently into losses and the net worth is fully eroded. During the year, the Company has filed a petition with the High Court of Delhi seeking its approval for writing down the investment value to Rs.10,443,237 and adjusting the write off of Rs.24,495,721 against the Securities Premium Account as this is not represented by available assets. The above adjustment to the carrying value of investment and Securities Premium Account has been undertaken on the basis of the order of High Court of Delhi dated February 16, 2006.

Had such accounting treatment been undertaken in accordance with Accounting Standard - 13 "Accounting for investments" issued by the Institute of Chartered Accountants of India, Securities Premium Account and Investment would have been higher by Rs.24,495,721.

5. (a) R Systems International Limited- Year 2004 Employee Stock Option Plan ('the plan')

During the year 2004, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 997,500 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a compensation committee and exercise price is "1.60 times the Book Value of the Share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 42 per Share or 1.60 times of the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee as on the date of Exercise which ever is higher".

The vesting period is 4 years (25% in each year) commencing from September 1, 2004. The eligible employees have an option to exercise it over a period up to August 31, 2014. The movement in the options during the year ended December 31, 2005 and year ended December 31, 2004 is set out below:

	Year ended December 31, 2005	Year ended December 31, 2004
At the beginning of the years		
- Grants outstanding under the plan	**887,200**	-
- Grants pending determination by the compensation committee	**110,300**	-
Option issued to the employee during the year	**185,100**	944,700
Option lapsed or surrendered during the year	**171,175**	57,500
Option exercised during the year	**38,050**	-
At the end of the years		
- Grants outstanding under the plan	**863,075**	887,200
- Grants pending determination by the compensation committee	**96,375**	110,300
- Exercised during the year	**38,050**	-

(b) Indus Software Employees Stock Option Plan - Year 2001 ('the plan'):

Indus Software Private Limited (Indus) had outstanding options aggregating to 21,967 equity shares as on March 31, 2002, to be issued to the eligible employees under the Indus Software Employees Stock Options Plan - Year 2001 under various vesting periods as specified in the said Plan, duly approved by the erstwhile shareholders. Indus had established "Indus Software Employees Welfare Trust" ('the Indus Trust') to administer the plan, as approved by the members, for the benefits of the Company's employees and had provided an interest free loan of Rs. 3,382,792. Consequently, Indus had allotted 21,967 equity shares of Rs. 10 each at a premium of Rs. 144 per equity share to the Indus Trust to be further issued to the Indus' eligible employees on the exercise of the underlying options granted to them.

As a result of the merger of Indus with the Company, all employees had surrendered their options in favour of the Indus Trust to enable them to obtain options for shares in R Systems International Limited after the merger. Also, the Company had issued 206,822 equity shares of Rs. 2 each at a premium of Rs. 113.42 per share to the Indus Trust in exchange of 21,967 equity shares of Indus, apropos to the agreed swap ratio. The movement in the options (in equivalent number of shares of the Company) held by the Trust over the years is set out below:

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
At the beginning of the years				
- Grants outstanding under the plan	**25,308**	41,172	48,412	-
- Grants pending determination by the compensation committee	**181,514**	165,650	158,410	-
Option issued to the employee during the year	**-**	-	-	171,327
Option lapsed or surrendered during the year	**3,229**	15,864	7,240	122,915
Option exercised during the year	**10,178**	-	-	-
At the end of the years				
- Grants outstanding under the plan	**11,901**	25,308	41,172	48,412
- Grants pending determination by the compensation committee	**184,743**	181,514	165,650	158,410
- Grants exercised at year-end	**10,178**	-	-	-

(c) R Systems International Limited - Year 2004 Employees Stock Option Plan -ECnet (the plan)

The Company had instituted the plan for all eligible employees in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 1,000,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a compensation committee and exercise price is "Book Value of the Share as per the audited Balance Sheet as on 31st December 2003 i.e. Rs. 26 or as on the date of Exercise, the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee which ever is higher".

The vesting period is 4 years (40% in 1st year & 20% each in 2nd, 3rd & 4th year) commencing from September 1, 2004. The eligible employees have an option to exercise it over a period up to August 31, 2014. The movement in the options during the year ended December 31, 2005 and year ended December 31, 2004 is set out below:

	Year ended December 31, 2005	Year ended December 31, 2004
At the beginning of the years		
- Grants outstanding under the plan	**862,000**	-
- Grants pending determination by the compensation committee	**138,000**	-
Option issued to the employee during the year	**-**	862,000
Option lapsed or surrendered during the year	**277,200**	-
At the end of the years		
- Grants outstanding under the plan	**584,800**	862,000
- Grants pending determination by the compensation committee	**415,200**	138,000

(d) For the purpose of valuation of the options granted during earlier years, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants (N Maini & Co.), to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer (mentioned above), the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	**Unit**	**Scheme (a) ***	**Scheme (b) ****	**Scheme (c)*****	**Comments by the valuer**
Strike price	Rs.	42	154	26	
Current share price	Rs.	16	140	16	Taken on the basis of NAV and PECV method of valuation
Expected option life	No of Years	5	2.5	5	Being half of the maximum option life
Volatility	%	1	0.5	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	11.3	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE
Expected dividend Yield	%	-	15	-	Company has no set policy so dividend taken as zero In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

* : R Systems International Limited- Year 2004 Employee Stock Option Plan

** : Indus Software Employees Stock Option Plan - Year 2001

***: R Systems International Limited - Year 2004 Employees Stock Option Plan ECnet (the Plan)

(e) For the purpose of valuation of the options granted during the year under R Systems International Limited- Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants (N Maini & Co.), to determine accounting impact, if any, of options granted. In the considered opinion of the valuer (mentioned above), the fair value of these option determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	**Unit**	**Scheme**	**Comments by the valuer**
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation
Expected option life	No of Years	5	Being half of the maximum option life
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero

(f) Subsequent to the year end, the Company has issued a bonus share to each existing shareholder by way of capitalisation of accumulated profits. The Board of Directors has suggested the compensation committee to consider the possibility of offering the same benefit to its option holders.

6. The company was incorporated on May 14, 1993 as R Systems India Private Limited under the Companies Act, 1956 and converted into Public Limited Company on April 13, 2000 vide special resolution passed on March 14, 2000. Subsequently, name of the company was changed to R Systems International Limited vide fresh certificate issued, consequent upon change of name, on August 7, 2000.

7. The company sub- divided nominal value of its equity shares from Rs. 10 each to Rs. 2 each. Consequently, the number of the authorised equity shares stands enhanced from 10,000,000 equity shares to 50,000,000 equity shares vide special resolution passed on January 5, 2001.

8 Segment information

Business segments:

The Company considers business segment as the basis for primary segmental reporting. The Company is organized into two business segments - software development and customization services and BPO services. All other costs and expenses are reflected in the corporate segment. Segments have been identified and reported based on the nature of the services, the risks and returns, the organization structure and the internal financial reporting system.

Geographical segments:

The Company reports secondary segmentation information on the basis of the geographical location of the customers. Although the Company's major operating divisions are managed on a worldwide basis, they operate in four principal geographical areas of the world which are: India, United States of America, South East Asian countries and other areas.

Since the BPO segment started in year 2003, prior to which the Company has been operating in single segment of software development and customization, the disclosures with respect to business segment have not been furnished for years ended December 31, 2002 and December 31, 2001. For these years, the information pertaining to secondary segment i.e. geographical segments have been presented. For the subsequent years, both primary and secondary segment information has been presented.

For the year ended December 31, 2001

Geographical segments

The geographical segments considered for disclosure are based on the sales within India and sales outside India on the basis of location of customers. The following is the distribution of the Company's revenues by geographical market:

Revenue by geographical market	Rs.
India	2,878,470
USA	91,910,966
South East Asia	2,671,543
Others	1,417,642
Total	**98,878,621**

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and addition to fixed assets and intangible assets by geographical area in which assets are located:

	Carrying amount of assets	Addition to fixed assets and intangible assets
	Rs.	Rs.
India	1,011,134,922	6,285,657
USA	34,033,834	—
South East Asia	840,627	—
Others	648,157	—
Total	**1,046,657,540**	**6,285,657**

For the year ended December 31, 2002

Geographical segments

The geographical segments considered for disclosure are based on the sales within India and sales outside India on the basis of location of customers. The following is the distribution of the Company's revenues by geographical market:

Revenue by geographical market	Rs.
India	23,684,558
USA	167,683,542
South East Asia	18,769,509
Others	57,004,626
Total	**267,142,235**

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and addition to fixed assets and intangible assets by geographical area in which assets are located:

	Carrying amount of assets	Addition to fixed assets and intangible assets
	Rs.	Rs.
India	558,394,746	16,879,540
USA	54,802,152	-
South East Asia	9,542,870	-
Others	30,608,613	-
Total	**653,348,381**	**16,879,540**

For the year ended December 31, 2003

The following table provides required information for the primary segment for the year ended December 31, 2003:

Particulars	Software development & customization services	Business process outsourcing services	Eliminations	Corporate and others	Total
REVENUE					
External sales	403,894,867	22,540,979	-	-	426,435,846
Total revenue	403,894,867	22,540,979	-	-	426,435,846
RESULT					
Segment result	45,273,991	(15,647,807)	-	-	29,626,184
Unallocated corporate expenses				(27,485,632)	(27,485,632)
Operating profit					2,140,552
Interest expenses				(972,792)	(972,792)
Interest income				859,802	859,802
Other income				333,578	333,578
Income taxes				1,965,774	1,965,774
Net profit					4,326,914
OTHER INFORMATION					
Segment assets	416,502,878	50,363,009	(60,465,068)		406,400,819
Unallocated corporate assets				328,788,695	328,788,695
Income tax assets				15,533,160	15,533,160
Total assets	416,502,878	50,363,009	(60,465,068)	344,321,855	750,722,674
Segment liabilities	98,755,716	65,754,505	(60,465,068)		104,045,153
Unallocated corporate liabilities				51,489,381	51,489,381
Income tax liabilities				11,160,107	11,160,107
Total liabilities	98,755,716	65,754,505	(60,465,068)	62,649,488	166,694,641
Capital expenditures	34,446,458	38,701,269			73,147,727
Depreciation & amortization	19,395,919	4,100,189			23,496,108
Other non-cash expenses	2,939,515	4,556,971			7,496,486

Geographical segments

The geographical segments considered for disclosure are based on the sales within India and sales outside India on the basis of location of customers. The following is the distribution of the Company's revenues by geographical market:

Revenue by geographical market	Rs.
India	30,170,555
USA	261,737,766
South East Asia	36,861,031
Others	97,666,494
Total	**426,435,846**

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and addition to fixed assets and intangible assets by geographical area in which assets are located:

	Carrying amount of assets	Addition to fixed assets and intangible assets
	Rs.	Rs.
India	614,555,572	73,147,727
USA	90,658,651	-
South East Asia	13,382,313	-
Others	32,126,138	-
Total	**750,722,674**	**73,147,727**

For the year ended December 31, 2004

The following table provides required information for the primary segment for the year ended December 31, 2004:

Particulars	Software development & customization services	Business process outsourcing services	Eliminations	Corporate and others	Total
REVENUE					
External sales	489,076,804	72,084,234	-	-	561,161,038
Inter-segment sales	1,588,657	-	(1,588,657)	-	-
Total revenue	490,665,461	72,084,234	(1,588,657)	-	561,161,038
RESULT					
Segment result	36,480,097	9,304,247			45,784,344
Unallocated corporate expenses				(13,482,823)	(13,482,823)
Operating profit					32,301,521
Interest expenses				(8,097,086)	(8,097,086)
Interest income				1,303,317	1,303,317
Other income				1,252,803	1,252,803
Income taxes				(4,339,151)	(4,339,151)
Net profit					22,421,404

Particulars	Software development & customization services	Business process outsourcing services	Eliminations	Corporate and others	Total
OTHER INFORMATION					
Segment assets	515,437,681	57,858,115	(59,392,441)		513,903,355
Unallocated corporate assets				409,211,908	409,211,908
Income tax assets				4,942,347	4,942,347
Total assets	515,437,681	57,858,115	(59,392,441)	414,154,255	928,057,610
Segment liabilities	148,317,243	67,374,609	(59,392,441)		156,299,411
Unallocated corporate liabilities				157,698,945	157,698,945
Income tax liabilities				7,609,815	7,609,815
Total liabilities	148,317,243	67,374,609	(59,392,441)	165,308,760	321,608,171
Capital expenditures	55,632,750	7,809,293		34,495,150	97,937,193
Depreciation & amortization	23,688,319	4,696,385			28,384,704
Other non-cash expenses	3,844,147	4,451,449			8,295,596

Geographical segments

The geographical segments considered for disclosure are based on the sales within India and sales outside India on the basis of location of customers. The following is the distribution of the Company's revenues by geographical market:

Revenue by geographical market	Rs.
India	42,662,958
USA	385,266,591
South East Asia	18,263,082
Others	114,968,407
Total	**561,161,038**

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and addition to fixed assets and intangible assets by geographical area in which assets are located:

	Carrying amount of assets	Addition to fixed assets and intangible assets
	Rs.	**Rs.**
India	689,694,175	96,804,352
USA	177,053,932	1,132,841
South East Asia	15,573,462	-
Others	45,736,041	-
Total	**928,057,610**	**97,937,193**

For the year ended December 31, 2005

The following table provides required information for the primary segment for the year ended December 31, 2005:

Particulars	Software development & customization services	Business process outsourcing services	Eliminations	Corporate and others	Total
REVENUE					
External sales	727,280,746	81,294,035	-	-	808,574,781
Total revenue	727,280,746	81,294,035	-	-	808,574,781
RESULT					
Segment result	139,497,329	11,631,100	-	-	151,128,429
Unallocated corporate expenses	-	-	-	(11,778,498)	11,778,596
Operating profit					139,349,931
Interest expenses				(7,305,198)	(7,305,198)
Interest income				2,328,082	2,328,082
Other income				4,694,234	4,694,234
Income taxes				(14,428,510)	(14,428,510)
Net profit					124,638,540
OTHER INFORMATION					
Segment assets	544,318,066	63,016,582	(49,933,067)	-	557,401,581
Unallocated corporate assets				453,873,147	453,873,147
Income tax assets				9,669,429	9,669,429
Total assets	544,318,066	63,016,582	(49,933,067)	463,542,576	1,020,944,157
Segment liabilities	164,321,218	64,641,566	(49,933,067)	-	179,029,717
Unallocated corporate liabilities				119,939,594	119,939,594
Income tax liabilities				21,896,891	21,896,891
Total liabilities	164,321,216	64,641,566	(49,933,067)	141,836,485	320,866,200
Capital expenditures	56,601,786	3,746,200			60,347,986
Depreciation & amortization	26,538,229	5,203,135			31,741,364
Other non-cash expenses	10,004,097	1,654,421			11,658,518

Geographical segments

The geographical segments considered for disclosure are based on the sales within India and sales outside India on the basis of location of customers. The following is the distribution of the Company's revenues by geographical market:

Revenue by geographical market	Rs.
India	49,854,451
USA	570,198,085
South East Asia	44,624,034
Others	143,898,211
Total	**808,574,781**

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and addition to fixed assets and intangible assets by geographical area in which assets are located:

	Carrying amount of assets	Addition to fixed assets and intangible assets
	Rs.	**Rs.**
India	766,741,331	57,783,090
USA	179,516,305	2,564,896
South East Asia	21,538,743	-
Others	53,147,780	-
Total	**1,020,944,159**	**60,347,986**

Notes:

1. The figures disclosed above are based on the Restated Summary Statements of R System International Limited.

9 Related Party Transactions

(i) Names of related parties

Subsidiaries	R Systems Inc., USA
	R Systems (Singapore) Pte Ltd, Singapore
	Indus Software Inc., USA
	ECnet Ltd, Singapore
Key management personnel (directors)	Lt. Gen. Baldev Singh (Retd), Managing Director (as per Board of Directors resolution dated January 18, 2006 appointed Senior Executive Director)
	Avirag Jain, Alternate Director
	Raj Swaminathan, COO (Indus unit)
	N K Garg , Alternate Director

(ii) Details of transactions with related parties for the years ended December 31, 2005, December 31, 2004, December 31, 2003, December 31, 2002 and December 31, 2001 are as under:

(Amount in Rs.)

	As at December 31, 2005	As at December 31, 2004	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
Sales to					
ECnet Ltd, Singapore	13,636,984	5,663,104	-	-	-
R Systems Inc., USA	69,228,869	49,577,618	9,097,151	8,238,993	19,287,014
R Systems (Singapore) Pte Ltd	2,033,091	176,983	74,921	2,857,401	2,815,889
Total	**84,898,944**	**55,417,705**	**9,172,072**	**11,096,394**	**22,102,903**
Other income					
R Systems Inc., USA	488,750	340,400	352,181	-	-
Management fee, commission on sales and other expenses paid to					
ECnet Ltd, Singapore	334,913	-	-	-	-
R Systems Inc., USA	51,382,389	44,397,556	26,706,403	14,085,150	5,017,318
R Systems (Singapore) Pte Ltd	162,648	16,899	61,055	-	-
Total	**51,879,950**	**44,414,455**	**26,767,458**	**14,085,150**	**5,017,318**
Interest received from					
ECnet Ltd, Singapore	1,935,789	843,005	-	-	-
Interest paid to					
R Systems (Singapore) Pte Ltd	772,361	500,057	124,151	-	-
Travel and other expenses reimbursed to					
ECnet Ltd, Singapore	917,297	-	-	-	-
R Systems Inc., USA	19,982,249	23,115,765	18,564,902	11,102,678	12,012,023
Indus Software, Inc.	189,819				
R Systems (Singapore) Pte Ltd	104,526	33,947	72,764	346,150	226,007
Total	**21,193,891**	**23,149,712**	**18,637,666**	**11,448,828**	**12,238,030**

	As at December 31, 2005	As at December 31, 2004	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
Travel and other expenses paid by company on behalf of					
ECnet Ltd, Singapore	1,049,889	957,709	-	-	-
R Systems Inc., USA	8,236,189	1,470,244	55,783	30,224	641,696
Total	**9,286,078**	**2,427,953**	**55,783**	**30,224**	**641,696**
Reimbursement for purchase of Assets					
R Systems Inc., USA	3,855,410	726,734	-	-	-
Assets obtained on loan					
R Systems Inc., USA	2,117,255	535,160	5,642,870	-	-
R Systems (Singapore) Pte Ltd	-	157,753	-	-	-
Total	**2,117,255**	**692,913**	**5,642,870**	**-**	**-**
Guarantee given					
R Systems Inc., USA	99,429,000	96,206,000	-	-	-
Loan given					
ECnet Ltd, Singapore	18,390,600	26,550,473	-	-	-
Loan taken					
R Systems (Singapore) Pte Ltd.	-	-	15,609,998	-	-
Remuneration to Key Management Personnel					
-Baldev Singh	1,337,363	1,126,174	1,118,801	1,121,127	596,146
-Avirag Jain	1,195,100	934,051	888,240	792,199	405,879
-N.K.Garg	-	1,253,401	962,094	281,977	-
Total	**2,532,463**	**3,313,626**	**2,969,135**	**2,195,303**	**1,002,025**
Balance outstanding as at the year end					
Receivable-trade					
ECnet Ltd, Singapore	8,427,498	6,080,273	-	-	-
R Systems Inc., USA	26,526,887	39,138,018	-	521,277	527,905
R Systems (Singapore) Pte Ltd	2,048,979	176,056	703,242	970,645	840,627
Total	**37,003,364**	**45,394,347**	**703,242**	**1,491,922**	**1,368,532**
Receivable-others					
ECnet Ltd, Singapore	482,020	570,353	-	-	-
R Systems Inc., USA	381,896	-	-	-	-
R Systems (Singapore) Pte Ltd	871,538	1,395,341	-	-	-
Total	**1,735,454**	**1,965,694**	**-**	**-**	**-**

	As at December 31, 2005	As at December 31, 2004	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
Payable					
ECnet Ltd, Singapore	1,265,447	85,176	-	-	-
R Systems Inc., USA	69,155,361	72,852,556	42,461,101	4,158,957	2,074,118
Indus Software Inc., USA	1,592,969	1,357,667	1,034,508	1,089,863	-
R Systems (Singapore) Pte Ltd	-	-	148,303	-	-
Total	**72,013,777**	**74,295,399**	**43,643,912**	**5,248,820**	**2,074,118**
Assets obtained on loan					
R Systems Inc., USA	8,295,285	6,178,030	5,642,870	-	-
R Systems (Singapore) Pte Ltd	157,573	157,753	-	-	-
Total	**8,452,858**	**6,335,783**	**5,642,870**	**-**	**-**
Guarantee given to					
R Systems Inc., USA	99,429,000	96,206,000	-	-	-
Loan given to					
ECnet Ltd, Singapore	45,593,184	26,442,900	-	-	-
Loan taken from					
R Systems (Singapore) Pte Ltd	15,366,300	14,868,200	-	-	-

Notes:

1. The figures disclosed above are based on the Restated Summary Statements of R System International Limited.

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Details of Other Income, as restated **Annexure IV C**

(Amount in Rs.)

Sources of Income	**Year ended December 31, 2005**	**Year Ended December 31, 2004**	**Year ended December 31, 2003**	**Year ended December 31, 2002**	**Year ended December 31, 2001**	**Nature**	**Related / not related to business activity**
Other income as restated	7,684,001	2,556,120	1,193,380	4,639,869	14,251,263		
Net profit before tax, as per Restated Summary Statements	139,067,049	26,760,555	2,361,139	39,674,695	13,058,361		
Percentage	6	10	51	12	109		
Sources of income Interest received on							
- Bank Deposits (*)	284,629	241,592	447,584	3,541,768	13,335,577	Non Recurring	Related
- Income tax refund (**)	107,664	218,720	366,893	349,729	-	Non Recurring	Not Related
- Others (interest on loan to ECnet Ltd)	1,935,789	843,005	45,325	-	-	Non Recurring	Not Related
Profit on sale of fixed assets (net)	-	-	-	199,941	-	Non Recurring	Not Related
Foreign exchange fluctuation, net	-	-	-	-	781,458	Non Recurring	Not Related
Profit on sale of current investments (net)	-	-	-	9,070	-	Non Recurring	Not Related
Unclaimed balances/ unspent liabilities written back (net)	661,685	294,291	-	477,573	120,345	Non Recurring	Not Related
Consultancy fee	4,155,054	539,543	-	-	-	Recurring	Related
Miscellaneous Income	539,180	418,969	333,578	61,788	13,883	Non Recurring	Not Related
Total	**7,684,001**	**2,556,120**	**1,193,380**	**4,639,869**	**14,251,263**		

* Non-recurring as earned only when cash surplus available for investments. Considered related as this arise out of normal business activities

** Non- recurring as earned when taxes when assessed lower than taxes paid. Considered not related as this is not arising out of normal business activities

" The classification of income as Recurring/Non Recurring and Related / Not Related to business activity is based on the current operations and business activity of the Company and is as determined by the management.

" The figures disclosed above are based on the Restated Summary Statements of R Systems International Limited.

Capitalisation Statement as at December 31, 2005 **AnnexureIV D**

(Amount in Rs.)

	Pre Issue	As adjusted for issue
Short term debt	61,115,213	61,115,213
Long term debt	37,882,862	37,882,862
Total debt	**98,998,075**	**98,998,075**
Shareholders' funds		
- Equity Share capital (refer note 6)	52,989,986	134,985,616
- Securities Premium Account (refer note 6)	432,712,977	1,069,079,356
- Profit and Loss Account	214,374,994	214,374,994
Total shareholders' funds	**700,077,957**	**1,418,439,966**
Long term debt / equity	**0.05**	**0.03**

1. Short term debts represents debts, which are due within twelve months
2. Long term debt represents debt other than short-term debt, as defined above.
3. Long term debt/equity = $\frac{\text{Long term debt}}{\text{Total share holders fund}}$
4. The figures disclosed in the above table are based on the Restated Summary Statements of R Systems International Limited.
5. The post issue numbers have been determined assuming the Proposed Issue Price of Rs.250 per share, which is based on management assessment of the outcome of Book Building Process.
6. Subsequent to the year end, the Company has converted 495,667 warrants to equity shares of Rs.2 each. In the same meeting the Company has consolidated five equity shares of Rs.2 each to one equity share of Rs.10 each and then issued a bonus share to each existing shareholder by way of capitalisation of accumulated profits. Further, the Company has allotted 388,201 equity shares under employee stock option plans subsequent to the year end. Capital Structure has been updated for the above mentioned adjustments.

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Details of Secured and Unsecured Loans **Annexure IV E**

(Amount in Rs.)

	As at December 31, 2005	As at December 31, 2004	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
SECURED LOANS					
A) FROM BANKS					
I. CASH CREDIT FACILITIES					
(Secured by hypothecation of debtors)	43,915,477	76,057,790	35,834,058	-	-
II. TERM LOAN FACILITIES					
- (Secured by first charge over the immovable property, fixed assets and current assets)	33,379,359	40,345,930	-	-	-
- (Secured by first charge over the fixed assets situated at C- 40, Sector 59, Noida, both present and future)	-	-	-	-	-
III. FOR MOTOR VEHICLES					
(Secured by hypothecation of underlying motor vehicles)	6,336,939	6,737,634	1,051,499	567,594	1,082,334
TOTAL (A)	**83,631,775**	**123,141,354**	**36,885,557**	**567,594**	**1,082,334**
B) FROM OTHERS					
I. FOR MOTOR VEHICLES (Secured by hypothecation of underlying motor vehicles)	-	-	45,325	194,266	502,398
TOTAL (B)	**-**	**-**	**45,325**	**194,266**	**502,398**
TOTAL (A+B)	**83,631,775**	**123,141,354**	**36,930,882**	**761,860**	**1,584,732**
UNSECURED LOANS					
Loan from a subsidiary company	15,366,300	14,868,200	15,609,998	-	-
TOTAL (C)	**15,366,300**	**14,868,200**	**15,609,998**	**-**	**-**
Grand Total (A+B+C)	**98,998,075**	**138,009,554**	**52,540,880**	**761,860**	**1,584,732**

Note

(a) The figures disclosed above are based on the Restated Summary Statements of R Systems International Limited.

(b) Interest on cash credit facilities from banks was in the range of 7.25% to 7.50% during the year ended December 31, 2005, December 31, 2004 and December 31,2003.

(c) Interest on term loan facilities from bank was 8.75% per annum for the year ended December 31, 2005 and was 9.25% per annum upto October 1, 2004.

(d) Loan from subsidiary company represents External Commercial Borrowing from a wholly owned subsidiary, R Systems (Singapore) Pte. Ltd, which is repayable on June 30, 2008. The interest is payable half yearly at the rate of LIBOR plus 1% p.a.

(e) Loans for motor vehicles have been taken in range of 8-15% p.a. over the years.

Details of Investments **Annexure IV F**

(Amount in Rs.)

		As at December 31, 2005	As at December 31, 2004	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
I.	**SUBSIDIARY COMPANIES (UNQUOTED)**					
	R Systems Singapore Pte Ltd					
	70,000 Ordinary Shares of S $1 each fully paid up	-	-	-	-	-
	4,070,000 Ordinary Shares of S $1 each fully paid up	104,173,570	104,173,570	104,173,570	104,173,570	104,173,570
	Less: Provision for decline in value of investments	(7,989,770)	(7,989,770)	(5,989,770)	-	-
		96,183,800	**96,183,800**	**98,183,800**	**104,173,570**	**104,173,570**
	R System Inc, USA					
	10,000,000 shares of "no par" value	**203,418,532**	**203,418,532**	**203,418,532**	**203,418,532**	**726,800,000**
	Indus Software Inc, USA					
	243,750 common stock of US$1 each fully paid	10,785,738	10,785,738	10,785,738	10,785,738	-
	Less: Provision for decline in value of investments	(10,784,738)	(10,784,738)	(10,784,738)	-	-
		1,000	**1,000**	**1,000**	**10,785,738**	**-**
	ECnet Limited, Singapore					
	17,651,705 ordinary shares of S $ 0.06	34,938,958	34,938,958	-	-	-
	Less: Adjustment with Securities Premium Account as per order of High Court (also refer note 4(c) under Annexure IVB)	(24,495,721)	-	-	-	-
		10,443,237	**34,938,958**			
II	**OTHERS**					
	6 Year National Saving Certificate- VIII issue	-	-	-	2,000	-
	The Saraswat Co-operative Bank Limited ,2,500 equity shares of Rs.10 each	25,000	25,000	25,000	25,000	-
	Total	**310,071,569**	**334,567,290**	**301,628,332**	**318,404,840**	**830,973,570**
	Aggregate book value of unquoted investments	**310,071,569**	**334,567,290**	**301,628,332**	**318,404,840**	**830,973,570**

Details of Sundry Debtors **Annexure IVG**

(Amount in Rs.)

	As at December 31, 2005	As at December 31, 2004	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
Debtors outstanding for a period exceeding six months					
- considered good	8,624,154	9,376,786	3,380,315	3,911,577	54,900
- considered doubtful	9,230,762	7,084,704	4,734,807	4,727,347	1,402,009
	17,854,916	16,461,490	8,115,122	8,638,924	1,456,909
Other debts					
- considered good	269,540,036	238,131,101	143,536,567	96,241,346	36,017,758
- considered doubtful	3,187,939	-	160,110	6,000	854,486
	272,727,975	238,131,101	143,696,677	96,247,346	36,872,244
Less : Provision for doubtful debts	12,418,701	7,084,704	4,894,917	4,733,347	2,256,495
Total	**278,164,190**	**247,507,887**	**146,916,882**	**100,152,923**	**36,072,658**

Note

The figures disclosed above are based on the Restated Summary Statements of R Systems International Limited

Details of Loans and Advances **Annexure IV H**

(Amount in Rs.)

	As at December 31, 2005	As at December 31, 2004	As at December 31, 2003	As at December 31, 2002	As at December 31, 2001
Unsecured, considered good					
Advances recoverable in cash or in kind or for value to be received	22,226,209	17,212,209	14,968,558	12,067,307	5,934,255
Income-tax receivable	9,669,429	4,942,347	15,533,160	17,077,220	8,782,257
Deposits - others	10,200,210	6,225,408	8,287,561	5,374,246	939,993
Advance to subsidiary companies	1,735,454	1,965,694	-	-	-
Loan to ECnet Limited (a subsidiary company)	45,593,184	26,442,900	-	-	-
Considered doubtful					
Advances recoverable in cash or in kind or for value to be received	5,145,226	4,778,200	4,000,000	4,000,000	
	94,569,712	61,566,758	42,789,279	38,518,773	15,656,505
Less: Provision for doubtful loans & advances	(5,145,226)	(4,778,200)	(4,000,000)	(4,000,000)	-
Total	**89,424,486**	**56,788,558**	**38,789,279**	**34,518,773**	**15,656,505**

Note

The figures disclosed above are based on the Restated Summary Statements of R Systems International Limited

Summary of accounting ratios **Annexure IV I**

(Amount in Rs.)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
Basic Earnings per share before adjusting exceptional item (Rs.)	4.81	0.84	0.16	1.19	0.48
Diluted Earnings per share before adjusting exceptional item (Rs.)	4.72	0.83	0.16	1.16	0.48
Cash Earnings per share (Rs.)	5.37	1.94	1.70	1.80	0.66
Return on net worth %	17.80%	3.70%	0.74%	5.09%	0.97%
Net asset value per equity share (Rs)	27.04	22.81	21.72	23.29	49.15
Weighted average number of equity shares outstanding during the year	25,892,587	26,582,116	26,890,087	24,891,544	29,947,247
Number of equity shares which would be issued on conversion of warrants	495,667	504,068	456,753	577,772	-
Shares pending allotment	38,050	-	-	-	-
Number of equity shares outstanding during the year in calculating diluted EPS	26,426,304	27,086,184	27,346,840	25,469,316	29,947,247
Total number of shares outstanding at the end of the year	**25,892,587**	**25,892,587**	**26,890,087**	**26,890,087**	**21,014,354**

Notes:

1. The ratios have been computed as below :

Basic Earning per Share (Rs) = $\dfrac{\text{Net profit/(loss), after tax, attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$

Diluted Earnings per share (Rs) * = $\dfrac{\text{Net profit/(loss), after tax, attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year + Weighted average number of potential equity shares outstanding during the year}}$

Cash Earnings per share (Rs) = $\dfrac{\text{Net profit/(loss), after current tax, before depreciation/amortisation, deferred taxes and provision for diminution of investments attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$

Return on net worth (%) = $\dfrac{\text{Net profit/(loss) after tax as per Profit and Loss Account}}{\text{Net worth at the end of the year}}$

Net asset value per equity share (Rs) = $\dfrac{\text{Net worth at the end of the year}}{\text{Weighted average number of equity shares outstanding at the end of the year}}$

2. Weighted average number of equity shares is the number of equity shares outstanding at the beginning of the year, adjusted by the number of equity shares issued during the year multiplied by the time-weighting factor. The time-weighting factor is the number of days for which the specific shares are outstanding as a proportion of the total number of days during the year. Shares issued to Employees ESOP trusts have also been considered for computation of weighted average number of equity shares.

3. The figures disclosed above are based on the Restated Summary Statements of R Systems International Limited. The Company has not reported any exceptional item in the Restated Summary Statements.

4. Earnings per share calculations are done in accordance with Accounting Standard 20 'Earnings Per Share' issued by the Institute of Chartered Accountants of India.

5. During the year ended December 31, 2001, the Company had issued bonus shares and split each equity share of Rs.10 each into five equity shares of Rs.2 each. For the purpose of computation of above ratios, the number of shares outstanding at each year-end has been adjusted.

6. Subsequent to the year-end, the Company has converted 495,667 warrants to equity shares of Rs.2 each and has allotted 388,021 equity shares of Rs. 2 each to employees on exercise of option. The Company has consolidated five equity shares of Rs.2 each to one equity share of Rs.10 each and then issued a bonus share to each existing shareholder by way of capitalization of accumulated profits. Adjusting the shares data for the above changes, the Earnings per share would be as under

Earnings per share	For the year ended December 31, 2005	For the year ended December 31, 2004	For the year ended December 31, 2003	For the year ended December 31, 2002	For the year ended December 31, 2001
Basic [nominal value of share Rs10 (previous year Rs10)]	11.64	2.08	0.40	2.83	1.04
Diluted [nominal value of share Rs10 (previous year Rs10)]	11.64	2.08	0.40	2.83	1.04
Net profit after tax	124,638,539	22,421,404	4,326,914	29,524,612	10,016,273
Weighted average number of shares	25,892,587	26,582,116	26,890,087	24,891,544	20,947,247
Number of warrants converted into equity shares	495,667	495,667	495,667	495,667	495,667
Number of equity shares issued on exercise of ESOP	388,021	-	-	-	-
Number of shares after consolidation before bonus issue	5,355,255	5,415,557	5,477,151	5,077,442	4,288,583
Number of bonus shares issued	5,355,255	5,355,255	5,355,255	5,355,255	5,355,255
Number of share after bonus issue and consolidation	10,710,510	10,770,812	10,832,406	10,432,697	9,643,838

7. The movement in share capital over the years is stated below:

Date	No of Shares	Reasons /comment
As on January 1, 2001	133,000	
January 2, 2001	67,000	Further issue of share
January 5, 2001	3,600,000	Bonus issue of the shares in proportion of 1:18
January 5, 2001	15,200,000	Split in par value of equity shares from 10 to 2
January 10, 2001	2,014,354	Issue of shares to Intel Pacific inc.
February 14, 2002	997,500	Issue of share to R Systems Employee stock option trust.
March 4, 2002	3,596,869	Issue of share for acquisition of Indus Software Ltd.
December 28, 2002	1,281,364	Issue of share for acquisition of Indus Software Ltd.
September 10, 2004	(997,500)	Buy back of shares
Closing shares	25,892,587	

Tax Shelter Statement **Annexure IV J**

(Amount in Rs.)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
Profit before tax as per Restated Summary Statements	139,067,049	26,760,555	2,361,139	39,674,695	13,058,361
Income tax rate	34.39%	36.41%	36.09%	36.49%	36.66%
Tax expense at weighted average rate	**47,829,504**	**9,744,354**	**852,224**	**14,476,304**	**4,787,521**
Provision for income tax as per the Restated Summary Statements	**5,939,145**	**3,457,808**	**(3,133,692)**	**7,294,963**	**3,840,051**
Difference(A)	**41,890,359**	**6,286,546**	**3,985,916**	**7,181,341**	**947,470**
Adjustments-:					
Permanent differences					
Loss on discard /sale of assets(net)	654,517	793,436	1,725,533	705,558	5,694,049
Donation	18,000	15,500	25,000	51,794	-
Exemption under section 10 A of Income Tax Act	(142,590,438)	(11,584,761)	(7,533,318)	-	-
Deduction under section 80 HHE of Income Tax Act	-	-	-	(16,503,644)	(2,831,257)
Disallowance under section 35 D of Income Tax Act	-	(377,420)	822,586	406,331	-
Prior period expense	-	1,005,989		-	-
Pre set up expenditure	-	-	2,912,080	-	-
Foreign income tax	333,978	-	446,619	-	-
Others permanent differences	1,977,264	1,281,859	-	(4,434,993)	(1,437,882)
Total (B)	**(139,606,679)**	**(8,865,397)**	**(1,601,500)**	**(19,774,954)**	**1,424,910**
Temporary difference reversing during the tax holiday period					
Provision for diminution in value of investments	-	2,000,000	16,774,508	-	-
Provision for doubtful debts	5,628,842	2,967,987	161,570	4,635,002	2,256,495
Difference between book depreciation and tax depreciation	19,117,740	(20,135,274)	(22,909,787)	881,947	(6,604,612)
Provision for gratuity	2,389,658	2,263,447	1,633,469	566,896	163,605
Provision for leave encashment	3,063,707	2,572,347	2,097,937	64,488	1,163,529
Provision for LTA	-	4,052,765	-	-	369,450
Disallowance under section 43B of Income tax Act	-	-	-	-	-
Provision for bonus	4,611,993	497,988	423,115	-	-
Total (C)	**34,811,940**	**(5,780,740)**	**(1,819,188)**	**6,148,333**	**(2,651,533)**

(Amount in Rs.)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
Temporary differences					
Difference between book depreciation and tax depreciation	(17,003,907)	(2,618,368)	(3,255,518)	(7,824,925)	2,176,509
Total (D)	**(17,003,907)**	**(2,618,368)**	**(3,255,518)**	**(7,824,925)**	**2,176,509**
Net adjustment (E= B+C+D)	**(121,798,646)**	**(17,264,505)**	**(6,676,206)**	**(21,451,546)**	**949,886**
Tax saving on net adjustment	(41,830,359)	(6,286,546)	(2,409,693)	(7,827,133)	348,252
Tax paid under section 115JB of Income Tax Act	-	-	344,050	-	-
Excess provision written back	-	-	(1,920,273)	645,791	(1,295,722)
Total (F)	**(41,830,359)**	**(6,286,546)**	**(3,985,916)**	**(7,181,342)**	**(947,470)**

FINANCIAL INFORMATION OF THE SUBSIDIARY COMPANIES

R Systems (Singapore) Pte Ltd.

The Board of Directors
R Systems International Ltd.
C-40, Sector - 59, Noida,
India

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by R Systems International Ltd., in connection with the initial offer of the Equity Shares, we state as follows

1. We have audited the financial statements of R Systems (Singapore) Pte Limited, as subsidiary of R Systems International Limited, for the five financial years ended December 31, 2004 and the financial year ended December 31, 2005 being the last date up to which the accounts have been made in those respective period in accordance with the auditing standards generally accepted in Singapore.

2. We certify that the figures included in the annexed statement of Profit and Loss Account the five financial years ended December 31, 2004 and the financial year ended December 31, 2005, the annexed statement of assets and liabilities as at the end of respective periods and cash flow for the respective periods, along with the significant accounting policies, are prepared from the audited financial statement of the R Systems (Singapore) Pte Limited in accordance with accounting principle generally accepted in Singapore. Since the company had changed its reporting currency to USD from SGD in 2004, all financial years from 2000 onwards have been presented in USD.

3. This report is intended solely for your information and for inclusion in the offer Document in connection with the proposed IPO of the holding company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Sd/-

Quek & Company

Certified Public Accountants

Dated: 20th February, 2006

R Systems (Singapore) Pte Ltd.

Summary Profit & Loss accounts

(Amount in USD)

Particulars	Twelve months period ended December 31, 2005	Twelve months period ended December 31, 2004	Twelve months period ended December 31, 2003	Twelve months period ended December 31, 2002	Twelve months period ended December 31, 2001	Nine months period ended December 31, 2000
INCOME						
Turnover						
Consultancy Fees	286,156	314,968	350,517	444,756	582,006	589,512
Project - Software Development	87,978	11,010	-	76,084	80,058	252
Total	**374,134**	**325,978**	**350,517**	**520,840**	**662,064**	**589,764**
Other Income	63,324	32,348	24,367	31,560	27,721	67
Total Income	**437,457**	**358,326**	**374,884**	**552,400**	**689,785**	**589,831**
EXPENDITURE						
Cost of Sales						
Employee Cost	180,183	215,687	264,325	328,958	412,753	437,411
Subcontract	49,501	39,384	15,483	9,588	4,753	-
Traveling	240	2,317	700	3,004	14,861	13,856
Costs for Software Development	65,835	7,784	-	57,063	60,044	-
General & Administration Expenses						
Employee Cost	72,862	73,363	65,058	91,705	93,185	15,665
Traveling	189	3,452	2,937	1,953	27	3,828
Communication	1,023	1,894	4,196	6,197	4,637	7,686
Other	14,149	60,676	50,825	59,045	100,465	89,109
Total Expenditure	**383,982**	**404,557**	**403,524**	**557,513**	**690,725**	**567,555**
Profit (EBITDA)	**53,475**	**(46,231)**	**(28,640)**	**(5,114)**	**(940)**	**22,276**
Interest Charges	-	-	-	-	-	-
Profit before Depreciation, Exceptional Item and Tax	**53,475**	**(46,231)**	**(28,640)**	**(5,114)**	**(940)**	**22,276**
Depreciation/amortization	857	1,458	2,106	1,954	1670	2,436
Profit/(Loss) before Exceptional Item and Tax	**52,619**	**(47,689)**	**(30,746)**	**(7,068)**	**(2,610)**	**19,840**
Exceptional Item:						
Sale/Disposal of Assets	-	2,591	-	101	-	-
Profit/(Loss) before Tax	**52,619**	**(50,281)**	**(30,746)**	**(7,169)**	**(2,610)**	**19,840**
Current Tax Expense	-	-	-	-	2,219	(4,639)
Deferred Tax charge/(credit)	-	-	(2,812)	1,396	-	-
Net Profit/(Loss) for the year/period	**52,619**	**(50,281)**	**(33,558)**	**(5,773)**	**(391)**	**15,201**
Brought Forward (Loss) from Previous Period	(143,598)	(93,317)	(59,759)	(55,283)	(54,892)	(70,094)
Adjustments for Deferred Tax (charge)/credit not recognised earlier	**-**	**-**	**-**	**1,297**	**-**	**-**
Amount available for appropriation	**(90,979)**	**(143,598)**	**(93,317)**	**(59,759)**	**(55,283)**	**(54,892)**
Appropriations						
- Proposed dividend on equity shares	-	-	-	-	-	-
Profit/(Loss) carried to Balance Sheet	(90,979)	(143,598)	(93,317)	(59,759)	(55,283)	(54,892)

R Systems (Singapore) Pte Ltd.

Summary Statement of Assets and Liabilities **(Amount in USD)**

As At	December 31, 2005	December 31, 2004	December 31, 2003	December 31, 2002	December 31, 2001	December 31, 2000
APPLICATION OF FUNDS						
Fixed Assets :						
Gross Block	5,297	5,388	15,759	15,345	12,684	11,405
Less : Depreciation	4,733	3,943	10,227	7,927	5,775	4,575
Net Block	564	1,445	5,532	7,418	6,909	6,830
Capital work in progress	-	-	-	-	-	-
Total	**564**	**1,445**	**5,532**	**7,418**	**6,909**	**6,830**
Investments:	**-**	**-**	**-**	**-**	**-**	**-**
Current Assets, Loans and Advances:						
Sundry Debtors	110,903	59,252	77,861	108,016	98,634	105,249
Cash & Bank Balances	1,227,401	1,181,801	1,754,818	2,110,481	2,102,776	33,171
Loans and Advances	915,898	935,108	337,073	7,093	26,150	27,976
Total (A)	**2,254,202**	**2,176,161**	**2,169,752**	**2,225,590**	**2,227,560**	**166,396**
Current Liabilities and Provisions:						
Current Liabilities	78,652	54,110	23,624	51,988	52,138	182,892
Provisions	-	-	-	-	7,124	
Total (B)	**78,652**	**54,110**	**23,624**	**51,988**	**52,138**	**190,016**
Net Current Assets (A-B)	2,175,550	2,122,051	2,146,128	2,173,602	2,175,422	(23,620)
Total	**2,176,114**	**2,123,496**	**2,151,660**	**2,181,020**	**2,182,331**	**(16,790)**
SOURCES OF FUNDS						
Deferred Tax Liabilities/(Assets)	**-**	**-**	**-**	**(2,824)**	**-**	**-**
Loan Funds						
Secured Loans	-	-	-	-	-	-
Total	**-**	**-**	**-**	**(2,824)**	**-**	**-**
Net worth	**2,176,114**	**2,123,496**	**2,151,660**	**2,183,844**	**2,182,331**	**(16,790)**
Represented by						
Equity Share Capital	2,252,484	2,252,484	2,252,484	2,252,484	2,252,484	40,369
Translation Reserve	14,609	14,609	(7,507)	(8,881)	(14,870)	(2,266)
Profit & Loss Account	(90,979)	(143,598)	(93,317)	(59,759)	(55,283)	(54,892)
Net worth	**2,176,114**	**2,123,496**	**2,151,660**	**2,183,844**	**2,182,331**	**(16,789)**

R Systems (Singapore) Pte Ltd.

Summary Cash Flow Statement **(Amount in USD)**

Particulars	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001	Year ended December 31, 2000
A. Cash flow from operating activities						
Net profit before taxation, extraordinary items and after minority interest	52,619	(50,281)	(30,746)	(7,169)	(2610)	19,840
Adjustments for:						
Depreciation	857	1,458	2,106	1,954	1,669	2,436
Miscellaneous expenditure written off	-	-	(2,420)	-	-	-
Fixed assets written off	-	2591	-	101	-	-
Interest income	(73,979)	(29,009)	(21,947)	(31,560)	(27,721)	(68)
Operating profit before working capital changes	**(20,503)**	**(75,241)**	**(53,007)**	**(36,674)**	**(28,661)**	**22,208**
Movements in working capital :						
Decrease / (Increase) in sundry debtors	(51,651)	18,609	30,154	(9,382)	12,382	(16,641)
Decrease / (Increase) in other current assets	19,209	(598,328)	(348,669)	19,057	(21,124)	(22,608)
Decrease / (Increase) loans and advances	-	-	-	-	-	-
Increase / (Decrease) in provisions	-	-	-	-	(5,278)	10,381
Increase / (Decrease) in current liabilities	24,542	30,486	6,557	(150)	(107,803)	43,743
Direct taxes paid (net of refunds)	-	-	-	-	-	-
Interest on income-tax refund	-	-	-	-	-	-
Currency realignment	24	22,317	(12,512)	5,463	(17,493)	(4,484)
Net cash from operating activities	**(28,379)**	**(602,157)**	**(377,477)**	**(21,686)**	**(167,977)**	**32,599**
B. Cash flows from investing activities						
Purchase of fixed assets	-	-	(132)	(2,170)	(2,254)	(7,506)
Proceeds from sale of fixed assets	-	130	-	-	-	-
Interest received	73,979	29,009	21,947	31,560	27,721	68
Net cash used in investing activities	**73,979**	**29,139**	**21,815**	**29,390**	**25,468**	**(7,438)**
C. Cash flows from financing activities						
Issue of equity shares	-	-	-	-	2,212,115	-
Net cash used in financing activities	**-**	**-**	**-**	**-**	**2,212,115**	**-**
Net increase in cash and cash equivalents (A + B + C)	**45,600**	**(573,018)**	**(355,662)**	**7,704**	**2,069,605**	**25,160**
Cash and cash equivalents at the beginning of the year	1,181,801	1,754,818	2,110,481	2,102,776	33,171	8,010
Cash and cash equivalents at the end of the year	1,227,401	1,181,801	1,754,818	2,110,481	2,102,776	33,171

(Amount in USD)

Particulars	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001	Year ended December 31, 2000
Components of cash and cash equivalents as at						
Cash and cheques on hand	169	204	118	271	50	93
Balances with scheduled banks						
on current accounts	28,920	5,283	(4,500)	2,098	26,299	33,078
on deposit accounts	1,198,312	1,176,314	1,759,199	2,108,112	2,076,427	-
Unrealised loss/ (gain) on foreign currency cash and cash equivalents	-	-	-	-	-	-
Net cash and cash equivalents	**1,227,401**	**1,181,801**	**1,754,818**	**2,110,481**	**2,102,776**	**33,171**

R SYSTEMS (SINGAPORE) PTE LIMITED

(Incorporated in the Republic of Singapore)

Notes to the Summary Financials Statements

These notes form an integral part of and should be read in conjunction with the accompanying summary financial statements.

1. GENERAL

The company is a limited company domiciled and incorporated in Singapore. The company is a wholly-owned subsidiary of R Systems International Limited, incorporated in India. The address of the registered office is at 17 Changi Business Park Central 1, 05-01, Singapore 486073. The principal activities of the company are to carry on the business of software development and rendering of consultancy services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Company was presenting its financial statements till financial year 2003 in Singapore Dollars (S$). With the companies (Amendment) Act 2002, coming into effect,

The financial statements for the financial year 2004 were presented in United States Dollars (US$), the measurement currency of the company. For the purposes of summary profit and loss, summary assets and liabilities and summary cash flows, the financial statements of the Company were translated in US Dollars for the years ended December 31, 2003, December 31, 2002, December 31, 2001 and December 31, 2000.

Historical Cost Convention: The financial statements have been prepared on the basis of the historical cost convention. The financial statements have been prepared in accordance with Singapore. Financial Reporting Standards as required by the Companies Act.

Depreciation: Depreciation is calculated using the straight line method to write off the cost of fixed assets over their estimated useful lives which have been taken as follows:-

	No. of years
Furniture and fittings	7
Office equipment	5
Computers	3 - 5

During the year ended December 31, 2001, the Company has changed its rates of depreciation for furniture and fittings from 20% to 14.28% and for computers from 33.33% to 20%.

Deferred Income Tax: Deferred income tax is provided using the balance sheet liability method in respect of all significant timing differences which arise from differences in the accounting and taxation treatment of certain income and expense items. A deferred tax benefit is not recognized in the financial statements unless there is a reasonable expectation of realisation.

Foreign Currency Translations:

(1) Measurement currency

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The financial statements of the company are presented in United States Dollars (US$), which is the measurement currency of the company.

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date. Exchange differences arising there from are taken to the income statement.

Income Recognition: The Company recognises revenue on time-and-expenses contracts as and when the services are performed.

Fixed Assets: Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss statement. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss statement. These assets are reviewed for impairment whenever costs or changes in circumstances indicate that the net book value or costs of these assets may not be recoverable. Impairment losses are determined based on the difference between fair value, which would generally approximate the sale value, and net book value. Impairment losses or the reversals of such losses are recognised as an expense or income immediately.

Employees' Leave Entitlements: Employees' entitlements to annual leave and long service leave are recognised when they accrue to employees. No provision has been made for the estimated liability for annual leave and long service leave as the amount involved is considered to be not significant.

Employees' Benefits: the Company's obligation to provide social security benefits to its employees is limited to the amount it contributes to the Central Provident Fund Board.

Operating Leases: Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss statement on a straight-line basis over the lease term.

Cash and cash equivalents: Cash and cash equivalents comprise cash and bank balances and highly liquid investments which are readily convertible to cash and which are not subject to any significant risk of changes in value, and offsetting bank borrowings which are repayable within one year and which form an integral part of the company's cash management.

R Systems, Inc.

March 1, 2006

The Board of Directors
R Systems International Ltd.
C-40, Sector - 59, Noida,
India

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by R Systems International Ltd., in connection with the initial offer of the Equity Shares, we state as follows

1. We have audited the financial statements of R Systems, Inc., as subsidiary of R Systems International Limited, for the financial year ended 2003, 2004 and 2005 being the last date up to which the accounts have been made in those respective periods. The financials statements of R Systems Inc. for financial year 2001 & 2002 have been audited by Ernst & Yung, Certified Public Accountants.
2. We have agreed the amounts included in the annexed statement of Profit and Loss Account for the financial year ended 2001, 2002, 2003, 2004 and 2005, the annexed statement of assets and liabilities as at the end of respective periods and cash flow for the respective periods, to the audited financials statement of R Systems, Inc. We have verified the accuracy of items included in attachments by performing the additional procedures explained in Attachment 1.
3. This report is intended solely for your information and for inclusion in the offer Document in connection with the proposed IPO of the holding company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Sd/-

PERRY SMITH LLP

ATTACHMENT 1

We have read the items identified by you on the attached schedules and verified the accuracy of those items by performing the following additional procedures, which were applied as indicated with respect to the symbol explained below:

A Compared the amount with, or calculated the difference or the percentage with respect to, the amounts shown on the Audited Financial Statements and related Notes to the Financial Statements and found them to be in agreement.

B Compared the amount with, or calculated the difference or percentage with respect to, the amounts shown in the Company's books of account and found them to be in agreement.

C Compared the sum of the amounts under "Cost of Sales" with the "Cost of revenues" amount shown on the Audited Financial Statements and found them to be in agreement.

D Compared the sum of the amounts under "General and Administration Expenses", "Selling and Distribution Expenses", and "Depreciation/amortization" with the "Selling, general and administrative expenses" amount shown on the Audited Financial Statements and found them to be in agreement.

E Compared the sum of the "Intangible Assets" and "Investments" amounts with the "Other assets" amount shown on the Audited Financial Statements and found them to be in agreement.

F Footed or recalculated the amount without exception.

G Compared the amount to the sum of the "Advances to affiliates" and "Other current assets" amounts shown on the Audited Financial Statements and found them to be in agreement.

H Compared the sum of the "Current liabilities" and "Secured Loans" amounts with the "Total Current liabilities" amount shown on the Audited Financial Statements and found them to be in agreement.

I Compared the amount with the "Deferred income taxes" asset less the "Deferred income taxes" liability amounts shown on the Audited Financial Statements and found them to be in agreement.

J Compared the amount with the sum of the changes in "Accounts payable", "Accrued liabilities" and "Accrued payroll tax" amounts shown on the Statement of Cash Flows in the Audited Financial Statements and found them to be in agreement.

K Compared the amount with the sum of the changes in "Income tax receivable" and If "Advances to affiliates" amounts shown on the Statement of Cash Flows in the Audited Financial Statements and found them to be in agreement.

L Compared the amount with the sum of the changes in "Income tax receivable" and "Advances from affiliates" amounts shown on the Statement of Cash Flows in the Audited Financial Statements and found them to be in agreement.

M Compared the amount with the sum of the changes in "Advances to affiliates", "Accounts payable", "Accrued liabilities" and "Accrued payroll tax" amounts shown on the Statement of Cash Flows in the Audited Financial Statements and found them to be in agreement

N Does not apply.

O Compared the sum of "Cash and cash equivalents at the end of the year" and "Unrealized loss/gain on foreign currency cash and cash equivalents" amounts with the "Cash and cash equivalents" shown on the Audited Financial Statements and found them to be in agreement.

P Compared the sum of "Balances with scheduled banks on current accounts" and "Balances with scheduled banks on deposit accounts. amounts with the "Cash and cash equivalents" amount shown on the Audited Financial Statements and found them to be in agreement.

Q Compared the amount with the sum of the "Bank overdraft" and "Line of Credit" amounts shown on the Audited Financial Statements and found them to be in agreement.

R Compared the amount with the It "Allowance for doubtful accounts" amount shown on the Audited Financial Statement and found them to be in agreement, when rounded to the nearest thousand.

S Compared the sum of "Security/Other Deposits" and "Others-Prepaid Exp/Adv to employees" amounts with the "Other current assets" amount shown on the Audited Financial Statements and found them to be in agreement.

T Compared the amount with the sum of certain amounts shown in the Notes to the Audited Financial Statements and found them to be in agreement.

U Compared the amounts with a schedule or report prepared by the Company and found them to be in agreement.

V Agreed indicated accounting policy to financial statement note 1 included in the R Systems. Inc. financial statements for the year ended December 31, 2005.

W Compared information to financial statement note 3 and note 4, included in the R Systems, Inc. financial statements for the year ended December 31. 2002 and the financial statements for the nine-month period ended September 30, 2005, respectively, noting consistency.

X Compared information to financial statement note 7 included in the R Systems, Inc. financial statements for the year ended December 31, 2005 noting consistency.

Y Agreed information to financial statement note 11 included in the R Systems, Inc. financial statements for the year ended December 31, 2005.

R Systems, Inc.

Statement of Profit and Loss Accounts

(Amount in USD)

Particulars	Twelve months period ended December 31, 2005	Twelve months period ended December 31, 2004	Twelve months period ended December 31, 2003	Twelve months period ended December 31, 2002	Twelve months period ended December 31, 2001
INCOME					
Turnover					
Domestic Projects	3,235,998.00	2,439,491.18	2,440,180.58	1,992,867.14	3,698,258.86
Consulting Projects	13,197,441.00	13,487,385.77	14,408,084.00	20,619,120.84	32,442,289.87
Miscellaneous Income	738,880.00	214,303.25	133,289.93	75,963.44	(144,257.73)
Total	**17,172,319.00**	**16,141,180.20**	**16,981,554.51**	**22,687,951.42**	**35,996,291.00**
Other Income	100.00	16,431.33	16,317.44	13,933.00	949.00
Total Income	**17,172,419.00**	**16,157,611.53**	**16,997,871.95**	**22,701,884.42**	**35,997,240.00**
EXPENDITURE					
Cost of Sales					
Employee Cost	6,494,020.00	6,813,396.87	7,893,595.93	12,216,493.53	19,511,165.58
Subcontract	5,319,766.00	4,608,110.63	3,307,621.94	3,822,002.26	6,410,842.38
Traveling	225,491.00	138,388.60	247,176.05	383,477.40	649,967.16
Others	18,564.00	24,854.54	7,515.10	1,865.54	-
General and administration Expenses					
Employee Cost	2,050,853.00	2,069,385.14	2,981,488.31	3,403,192.00	5,254,607.75
Subcontract	222,991.00	163,530.71	34,380.65	744.00	19,248.36
Traveling	124,386.00	124,423.90	188,369.70	264,027.81	222,373.59
Communication	74,175.00	109,162.54	319,100.09	173,615.75	206,717.89
Others	1,262,137.00	1,231,331.50	1,826,690.26	1,250,039.29	2,942,284.05
Selling & Distribution Expenses					
Traveling	151,496.00	120,430.92	116,576.58	104,341.01	158,492.94
Others	502,413.00	317,726.19	346,495.34	385,361.24	853,071.67
Total Expenditure	**16,446,292.00**	**15,720,741.54**	**17,269,009.95**	**22,005,159.83**	**36,228,771.37**
Profit (EBITDA)	**726,127.00**	**436,869.99**	**(271,138.00)**	**696,724.59**	**(231,531.37)**
Interest Charges	**1,460.00**	**42,924.00**	**6,102.00**	**3,270.00**	**88,055.00**
Profit before Depreciation, Exceptional Item and Tax	**724,667.00**	**393,945.99**	**(277,240.00)**	**693,454.59**	**(319,586.37)**
Depreciation/amortization	293,804.00	341,235.99	379,253.00	395,177.59	314,062.63
Profit/(Loss) before Exceptional Item and Tax	**430,863.00**	**52,710.00**	**(656,493.00)**	**298,277.00**	**(633,649.00)**
Exceptional Item:	-	-	-	-	-
Profit/(Loss) before Tax	**430,863.00**	**52,710.00**	**(656,493.00)**	**298,277.00**	**(633,649.00)**
Current Tax Expense	15,900.00	10,000.00	(69,000.00)	(180,318.00)	(149,424.00)
Deferred Tax charge/(credit)	134,000.00	8,000.00	(14,000.00)	349,271.00	(36,877.00)
Net Profit/(Loss) for the year/period	**280,963.00**	**34,710.00**	**(573,493.00)**	**129,324.00**	**(447,348.00)**
Brought Forward (Loss) from Previous Period	3,379,542.00	3,344,832.00	3,918,325.00	3,789,001.00	4,236,349.00
Amount available for appropriation	3,660,505.00	3,379,542.00	3,344,832.00	3,918,325.00	3,789,001.00
Appropriations					
Proposed dividend on equity shares	-	-	-	-	-
Profit/(Loss) carried to Balance Sheet	3,660,505.00	3,379,542.00	3,344,832.00	3,918,325.00	3,789,001.00

R Systems, Inc.

Statement of Assets and Liabilities

(Amount in USD)

AS AT	December 31, 2005	December 31, 2004	December 31, 2003	December 31, 2002	December 31, 2001
APPLICATION OF FUNDS					
Fixed Assets :					
Gross Block	2,452,085.00	2,286,071.28	2,397,644.00	2,200,778.00	1,961,718.00
Less : Depreciation	2,041,812.00	1,811,643.51	1,663,033.00	1,326,884.00	974,811.00
Net Block	410,273.00	474,428.00	734,611.00	873,894.00	986,907.00
Intangible Assets (net of amortisation)	15,891.00	79,526.50	-	43,104.00	-
Total	**426,164.00**	**553,954.50**	**734,611.00**	**916,998.00**	**986,907.00**
Investments:	**35,853.00**	**35,853.00**	**35,853.00**	**1,020.00**	**-**
Current Assets, Loans and Advances:					
Sundry Debtors	3,413,134.00	2,858,301.00	2,600,074.00	3,662,051.00	4,333,746.00
Cash & Bank Balances	61,798.00	177,172.00	167,128.00	460,941.00	836,146.00
Loans and Advances	1,094,414.00	820,419.68	1,577,613.00	690,769.00	296,384.00
Other current assets	769,042.00	615,296.00	847,963.00	936,731.00	1,016,129.00
Total (A)	**5,338,388.00**	**4,471,188.68**	**5,192,778.00**	**5,750,492.00**	**6,482,405.00**
Current Liabilities and Provisions:					
Current Liabilities including provisions	2,298,662.00	2,302,983.17	2,599,051.00	3,392,965.00	3,947,988.00
Total (B)	**2,298,662.00**	**2,302,983.17**	**2,599,051.00**	**3,392,965.00**	**3,947,988.00**
Net Current Assets (A-B)	3,039,726.00	2,168,205.50	2,593,727.00	2,357,527.00	2,534,417.00
Total	**3,501,743.00**	**2,758,013.00**	**3,364,191.00**	**3,275,545.00**	**3,521,324.00**
SOURCES OF FUNDS					
Deferred Tax Liabilities/(Assets)	(740,000.00)	(874,000.00)	(882,000.00)	(867,438.00)	(1,181,852.00)
Loan Funds					
Secured Loans	391,603.00	62,294.00	711,333.00	35,897.00	732,101.00
Total	**(348,397.00)**	**(811,706.00)**	**(170,667.00)**	**(831,541.00)**	**(449,751.00)**
Net worth	**3,850,140.00**	**3,569,719.00**	**3,534,858.00**	**4,107,086.00**	**3,971,075.00**
Represented by					
Equity Share Capital	170,873.00	170,873.00	170,873.00	170,873.00	170,873.00
Profit & Loss Account	3,660,505.00	3,379,542.00	3,344,832.00	3,918,325.00	3,789,001.00
Other Comprehensive Income	18,762.00	19,304.00	19,153.00	17,888.00	11,201.00
Net worth	**3,850,140.00**	**3,569,719.00**	**3,534,858.00**	**4,107,086.00**	**3,971,075.00**

R Systems, Inc.

Summary Cash Flow Statement

(Amount in USD)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
A. Cash flow from operating activities					
Net profit after taxation, extra ordinary items	280,963.00	34,710.00	(573,493.00)	129,324.00	(447,348.00)
Adjustments for:					
Depreciation	230,167.00	267,985.00	336,149.00	352,074.00	314,063.00
Miscellaneous expenditure written off	63,636.00	47,728.00	43,104.00	43,104.00	-
Gains on sale of fixed assets	-	25,524.00	-	-	-
Excess provisions written back/ Deferred Income tax	134,000.00	8,000.00	(14,562.00)	314,414.00	(36,877.00)
Operating profit before working capital changes					
Movements in working capital :					
Decrease / (Increase) in sundry debtors	(708,579.00)	(25,560.00)	1,115,912.00	751,093.00	5,404,630.00
Decrease / (Increase) in other current assets	(33,334.00)	25,920.00	9,117.00	128,552.00	(93,439.00)
Decrease / (Increase) loans and advances	(257,580.00)	825,533.00	(895,961.00)	(522,937.00)	(360,479.00)
Increase / (Decrease) in current liabilities	12,598.00	(390,327.00)	(793,914.00)	(555,087.00)	(3,230,296.00)
Net cash from operating activities	**(278,129.00)**	**819,513.00**	**(773,648.00)**	**640,537.00**	**1,550,254.00**
B. Cash flows from investing activities					
Purchase of fixed assets	(166,012.00)	(87,888.00)	(196,866.00)	(202,042.00)	(431,431.00)
Proceeds from sale of fixed assets	-	54,562.00	-	-	-
Cash inflow on acquisition of subsidiary/Acquired service rights	-	(127,255.00)	-	(87,228.00)	-
Net cash used in investing activities	**(166,012.00)**	**(160,581.00)**	**(196,866.00)**	**(289,270.00)**	**(431,431.00)**
C. Cash flows from financing activities					
Proceeds from borrowings	2,895,726.00	9,514,445.00	5,975,199.00	5,204,270.00	20,887,878.00
Repayment of borrowings	(2,566,417.00)	(10,163,484.00)	(5,299,763.00)	(5,937,493.00)	(22,111,298.00)
Net cash used in financing activities	**329,309.00**	**(649,039.00)**	**675,436.00**	**(733,223.00)**	**(1,223,420.00)**
Net increase in cash and cash equivalents (A + B + C)	**(114,832.00)**	**9,893.00**	**(295,078.00)**	**(381,956.00)**	**(104,597.00)**
Cash and cash equivalents at the beginning of the year	**177,172.00**	**167,128.00**	**460,941.00**	**836,146.00**	**944,078.00**
Cash and cash equivalents at the end of the year	**62,340.00**	**177,021.00**	**165,863.00**	**454,190.00**	**839,481.00**
Components of cash and cash equivalents as at					
Cash and cheques on hand	-	-	-	-	-
Balances with banks					
on current accounts	56,798.00	172,172.00	162,128.00	455,941.00	831,146.00
on deposit accounts	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Unrealised loss/ (gain) on foreign currency cash and cash equivalents	542.00	(151.00)	(1,265.00)	(6,751.00)	3,335.00
Net cash and cash equivalents	**62,340.00**	**177,021.00**	**165,863.00**	**454,190.00**	**839,481.00**

R Systems, Inc.

Notes to the Summary Financials Statements

Revenue Recognition

The company recognizes revenue on both fixed fee and time-and-expense contracts as the services are performed. The majority of the unbilled receivable balance relates to work performed on time-and-expense contracts.

Fixed-price contracts vary in duration depending on the terms of the work being performed and historically have ranged in length from two months to six months. Changes in contract performance, estimated profitability and final contract settlements may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined. If a loss is projected on any contract in process, the entire projected loss is recognized currently.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 differ from these estimates.

Cash and Cash Equivalents

For the purposes of reporting cash flows, the Company considers highly liquid investments with original maturities at date of purchase of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

The Company grants credit terms in the normal course of business to its customers. Concentrations of credit risk with respect to these trade receivables are considered minimal due to the geographical and operating diversity of the companies involved. The Company's revenues and resulting accounts receivable are derived primarily from large and mid-sized organizations in various industries throughout the United States.

The allowance for doubtful accounts is based on specifically identified amounts that the Company believes to be uncollectible. An additional allowance is recorded based on experience and management's assessment of the general financial conditions affecting the Company's customer base. If actual collections experience changes, revisions to the allowance may be required.

Property and Equipment

Property and equipment are stated at cost. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight line method over the estimated useful lives of the depreciable assets as follows:

Office furniture	7 years
Office equipment	5 years
Leasehold improvements	7 years
Computer hardware	5 years
Computer software	3 years
Vehicles	7 years

FOREIGN CURRENCY TRANSLATION

The financial statements of the foreign division are translated using the exchange rate in effect at year end for balance sheet accounts and the average rate in effect during the year for revenue and expense accounts. Translation gains and losses are excluded from the consolidated statements of operations and are instead reported as the currency translation adjustment component of other comprehensive income.

The functional currency of the foreign division is the currency of the country in which the division is located. Foreign currency transaction gains and losses arising from differences between the functional and billing currencies are recognized in the statement of operations.

INCOME TAXES

The Liability Method is used to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

INTANGIBLE ASSET

During 2002, the Company entered into verbal agreement with a technology service firm to acquire the rights to provide technology services to two of the services firm's customers. The Company paid $86,208 for these rights and the same had been amortised equally in 2002 & 2003.

During 2004, the Company entered into similar agreement with another technology service firm and paid $127,255 for these rights and is amortizing these rights to operating expenses over a two-year period. As of December 31, 2005 and December 31, 2004, the unamortized balance relating to these rights is $15,900 and $79,527, respectively, and is included in other assets in the accompanying balance sheet.

OTHER ACCRUED EXPENSES AND ACCRUED PAYROLL TAXES

In May 2002, the Company was notified by the United States Department of Labor ("DOL") of a formal inquiry regarding the Company's compliance with various regulations related to the hiring of H-1 B employees. As a result of the inquiry, the Company reached an agreement with the DOL to pay compensation to certain employees and former employees.

The Company recognized this liability in 2003 in the amount of $485,000. Payments commenced in July 2003, with the final payment paid in December 2004

EMPLOYEE BENEFIT PLAN

The Company maintains a defined contribution retirement plan (the "Plan"), qualified under section 401(K) of the Internal Revenue Code, for certain eligible employees. Pursuant to the plan, eligible employees may contribute a portion of their compensation, subject to a maximum amount per year as specified by law. The Company provides a matching contribution based on specified percentages of amounts contributed by participants. The Company's contribution expense for the year ended December 31, 2004 and 2005 were $18,934and $16,358, respectively. In addition to the matching contributions, the Company, at its discretion, can provide profit - sharing contribution. During the year ended December 31, 2005 and 2004, there were no discretionary contributions made.

Indus Software, Inc.

The Board of Directors
R Systems International Ltd.
B-104A, Greater Kailas-I,
New Delhi - 110 048,
India.

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by R Systems International Ltd., in connection with the initial offer of the Equity Shares, we state as follows

We have audited the financial statements of Indus Software, Inc., as subsidiary of R Systems International Limited, for the financial year ended 2002, 2003, 2004 and 2005 being the last date up to which the accounts have been made in those respective period in accordance with the auditing standards generally accepted in the United State of America.

We certify that the figures included in the annexed statement of Profit and Loss Account for for the financial year ended 2002, 2003, 2004 and 2005 ,the annexed statement of assets and liabilities as at the end of respective periods and cash flow for the respective periods , along with the significant accounting policies, are prepared from the audited financial statement of the Indus Inc. which were issued in accordance with accounting principle generally accepted in United State of America.

This report is intended solely for your information and for inclusion in the offer Document in connection with the proposed IPO of the holding company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Sd/-

Naresh Arora
Certified Public Accountant

Santa Clara, California
United States of America
March 1, 2006

Indus Software, Inc.

Summary Profit & Loss Account

(Amount in USD)

Particulars	Twelve months period ended December 31, 2005	Twelve months period ended December 31, 2004	Twelve months period ended December 31, 2003	Twelve months period ended December 31, 2002
INCOME				
Turnover				
Consulting Projects	1,127,189.00	948,548.00	552,552.00	778,798.00
Miscellaneous Income	-	(4,640.00)	(4,061.00)	10,280.00
Total	**1,127,189.00**	**943,908.00**	**548,491.00**	**789,078.00**
Other Income	-	-	69,797.00	-
Total Income	**1,127,189.00**	**943,908.00**	**618,288.00**	**789,078.00**
EXPENDITURE				
Cost of Sales				
Employee Cost	1,059,598.00	777,182.00	278,644.00	361,652.00
Subcontract	34,476.00	94,095.00	219,634.00	293,141.00
Traveling	-	1,677.00	3,165.00	10,740.00
General and administration Expenses				
Employee Cost	-	-	(7,866.00)	43,580.09
Traveling	-	-	-	6,762.00
Others	23,042.00	27,828.00	77,107.00	190,828.91
Selling & Distribution Expenses				
Others	-	(325.00)	325.00	221.00
Total Expenditure	**1,117,116.00**	**900,457.00**	**571,009.00**	**906,925.00**
Profit (EBITDA)	**10,073.00**	**43,451.00**	**47,279.00**	**(117,847.00)**
Interest Charges	34,717.00	16,677.00	15,403.00	15,433.00
Profit before Depreciation, Exceptional Item and Tax	(24,644.00)	26,774.00	31,876.00	(133,280.00)
Depreciation/amortization	4,726.00	9,949.00	9,948.00	7,535.00
Profit/(Loss) before Exceptional Item and Tax	**(29,370.00)**	**16,825.00**	**21,928.00**	**(140,814.00)**
Exceptional Item:				
Extraordinary expense	-	-	-	(220,776.00)
Deferred Tax Benefit	-	-	-	66,233.00
Profit/(Loss) before Tax	**(29,370.00)**	**16,825.00**	**21,928.00**	**(295,357.00)**
Current Tax Expense	(800.00)	(3,458.00)	3,815.00	4,821.00
Deferred Tax charge/(credit)	7,334.00	(52,225.00)	(31,175.00)	(39,594.00)
Net Profit/(Loss) for the year/period	**(22,836.00)**	**(38,858.00)**	**(5,432.00)**	**(260,584.00)**
Brought Forward (Loss) from Previous Period	(655,168.00)	(616,310.00)	(610,877.00)	(350,293.00)
Amount available for appropriation	**(678,004.00)**	**(655,168.00)**	**(616,310.00)**	**(610,877.00)**
Appropriations				
- Proposed dividend on equity shares	-	-	-	-
Profit/(Loss) carried to Balance Sheet	**(678,004.00)**	**(655,168.00)**	**(616,310.00)**	**(610,877.00)**

Indus Software, Inc.

Summary Statement of Assets and Liabilities

(Amount in USD)

AS AT	December 31, 2005	December 31, 2004	December 31, 2003	December 31, 2002
APPLICATION OF FUNDS				
Fixed Assets :				
Gross Block	36,311.00	36,311.00	36,311.00	36,311.00
Less : Depreciation	33,982.00	29,256.00	19,307.00	9,358.00
Net Block	**2,329.00**	**7,055.00**	**17,004.00**	**26,953.00**
Capital work in progress including capital advances	-	-	-	-
Total	2,329.00	7,055.00	17,004.00	26,953.00
Current Assets, Loans and Advances:				
Sundry Debtors	151,367.00	97,342.00	47,329.00	74,665.00
Cash & Bank Balances	24,159.00	27,446.00	9,718.00	5,109.00
Loans and Advances	35,247.00	31,047.00	22,687.00	45,797.00
Total (A)	**210,773.00**	**155,835.00**	**79,734.00**	**125,571.00**
Current Liabilities and Provisions:				
Current Liabilities & Provisions	728,617.00	648,235.00	595,450.00	676,978.00
Total (B)	**728,617.00**	**648,235.00**	**595,450.00**	**676,978.00**
Net Current Assets (A-B)	**(517,844.00)**	**(492,400.00)**	**(515,716.00)**	**(551,407.00)**
Miscellaneous Expenditure	**-**	**-**	**-**	**-**
Total	**(515,515.00)**	**(485,345.00)**	**(498,712.00)**	**(524,454.00)**
SOURCES OF FUNDS				
Deferred Tax Liabilities/(Assets)	**(81,261.00)**	**(73,927.00)**	**(126,152.00)**	**(157,327.00)**
Loan Funds				
Secured Loans	-	-	-	-
Total	**(81,261.00)**	**(73,927.00)**	**(126,152.00)**	**(157,327.00)**
Net worth	**(434,254.00)**	**(411,418.00)**	**(372,560.00)**	**(367,127.00)**
Represented by				
Equity Share Capital	243,750.00	243,750.00	243,750.00	243,750.00
Profit & Loss Account	(678,004.00)	(655,168.00)	(616,310.00)	(610,877.00)
Net worth	**(434,254.00)**	**(411,418.00)**	**(372,560.00)**	**(367,127.00)**

Indus Software, Inc.
Summary Cash Flow Statement

(Amount in USD)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
A. Cash flow from operating activities				
Net Profit/(Loss) for the year	**(22,836.00)**	**(38,858.00)**	**(5,432.00)**	**(260,584.00)**
Adjustments for:				
Depreciation	4,726.00	9,949.00	9,949.00	7,535.00
Gains on sale of fixed assets	-	-	-	1,959.00
Excess provisions written back/ Deferred Income tax	(7,334.00)	52,225.00	31,175.00	(105,827.00)
Operating profit before working capital changes				
Movements in working capital :				
Decrease / (Increase) in sundry debtors	(58,225.00)	(58,373.00)	27,336.00	50,568.00
Decrease / (Increase) loans and advances	-	-	23,110.00	2,882.00
Increase / (Decrease) in current liabilities	80,382.00	52,785.00	(81,528.00)	214,865.00
Net cash from operating activities	(3,287.00)	17,728.00	4,609.00	(88,603.00)
B. Cash flows from investing activities				
Purchase of fixed assets	-	-	-	(25,000.00)
Proceeds from sale of fixed assets	-	-	-	500.00
Net cash used in investing activities	-	-	-	(24,500.00)
C. Cash flows from financing activities				
Proceeds from issuance of common stock	-	-	-	98,750.00
Buy back of equity shares	-	-	-	(625.00)
Net cash used in financing activities	-	-	-	98,125.00
Net increase in cash and cash equivalents (A + B + C)	**(3,287.00)**	**17,728.00**	**4,609.00**	**(14,979.00)**
Cash and cash equivalents at the beginning of the year	**27,446.00**	**9,718.00**	**5,109.00**	**20,088.00**
Cash and cash equivalents at the end of the year	**24,159.00**	**27,446.00**	**9,718.00**	**5,109.00**
Components of cash and cash equivalents as at				
Cash and cheques on hand	**-**	**-**	**-**	**-**
Balances with banks				
on current accounts	**24,159.00**	**27,446.00**	**9,718.00**	**5,109.00**
on deposit accounts	**-**	**-**	**-**	**-**
Unrealised loss/ (gain) on foreign currency cash and cash equivalents	**-**	**-**	**-**	**-**
Net cash and cash equivalents	**24,159.00**	**27,446.00**	**9,718.00**	**5,109.00**

Notes to Financial Statements
Subsidiary: Indus Software, Inc.

NOTE A: BUSINESS ORGANIZATION

Indus Software, Inc. (the "Company") is a subsidiary of R Systems International Limited, a foreign corporation incorporated in India. The Company was organized on November 6, 1996 under the laws of the State of Delaware. As of December 31, 2005, the Company has 250,000 shares of common stock authorized of which 243,750 shares were issued and outstanding.

The Company provides information technology ("IT") services, which includes professional IT staffing and consulting services.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Company considers all instruments with an original maturity of three months or less to be cash equivalents.

Allowance for bad debts

Bad debts and allowances are provided based upon industrial norms and management's evaluation of outstanding accounts receivable.

Property and equipment

Property and equipment are stated at cost. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed using straight-line method over the estimated useful lives of the depreciable assets as follows:

Computer Software	3 Years
Computer equipment	5 Years
Furniture & fixtures	7 Years

When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings.

Revenue recognition

The company recognizes revenue on time-and-expense contracts as the services are performed for the clients.

NOTE C - INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

(Amount in USD)

	Year ended December 31, 2005	**Year ended December 31, 2004**	**Year ended December 31, 2003**	**Year ended December 31, 2002**
Tax Expense (Benefit)				
Current Federal and State Taxes	800	3,458	(3,815)	4,821
Deferred tax expense (benefit)	(7,334)	52,225	31,175	(105,827)
	(6,534)	**55,683**	**27,360**	**(101,006)**
Deferred Tax Asset				
Balance beginning of Year	73,927	126,152	157,327	51,500
Deferred tax (expense)/benefit	7,334	(52,225)	(31,175)	105,827
Balance end of year	**81,261**	**73,927**	**126,152**	**157,327**

NOTE D - ETIREMENT PLAN

The Company maintains a 401(K) profit sharing plan covering all eligible employees. The employees become eligible to participate after completing one year of service and thousand hours of service. The employees become fully vested after six years of service. The Company matches 50% of employees' contributions up to 6% of employees' wages. For the year ended December 31, 2005, the company did not make any contributions to the 401 K plan.

ECnet Limited.

28 February 2006

The Board of Directors
R Systems International Ltd.
C-40, Sector - 59, Noida,
India

Dear Sirs,

As required for the purpose of certification of statement of accounts to be incorporated in the offer document proposed to be issued by R Systems International Ltd., in connection with the initial offer of the Equity Shares, we state as follows

1. We have audited the financial statements of ECnet Limited., as subsidiary of R Systems International Limited, for the financial year ended December 31, 2004 and December 31, 2005 being the last date up to which the accounts have been made in those respective period in accordance with the auditing standards generally accepted in Singapore.
2. We certify that the figures included in the annexed statement of Profit and Loss Account for the financial year ended December 31, 2004 and December 31, 2005, the annexed statement of assets and liabilities as at the end of respective periods and cash flow for the respective periods, along with the significant accounting policies, are prepared from the audited financial statement of the ECnet Limited in accordance with accounting principle generally accepted in Singapore.
3. This report is intended solely for your information and for inclusion in the offer Document in connection with the proposed IPO of the holding company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Sd/-

KH Goh & Associates
Certified Public Accountants

Singapore
28 February 2006

ECNET LTD & SUBSIDIARIES

Summary Profit & Loss Account

(AMOUNT IN SGD)

Particulars	Twelve months period ended December 31, 2005	Twelve months period ended December 31, 2004
INCOME		
Turnover		
Recurring	3,046,164	3,432,824
Non-recurring	1,572,588	614,784
Total	**4,618,752**	**4,047,608**
Other Income	28,143	60,243
Total Income	**4,646,895**	**4,107,851**
EXPENDITURE		
Cost of Sales		
Employee Cost	932,415	865,317
Subcontract	590,944	271,182
Traveling	82,148	89,216
Communication	202,270	199,201
General & Administration Expenses		
Employee Cost	1,221,734	884,759
Traveling	141,784	98,522
Communication	106,167	98,699
Other	1,007,296	1,361,368
Selling & Distribution Expenses		
Employee Cost	550,809	543,986
Traveling	157,788	119,694
Total Expenditure	**4,993,356**	**4,531,945**
Profit (EBITDA)	**(346,461)**	**(424,094)**
Interest Charges	72,560	31,610
Profit before Depreciation, Exceptional Item and Tax	**(419,021)**	**(455,704)**
Depreciation/amortization	153,355	201,417
Profit/(Loss) before Exceptional Item and Tax	**(572,377)**	**(657,121)**
Exceptional Item:		
Profit/(Loss) before Tax	**(572,377)**	**(657,121)**
Current Tax Expense	20,382	87,087
Deferred Tax charge/(credit)	-	-
Net Profit/(Loss) for the year/period	**(592,759)**	**(744,208)**
Brought Forward (Loss) from Previous Period	(79,661,570)	(78,917,362)
Amount available for appropriation	**(80,254,329)**	**(79,661,570)**
Appropriations		
- Proposed dividend on equity shares	-	-
Profit/(Loss) carried to Balance Sheet	**(80,254,329)**	**(79,661,570)**

ECnet Ltd & Subsidiaries

Summary Statement of Assets and Liabilities

(Amount in SGD)

As At	December 31, 2005	December 31, 2004
APPLICATION OF FUNDS		
Fixed Assets :		
Gross Block	1,074,595	818,708
Less : Depreciation	833,614	690,760
Net Block	240,981	127,948
Capital work in progress including capital advance	-	-
Total	**240,981**	**127,948**
Current Assets, Loans and Advances:		
Sundry Debtors	861,930	1,021,396
Cash & Bank Balances	620,548	443,134
Loans and Advances	92,064	61,163
Total (A)	**1,574,542**	**1,525,693**
Current Liabilities and Provisions:		
Current Liabilities and Provisions:	798,874	793,781
Total (B)	**798,874**	**793,781**
Net Current Assets (A-B)	**775,668**	**731,912**
Miscellaneous Expenditure	-	-
Total	**1,016,649**	**859,860**
SOURCES OF FUNDS		
Deferred Tax Liabilities/(Assets)	-	26,667
Loan Funds	1,961,746	1,242,726
Secured Loans	-	-
Total	**1,961,746**	**1,269,393**
Net worth	**(945,097)**	**(409,533)**
Represented by		
Equity Share Capital	1,074,260	1,074,260
CTA Reserve	120,269	63,074
Securities Premium Account	78,114,704	78,114,704
Profit & Loss Account	(80,254,329)	(79,661,570)
Net worth	(945,097)	(409,533)

ECnet Ltd & Subsidiaries

Summary Cash Flow Statement

(Amount in SGD)

Particulars	**Year ended December 31, 2005**	**Year ended December 31, 2004**
A. Cash flow from operating activities		
Net profit before taxation, extraordinary items and after minority interest	(572,377)	(657,121)
Adjustments for:		
Depreciation	153,313	201,417
Miscellaneous expenditure written off	(26,667)	(26,667)
Loss on sale of fixed assets	5,755	(12,301)
Unrealized foreign exchange loss / (gain)	57,852	(129,757)
Interest income	(1,477)	(5,762)
Operating profit before working capital changes	(383,600)	(630,191)
Movements in working capital :		
Decrease / (Increase) in sundry debtors	(159,466)	(111,560)
Increase / (Decrease) in current liabilities	3,635	(454,380)
Cash generated from operations	(220,499)	(1,196,131)
Direct taxes paid (net of refunds)	(18,925)	(122,972)
Interest on income-tax refund	(1,477)	5,762
Cash flow before extraordinary items	(237,947)	(1,313,341)
Extraordinary item	-	-
Net cash from operating activities	(237,947)	(1,313,341)
B. Cash flows from investing activities		
Purchase of fixed assets	(277,328)	(23,893)
Proceeds from sale of fixed assets	4,570	13,821
Net cash used in investing activities	(272,758)	(10,072)
Proceeds from borrowings	719,020	1,242,726
Repayment of borrowings	(30,901)	(55,049)
Net cash used in financing activities	688,119	1,187,677
Net increase in cash and cash equivalents (A + B + C)	177,414	(135,736)
Cash and cash equivalents at the beginning of the year	443,134	578,870
Cash and cash equivalents at the end of the year	620,548	443,134

ECnet Ltd & Subsidiaries

Notes to Summary financials Statements

These notes are an integral part of and should be read in conjunction with the accompanying financial statements.

1. **FUNDAMENTAL ACCOUNTING CONCEPT**

   The summary financial statements of the Company and of the group have been prepared under the going concern concept because the holding company has agreed to provide adequate financial support for the company and of the group to meet its liabilities as and when they fall due.

2. **CORPORATE INFORMATION**

   The company is a public company limited by shares and incorporated in the Republic of Singapore.

   The registered office of the company is located at 17 Changi Business Park Central 1 #05-01 Honeywell Building Singapore 486073.

   The company's immediate and ultimate holding is R System International Limited, a company incorporated in India.

   The principal activities of the company and its subsidiary companies consist of providing an integrated suite of Internet-based supply chain management services offered on a subscription basis and information technology consultancy services. There have been no significant changes in the nature of these activities during the financial period.

   The company is domiciled in Singapore.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

   (a) Basis of preparation

   The summary financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act.

   The above financial statements have been prepared on a historical cost basis.

   The accounting policies have been consistently applied by the company

   The financial statements are presented in Singapore Dollars (SGD or $).

   (b) Principles of consolidation

   The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

   All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

   Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

   (c) Foreign currency translation

   The results and financial position of foreign operations are translated into SGD using the following procedures:

   Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and

   Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of transactions.

   All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

   (d) Plant and equipment

   Plant and equipment are stated at cost less accumulated depreciation and any impairment in value. All items of the plant and equipment are initially recorded at cost.

The initial cost of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance and overhauls costs, are normally charged to income statement in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of plant and equipment.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	-	3 Years
Computer software	-	3 Years
Furniture and fitting	-	5 Years
Leasehold improvement	-	5 Years
Office equipment	-	3 Years

The useful lives and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of plant and equipment.

(e) Subsidiaries

A subsidiary is a company, in which the group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

(f) Trade other receivables

Trade receivables are recognised and carried at original invoice amount less impairment losses on any uncollectible amounts.

Other receivables are carried at cost. Receivables from related parties are recognised and carried at cost less impairment losses on any uncollectible amounts.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank.

(h) Trade and other payables

Liabilities for trade and other amounts payable are carried at cost.

(i) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(j) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the profit and loss account over the periods necessary to match them on a systematic basis, to the costs, which is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit and loss account over the expected useful life of the relevant asset by equal annual installments.

(k) Employee benefits -Pensions and other post employment benefits

The Singapore companies in the group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(l) Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(m) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement.

(n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

- Rendering of services

  Revenue from rendering of services that are of short duration is recognised when the services are completed.

- Subscriptions

  Revenue from subscription services includes a one-time activation and set-up charges and monthly subscription charges. Revenue from one-time activation and set-up charges is recognised when the services are rendered, completed and accepted by the customers. Revenue from monthly subscription charges is recognised over the term of the subscription period which coincides with the financial year end.

(o) Income taxes

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sbeet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

At each balance sheet date, the company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The company recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax assets are recognised for all deductible temporary differences and carry- forward of unabsorbed capital allowances and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax losses can be utilised.

CHANGES IN ACCOUNTING POLICIES

For changes in accounting policies, please refer to Notes to Accounts of select consolidated financial statements of our Company on page no. 113 of this Prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OVER CONSOLIDATED FINANCIALS (AS PER INDIAN GAAP)

You should read the following discussion of our financial condition and results of operations together with our audited/ examined consolidated restated financial statements under Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear elsewhere in this Prospectus beginning on page no.113.You are also advised to read the section titled "Risk Factors" beginning on page iii of this Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. Unless otherwise stated, the financial information used in this section is derived from our audited consolidated financial statements under Indian GAAP. Our fiscal year ends on December 31 of each year, so all references to a particular fiscal year are to the 12-month period ended December 31 of that year. In this section only, any reference to "we", "us" or "our" refers to R Systems International Limited on a consolidated basis.

Overview

We are one of the leading providers of Outsourced and Offshore Product Development Services. These are offered as iplm services supported by our proprietary psuite framework. We are one of the largest off-shore based IT services companies that focus on the special needs of organizations that build scaleable, configurable, secure products for both businesses and consumers. This was conceived and initiated in 1998 when the first offshore development contract ("ODC") was signed. Since then we have established relationships with over fifty customers in this segment and have a matchless competency in this industry segment.

Our domains include the following "Key Industry Verticals":

- Banking and Finance,
- High Technology and Internet Services,
- Manufacturing and Logistics companies.
- Public Sector

Our customers include Fortune 1000 companies as well as rapidly growing mid-market companies whose products and services serve a whole range of business customers.

We are a global company with five delivery centres in three countries- India, USA and Singapore. Our services are seamlessly delivered from these centres using a mix of on-site and offshore based services. Using the service mix, our proprietary psuite framework and competency we optimize the cost structure of our clients while simultaneously improving the speed to market for new software products and services.

Factors affecting the Results of Operations

The following table sets forth certain financial information as a percentage of our total revenues for the periods indicated:

Rs in mn.

	Year ended December 31, 2005	% of total income	Year ended December 31, 2004	% of total income	Year ended December 31, 2003	% of total income
Income						
Operating income	1,573.78	99.47%	1,323.46	99.70%	1,224.67	99.81%
Other income	8.46	0.53%	3.97	0.30%	2.27	0.19%
Total income	**1,582.23**	**100.00%**	**1,327.43**	**100.00%**	**1,226.93**	**100.00%**
Expenditure						
Personnel expenses	932.48	58.93%	821.59	61.89%	766.13	62.44%
Operating and other expenses	448.22	28.33%	438.92	33.07%	405.74	33.07%

Rs in mn.

	Year ended December 31, 2005	% of total income	Year ended December 31, 2004	% of total income	Year ended December 31, 2003	% of total income
Finance expenses	8.42	0.53%	11.78	0.89%	2.16	0.18%
Depreciation/amortisation	48.92	3.09%	48.22	3.63%	63.97	5.21%
Exceptional item	-	0.00%	-	0.00%	22.63	1.84%
Total expenditure	**1438.05**	**90.89%**	**1,320.51**	**99.48%**	**1260.63**	**102.75%**
Net Profit/(Loss) before tax	**144.19**	**9.11%**	**6.92**	**0.52%**	**(33.70)**	**(2.75%)**
Provision for tax						
Current tax/(excess provision written back)	7.40	0.47%	2.47	0.19%	(5.62)	-0.45%
Deferred tax	9.38	0.59%	2.30	0.17%	8.61	0.70%
Fringe benefit tax	2.64	0.17%	-	0.00%	-	0.00%
Total Tax	**19.42**	**1.23%**	**4.78**	**0.36%**	**2.99**	**0.24%**
Share of losses of EC Net Ltd relating to minority shareholders	**-**	**0.00%**	**0.15**	**0.01%**	**-**	**0.00%**
Net Profit/(Loss) after tax	**124.77**	**7.89%**	**2.29**	**0.16%**	**(36.69)**	**(2.99%)**

Income

Our total income has two components:

- Operating income; and
- Other income.

Operating Income:

We derive our operating income principally from software development and customization services and to a lesser extent from the business process outsourcing services. Operating income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The key sources of operating income are:

Income from services

Revenues from software development services and business process outsourcing services comprise income from time-and-material and fixed-price contracts.

Revenues associated with software development, customization of products and business process outsourcing services that are rendered on time and materials basis are recognised as the services are provided and billed to the clients in accordance with the terms of the specific contracts.

Fixed-price contracts vary in duration depending on the terms of the work being performed and historically have ranged in length from two months to six months. Revenue from fixed price contracts (including maintenance and support contracts) is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revisions to costs and revenues and are recognized in the period in which the revisions are determined. If a loss is projected on any contracts in process, the entire projected loss is recognized currently.

Sale of software products

Revenue from the sale of software products is recognized when the sale has been completed with the passing of title.

Other Income:

Other income consists primarily of interest income, credits for excess provisions of taxes and miscellaneous income.

The following table sets out the contribution of each of these components of income to our total income for the fiscal year 2005, fiscal years 2004 and 2003:

	Year ended December 31, 2005		Year ended December 31, 2004		Year ended December31, 2003	
	In Rupees	**In %**	**In Rupees**	**In %**	**In Rupees**	**In %**
Software development and customization services	1,492,484,833	94.33	1,251,371,416	94.27	1,202,933,006	98.04
Business process outsourcing services	81,294,035	5.14	72,084,234	5.43	21,732,280	1.77
Other Income	8,455,064	0.53	3,972,135	0.30	2,266,186	0.19
Total Income	**1,582,233,932**	**100.00**	**1,327,427,785**	**100.00**	**1,226,931,472**	**100.00**

Geographic Breakdown of Income:

We earn income from four principal geographic territories, namely the United States of America, South East Asian countries ("SEAC"), India and others countries. A significant proportion of our revenues are derived from clients located in the United States of America. The geographic break-down of our income is given below:

	Year ended December 31, 2005		Year ended December 31, 2004		Year ended December 31, 2003	
	In Rupees	**In %**	**In Rupees**	**In %**	**In Rupees**	**In %**
USA	1,181,712,896	75.09	997,970,913	75.41	1,041,426,613	85.04
SEAC	153,666,222	9.76	122,086,170	9.22	53,148,935	4.34
India	49,854,451	3.17	42,662,958	3.22	32,423,244	2.65
Other countries	188,545,299	11.98	160,735,609	12.15	97,666,494	7.97
Total revenues	**1,573,778,868**	**100.00**	**1,323,455,650**	**100.00**	**1,224,665,286**	**100.00**

Top Five Clients:

As illustrated in the table below, a significant proportion of our income is derived from a small number of clients, the loss of any of which may significantly impact our revenues and profitability.

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December31, 2003
GE Group	15.44%	15.49%	12.86%
Top 3 Clients	26.43%	22.25%	18.74%
Top 5 Clients	33.95%	28.08%	23.51%

Most of our client contracts can be terminated with or without cause, without penalties and with short notice periods of 30 days on an average. Since we collect revenues on fixed-price contracts as portions of such contracts are completed, terminated fixed-price contracts are only subject to collection for portions of the contract completed through the time of termination. Our contracts generally do not contain specific termination-related penalty provisions. In order to manage and anticipate the risk of early or abrupt contract terminations, we monitor the progress on all contracts and change orders according to their characteristics and the circumstances in which they occur. This includes reviewing our ability and our client's ability to perform the contract, reviewing conditions that may lead to a contract termination, as well as historical client performance considerations.

Expenditures

Our total expenditures have four components:

- Personnel expenses;
- Operating and other expenses;
- Finance expenses; and
- Depreciation/amortisation.

The following table sets out the contribution of each of these components of total expenditures expressed as a percentage of our total expenditure for the fiscal years 2005, 2004 & 2003:

Expenditure	Year ended December 31, 2005		Year ended December 31, 2004		Year ended December 31, 2003	
	In Rupees	In %	In Rupees	In %	In Rupees	In %
Personnel expenses	932,475,918	64.84	821,587,004	62.22	766,127,153	60.77
Operating & other expenses	448,223,336	31.17	438,919,810	33.24	405,739,612	32.19
Finance expenses	8,422,631	0.59	11,784,366	0.89	2,160,190	0.17
Depreciation/ amortization	48,924,178	3.40	48,218,244	3.65	63,975,807	5.07
Exception item					22,630,294	1.80
Total	**1,438,046,063**	**100.00**	**1,320,509,424**	**100.00**	**1,260,633,056**	**100.00**

Personnel Expenses

Personnel Expenses consist primarily of salaries, wages, bonus and perquisites paid to employees. Other components include contributions to provident and other funds and staff welfare expenses. Personnel expenses primarily relate to employees who are involved in the provision of services to our customers and to a lesser extent expenses related those who are involved in selling and administrative functions.

Personnel expenses related to product development are deducted from cost of revenues and transferred to product development cost. These expenses are amortised after the product is launched over its estimated useful life.

Operating and other expenses

Operating and other expenses includes expenses on subcontractors, travelling, conveyance, communication, rent of premises, equipment rental, legal advisors, audit, other professional advisors, repairs, maintenance, commission, insurance premium and other miscellaneous items. A significant part of the expenses incurred on subcontractors, travelling, conveyance and communication relate to cost of providing services to our customers and the other operating and other expenses primarily relate to sales, marketing and administration including operating the development centres and write-off of miscellaneous expenditures.

Operating expenses related to product development are deducted from cost of revenues and transferred to product development cost. These expenses are amortised after the product is launched over its estimated useful life.

Finance expenses

Finance expenses are comprised principally of interest expenses on our various lines of credit from the banks and other bank charges.

Depreciation

Depreciation is provided for the wear and tear of fixed assets used in operating our business. We calculate depreciation on straight line method over the remaining estimated useful lives of the fixed assets.

The useful lives of the fixed assets have been estimated giving due consideration to environment in respective countries by the group management as follows:

Category of fixed assets	Estimated useful life
Furniture and fittings	5-15 years
Office equipment	3 -20 years
Leasehold improvements	
Freehold building	5-7 years
61 years	
Leasehold land and buildings	Shorter of period of lease term or 61 years
Computer hardware	3-6 years
Vehicles	7 -10 years

Individual assets costing up to Rs.5,000 in the Company and US$250 in its US companies are considered fully depreciated in the year the asset is put to use.

Amortisation of Goodwill:

Goodwill represents the cost to the parent of its investment in subsidiaries over the parent's portion of equity of the subsidiary, at the date on which the investment in the subsidiaries is made.

The Company evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the year of such determination. The Company also ascertains the future revenues and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

The Company acquired EC Net Limited, a Company incorporated in Singapore during the year ended December 31, 2004. The acquisition resulted in goodwill of Rs 24.50 million. During the year ended December 31, 2005, the Company has filed a petition with the Delhi High Court seeking its approval for writing down the goodwill value to Rs. Nil and adjusting the write off of Rs.24.50 million against the Securities Premium account as this is not represented by available assets. The above adjustment to the carrying value of goodwill and Securities Premium Account has been undertaken on the basis of the order of Hon'ble High Court of Delhi dated February 16, 2005.

Taxes

Current Tax:

Our tax provisions are not proportionate to our profits as our group companies are located in different tax jurisdictions. The companies in the group are subject to tax legislation as applicable in the respective country of incorporation. Tax provisions for each of our group company are computed and made in accordance with tax laws of relevant jurisdiction.

Under Indian tax law and regulations, the income tax rate to which a company is subject is dependent on the amount of its taxable income. If the tax on such taxable income is lower than tax at the rate of 7.5% of its book profit (as defined under the Income Tax Act), then the minimum alternate tax rate of 7.5% is applicable. Similarly, if the tax on such taxable income is greater than the tax at the rate of 7.5% of such book profit, then the company is subject to the regular corporate income tax rate of 33.66%.

Currently, we benefit from the tax holidays the Government of India gives to the export of IT services from specially designated Software Technology Parks ("STPs") in India. As a result of these incentives, we have incurred relatively low tax expenses. These tax incentives include a 10-year tax holiday from Indian corporate income taxes for the operation of our STP facilities in Noida, Pune and Chennai, and a partial taxable income deduction for profits derived from exported IT services. The Finance Act, 2000 phases out the 10-year tax holiday over a 10-year period from fiscal 2000 through fiscal 2009. Accordingly, facilities set up in India on or before March 31, 2000 have a 10-year tax holiday, new facilities set up on or before 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 holidays expire in stages through March 31, 2009.

The effective corporate tax rate in the United States varies from 35% to 40% depending on the income derived from the 50 states in the US. Under the US Federal tax laws and regulations, companies are allowed to set off any prior year losses against income in the current year before tax is computed, and such losses can be carried forward for a maximum of 20 years.

The effective corporate tax rate in Singapore is approximately 20%. Under the Singapore tax laws and regulations the companies are allowed to set off any prior year losses against income in the current year before tax is computed. The prior year losses cannot be carried forward for set off against future profits if there is a change in ownership control of the company

Deferred Tax:

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. The deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the tax rates and the tax laws enacted or substantively enacted at the balance sheet date and laws that will be in effect when the differences are expected to be reversed. Deferred tax assets are recognised and carry forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Fringe Benefit Tax:

In 2005, under Indian laws with effect from financial year 2005-06, The Finance Act 2005 has levied a fringe benefit tax on the fringe benefits provided or deemed to be provided to employees.

RESULTS OF OPERATIONS - FISCAL 2005 COMPARED TO FISCAL 2004.

The following comparison relates to the fiscal 2005 and fiscal 2004.

Income

Our total income for the fiscal 2005 was Rs. 1,582.23 mn compared to fiscal 2004's full year total of Rs. 1,327.43 mn. The growth in total income was primarily a result of increase in volumes in our offshore software development and business process outsourcing services.

Income from software development and customisation services was Rs.1,492.48 mn representing 94.33% of total income during the fiscal 2005, as compared to Rs. 1,251.37 mn or 94.27% of total income for all of fiscal 2004. Income from business process outsourcing services was Rs. 81.29 mn or 5.14% of total income during the fiscal 2005, as compared to Rs. 72.08 mn or 5.43% of total income for all of fiscal 2004. Other income for the fiscal 2005 was Rs. 8.45 mn or 0.53% of total income, as compared to Rs. 3.97 mn or 0.30% of total income for all of fiscal 2004.

Expenditures

Total expenditure for the fiscal 2005 was Rs. 1,438.05 mn amounting to 90.89% of total income as compared to Rs. 1,320.51 mn amounting to 99.48% of total income in fiscal 2004. Total expenditure declined by 8.59% of total income in the fiscal 2005 as compared to fiscal 2004 because of increase in revenues from higher margin offshore software development services and the semi-fixed nature of certain expenditures. The breakdown of total expenditure is as follows:

Personnel Expenses:

Personnel expenses for the fiscal 2005 was Rs. 932.48 mn representing 58.93% of total income as compared to personnel expenses of Rs. 821.58 mn representing 61.89% of total income in fiscal 2004. Personnel expenses declined in the fiscal 2005 by 2.96% of total income as compared to fiscal 2004 because of increase in revenues from higher margin offshore software development services and the semi-fixed nature of costs of selling and administrative personnel.

Operating and Other Expenses:

Operating and other expenses for the fiscal 2005 was Rs.448.22 mn representing 28.33% of total income as compared to Rs. 438.92 mn or 33.07% of total income in fiscal 2004. Operating and other expenses in the fiscal 2005 declined by 4.74% of total income compared to fiscal 2004 mainly on account of proportionate growth in revenues and semi-fixed nature of these costs.

The major components of operating and other expenses for the fiscal 2005 as compared to fiscal 2004 were as follows:

- travelling and conveyance expenses for the fiscal 2005 declined by 1.54% of total income from Rs. 103.46 mn or 7.79% of total income for fiscal 2004 to Rs. 98.85 mn or 6.25% of total income for all of fiscal 2005;
- communications expenses for the fiscal 2005 declined by 0.82% of total income from Rs. 40.10 mn or 3.02% of total income for fiscal 2004 to Rs. 34.81 mn or 2.20% of total income for all of fiscal 2005;
- legal and professional charges for the fiscal 2005 declined by 2.21% of total income from Rs. 157.83 mn or 11.89% of total income for fiscal 2004 to Rs. 153.10 mn or 9.68% of total income for all of fiscal 2005;
- repair and maintenance for the fiscal 2005 declined by 0.32% of total income from Rs. 16.72 mn or 1.26% of total income for all of fiscal 2004 to Rs. 14.83 mn or 0.94% of total income for all of fiscal 2005;
- rent for the fiscal 2005 declined by 0.89% of total income from Rs. 30.81 mn or 2.32% of total income for all of fiscal 2004 to Rs 22.60 mn or 1.43% of total income for all of fiscal 2005;
- commission for the fiscal 2005 totalled Rs. 19.51 mn compared to Rs. 11.41 mn for fiscal 2004;

The above decrease was partly offset by increase in followings:

- recruitment and training expenses for the fiscal 2005 increased by 0.40% of total income from Rs. 7.70 mn or 0.58% of total income for fiscal 2004 to Rs. 15.52 mn or 0.98 % of total income.
- loss on exchange fluctuation for the fiscal 2005 increased by 0.34% of total income from Rs.4.36 mn or 0.33% of total income for fiscal 2004 to Rs. 10.58 mn or 0.67% of total income for all of fiscal 2005.

Finance expenses

Finance expenses for the fiscal 2005 were Rs. 8.42 mn representing 0.53% of total income as compared Rs. 11.78 mn representing 0.89% of total income in fiscal 2004. Finance expenses declined by 0.36% of total income in the fiscal 2005 as compared to fiscal 2004 primarily because of lower utilisation of credit lines, repayment of term loans and proportionate growth in total income.

Depreciation / Amortisation

Depreciation for the fiscal 2005 was Rs. 48.92 mn representing 3.09% of total income as compared to Rs. 48.22 mn representing 3.63% of total income in fiscal 2004. Depreciation in fiscal 2005 declined by 0.54% of total income as compared to fiscal 2004 mainly on account proportionate growth in income and these costs being spread over higher income.

Profit / (Loss) Before Taxation

Profit before taxation during the fiscal 2005 increased by 8.59% of total income to Rs. 103.47 mn or 8.94% of total income as compared to a profit of Rs. 6.92 mn or 0.52% of total income for fiscal 2004. The increase was primarily on account of growth in income from higher margin offshore software development and business process outsourcing services and the semi-fixed expenditures being spread over higher total income.

Taxes

Current Taxes:

Current taxes for the fiscal 2005 totalled Rs. 7.40 mn or 0.47% of total income as compared to Rs. 2.47 mn or 0.19% of total income for fiscal 2004.

In 2005, under Indian laws with effect from financial year 2005-06, the Finance Act 2005 has levied a fringe benefit tax on the fringe benefits provided or deemed to be provided to employees. It has resulted in additional tax expense of Rs 2.64 mn in 2005 compared to Rs nil mn in 2004.

During the fiscal 2005, there were deferred tax expenses of Rs.9.38 mn as against 2.30 mn in fiscal 2004.

Profit / (Loss) After Taxation

Profit after taxation during the fiscal 2005 increased by 7.73% of total income to Rs. 124.77 mn or 7.89% of total income as compared to a profit of Rs. 2.29 mn or 0.16% of total income for fiscal 2004. The increase was primarily on account growth in profit before taxes and marginally on account of taxes as analysed earlier.

RESULTS OF OPERATIONS - FISCAL 2004 COMPARED TO FISCAL 2003

Income

Operating income is increased by 8.07% to Rs.1,323.46 mn in fiscal 2004 from Rs. 1,224.67 mn in fiscal 2003. The increase in total income in fiscal 2004 was primarily on account of:

- Growth in revenues from higher margin offshore software development and customisation, and business process outsourcing services of Rs.159.62 mn or 44.41% and
- Consolidation of ECnet revenue for the first time of Rs106.66 mn

The above increase was partly offset by decline in onsite revenues of our US subsidiary, R Systems Inc., by Rs 73.06 mn from Rs. 780.07 mn in 2003 to Rs. 707.01 mn in 2004.

Other income increased by 74.89% to Rs. 3.97 mn in fiscal 2004 from Rs. 2.27 mn in fiscal 2003, which was primarily due to:

- Consultancy fee of Rs. 0.54 mn in fiscal 2004 against nil in fiscal 2003; and
- An increase in miscellaneous income to Rs. 1.02 mn in fiscal 2004 from Rs. 0.08 mn in fiscal 2003.

As a result of the foregoing, total income increased by 8.19% to Rs. 1327.43 mn in fiscal 2004 from Rs. 1226.29 mn in fiscal 2003.

Expenditures

Total expenditure for fiscal 2004 was Rs. 1,320.51 mn amounting to 99.48% of total income as compared to 1260.63 mn amounting to 102.74% of total income in fiscal 2003. Total expenditure declined in fiscal 2004 by 3.26% of total income as compared to fiscal 2003 because of increase in revenues from higher margin offshore software development services, the inclusion of ECnet income, the semi-fixed nature of certain expenditures, and the non-recurrence of certain exceptional non-recurring expenses of Rs. 47.09 million or 3.73% of total income incurred in fiscal 2003. This was partly offset by inclusion of ECnet expenditures of Rs. 126.60 mn or 118.69% of ECnet income and expenses incurred on the newly commenced business process outsourcing business. The breakdown of total expenditure is as follows:

Personnel expenses:

Personnel expenses for fiscal 2004 was Rs. 821.59 mn, representing 61.89% of total income compared to personnel expenses of Rs.766.13 mn, representing 62.44% of total income in fiscal 2004 registering an increase of 7.24%. Personnel expenses as percentage of total income declined in fiscal 2004 by 0.55% as compared to fiscal 2003 because of increase in revenues from higher margin offshore software development services and the costs of selling and administrative personnel being spread over higher revenues partly offset by personnel expenses of ECnet business included for the first time in fiscal 2004 of Rs. 67.62 mn.

Operating and Other Expenses:

Operating and other expenses were Rs. 438.92 mn in fiscal 2004 compared to Rs. 405.74 mn in fiscal 2003, an increase of Rs 33.18 mn. Operating and other expenses of ECnet included for the first time in fiscal 2004 amounted to Rs.53.76mn. Operating and other expenses as percentage of total income amounted to 33.07% of total income in both fiscal 2004 and 2003. The breakdown of operating and other expenses were:

- a 30.47% increase in travelling and conveyance expenses to Rs. 103.46 mn in fiscal 2004 from Rs. 79.30mn in fiscal 2003, resulting from increase in volume of offshore business, the first full year of operation of business process outsourcing services and ECnet business.
- a 498.25% increase in rental expenses to Rs. 30.81 mn in fiscal 2004 from Rs. 5.15 mn in fiscal 2003, mainly resulting from consolidation of ECnet for first time in 2004.
- a 52.70% increase in repair & maintenance to Rs. 16.72 mn in fiscal 2004 from Rs. 10.95 mn in fiscal 2003.
- a 54.13 % increase in power & fuel to Rs. 14.01 mn in fiscal 2004 from Rs. 9.09 mn in fiscal 2003 mainly due to increase in volume of offshore business, the first full year of operation of business process outsourcing services and consolidation of ECnet business for first time.
- a 10.39 % increase in miscellaneous expenses written-off to Rs. 6.27 mn in fiscal 2004 from Rs. 5.68 mn in fiscal 2003, resulting from change in accounting policy by amortising balance unamortised contract acquisition cost fully in 2004 as compared to such expenses being amortised over the a period of three years earlier.

These increase were partly offset by

- a 13.76% decline in legal and profession expenses to Rs. 157.83 mn in fiscal 2004 from Rs. 183.01 mn in fiscal 2003.
- a 38.93% decline in loss on exchange fluctuation to Rs. 4.36 mn in fiscal 2004 from Rs. 7.14 mn in fiscal 2003.

Financial Expenses:

Financial expenses increased to Rs.11.78 mn in fiscal 2004 from Rs. 2.16 mn in fiscal 2003. This was primarily due to the utilisation of term loans for expansion of development centers of Rs. 40.35 mn at the end of fiscal 2004 from no borrowings at the end of fiscal 2003. The development centers were expanded to increase capacity and commence business process outsourcing services.

Depreciation/ Amortisation:

Depreciation increased by 22.03% to Rs. 48.22 mn in fiscal 2004 from Rs. 39.51 mn in fiscal 2003. This was primarily due to consolidation of ECnet for first time in 2004 as well as the expansion of development centers in fiscal 2004 for increasing capacity and commencement of business process outsourcing service offering.

During the 2003, management has decided to fully amortise the balance amount of goodwill on acquisition of Indus Inc. in consolidated financial statements considering such impairment to be other than temporary in nature.

Exceptional Item:

During fiscal 2003, our US subsidiary, R System Inc. was notified by United States Department of Labor of formal inquiry regarding compliance with various regulations related to hiring of H-1B employees. As a result of the investigation, monetary violations were noted resulting in a liability of Rs. 22.63 mn.

Profit / (Loss) Before Taxation

Profit before taxation for fiscal 2004 was Rs. 6.92 mn, or 0.52% of total income compared to a loss of Rs. 33.70 million 2.75% of total income in fiscal 2003. Profit before taxation increased by 3.27% of total income or Rs. 40.62 mn in fiscal 2004 over fiscal 2003. The increase was primarily on account of growth in income from higher margin offshore software development services and no recurrence of goodwill amortisation and exceptional expenses of Rs. 47.09 million incurred in fiscal 2003. These were partly offset by expenses incurred in the commencement of business process outsourcing services and losses of ECnet of Rs.18.05 mn included for the first time in 2004.

Taxes

Current Taxes:

Current taxes for fiscal 2004 totalled Rs. 2.47 mn compared to Rs. (5.62) mn of excess provision written back in fiscal 2003.

Deferred Taxes:

During the fiscal 2004, the deferred tax expenses were Rs. 2.30 mn as against 8.61 mn in fiscal 2004.

Profit / (Loss) after Taxation

Profit after taxation during the fiscal 2004 amounted to Rs. 2.29 mn or 0.16% of total income compared to a loss of Rs. 39.69 mn or 2.99 % of total income in fiscal 2003. The profit after taxation increased by Rs. 41.98 million in fiscal 2004 compared to fiscal 2003 mainly as result of increase in profit before taxation as analysed earlier.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OVER UNCONSOLIDATED FINANCIALS (AS PER INDIAN GAAP)

Results of Operations

The following table sets forth certain financial information as a percentage of our total revenues for the periods indicated:

R SYSTEMS INTERNATIONAL LIMITED

Summary Statement of Profit and Loss **Rupees in Million**

	Year ended December 31, 2005	% of total income	Year ended December 31, 2004	% of total income	Year ended December 31, 2003	% of total income	Year ended December 31, 2002	% of total income
Income								
From services								
Export	758.72	92.95%	518.50	91.98%	396.27	92.67%	243.46	89.58%
Domestic	49.85	6.11%	42.66	7.57%	30.17	7.06%	23.68	8.71%
Operating income	**808.57**	**99.06%**	**561.16**	**99.55%**	**426.44**	**99.72%**	**267.14**	**98.29%**
Other income	7.68	0.94%	2.56	0.45%	1.19	0.28%	4.64	1.71%
Total income	**816.26**	**100.00%**	**563.72**	**100.00%**	**427.63**	**100.00%**	**271.78**	**100.00%**
Expenditure								
Personnel expenses	402.59	49.32%	283.29	50.25%	205.58	48.08%	120.60	44.37%
Operating and other expenses	234.38	28.71%	213.78	37.92%	177.85	41.59%	96.99	35.69%
Finance expenses	8.48	1.04%	9.51	1.69%	1.56	0.36%	2.10	0.77%
Depreciation/ amortisation	31.74	3.89%	28.38	5.04%	23.50	5.49%	12.42	4.57%
Provision for diminution in the value of long term investments	-	0.00%	2.00	0.35%	16.77	3.92%	-	0.00%
Total expenditure	**677.19**	**82.96%**	**536.96**	**95.25%**	**425.27**	**99.45%**	**232.11**	**85.40%**
Net Profit/(Loss) Before Tax	**139.07**	**17.04%**	**26.76**	**4.75%**	**2.36**	**0.55%**	**39.67**	**14.60%**
Provision for Tax								
Current tax/(excess provision written back)	5.94	0.73%	3.46	0.61%	(3.13)	(0.73%)	7.29	2.68%
Deferred tax	5.85	0.72%	0.88	0.16%	1.17	0.27%	2.86	1.05%
Fringe benefit tax	2.64	0.32%	-	0.00%	-	0.00%	-	0.00%
Total	**14.43**	**1.77%**	**4.34**	**0.77%**	**(1.97)**	**(0.46%)**	**10.15**	**3.73%**
Net Profit/(Loss) After Tax	**124.64**	**15.27%**	**22.42**	**3.98%**	**4.33**	**1.01%**	**29.52**	**10.86%**

RESULTS OF OPERATIONS ON UNCONSOLIDATED BASIS - FISCAL 2005 COMPARED TO FISCAL 2004

Income

Our total stand-alone income for fiscal 2005 was Rs. 816.26 mn, compared to Rs. 563.72 mn in fiscal 2004. The increase in total income was primarily due to an increase in export income, which increased from Rs. 518.50 mn in fiscal 2004 to Rs. 758.72 mn in fiscal 2005. The increase in export income was as a result of increase in the volume of software development and business process outsourcing services. Export income amounted to 92.95% of total income for the fiscal 2005 as compared to 91.98% in fiscal 2004.

Expenditure

Total expenditure for fiscal 2005 was Rs. 677.19 mn or 82.96% of total income as compared to Rs. 536.96 mn or 95.25% of total income in fiscal 2004. Total expenditure declined by 12.29% of total income in fiscal 2005 as compared to fiscal 2004 because of increase in total income and the semi-fixed nature of certain expenditures.

Personnel Expenses

Personnel Expenses for fiscal 2005 was Rs. 402.59 mn or 49.32% of total income compared to Rs.283.29 mn or 50.25% of total income in fiscal 2004. Personnel expenses as percentage of total income declined by 0.93% for fiscal 2005 as compared to fiscal 2004 primarily on account of growth in total income and semi-fixed nature of personnel expenses associated with selling and administrative function.

Operating and Other Expenses

Operating and other expenses for fiscal 2005 was Rs. 234.38 mn, or 28.71% of total income, compared to Rs. 213.78 mn or 37.92% of total income for fiscal 2004. Operating and other expenses as percentage of total income declined by 9.21% for fiscal 2005 compared to fiscal 2004 primarily on account of growth in total income and semi-fixed nature of operating and other expenses.

Finance Expenses

Finance Expenses for fiscal 2005 was Rs. 8.48 mn or 1.04% of total income, compared to Rs. 9.51 mn or 1.69% of total income for fiscal 2004. Finance expenses as a percentage of total income declined by 0.65% for fiscal 2005 compared to fiscal 2004 as a result of growth in total income and lower utilisation of lines of credit. Our utilisation of lines of credit was reduced during fiscal 2005 as a result of cash generated from operations.

Depreciation / Amortisation

Depreciation expenses for fiscal 2005 totalled Rs. 31.74 mn or 3.89% of total income compared to Rs. 28.38 mn, or 5.04% of total income for fiscal 2004. Depreciation and amortisation expenses as percentage of total income declined by 1.15% for fiscal 2005 compared to fiscal 2004 primarily as a result of growth in total income and semi-fixed nature of depreciation and amortisation expenses.

Profit / (Loss) Before Taxation

Profit before taxation was Rs. 139.07 mn or 17.04% of total income for fiscal 2005 compared to Rs. 26.76 million or 4.75% of total income for fiscal 2004. The increase in profits before taxes was primarily on account of growth in income from higher margin export offshore software development and business process outsourcing services and the semi-fixed expenditures being spread over higher total income.

Taxes

Current Taxes

Current Taxes for fiscal 2005 amounted to Rs. 5.94 mn or 0.73% of the total income compared to Rs. 3.46 mn or 0.61% of total Income in fiscal 2004.

Deferred Taxes

Deferred taxes amounted to Rs. 5.85 mn or 0.72% of total income for fiscal 2005 compared to Rs. 0.88 mn or 0.16% of total income in fiscal 2004.

Fringe Benefit Tax ("FBT")

FBT was introduced during fiscal 2005 and for the period from April to December of fiscal 2005, it amounted to Rs. 2.64 mn or 0.32% of total Income.

Profit / (Loss) After Taxation

Profit after taxation for fiscal 2005 amounted to Rs. 124.64 mn or 15.27% of total income compared to Rs.22.42 mn or 3.98% of total income for fiscal 2004. The increase was primarily on account growth in profit before taxes and marginally offset by higher taxes as analysed earlier.

RESULTS OF OPERATIONS ON UNCONSOLIDATED BASIS - FISCAL 2004 COMPARED TO FISCAL 2003

Income

Total income increased by 31.82% to Rs. 563.72 mn in fiscal 2004 from Rs. 427.63 mn in fiscal 2003 primarily as a result of increase in the volume of business.

Income from operations increased by 31.59% to Rs.561.16 mn in fiscal 2004 from Rs. 426.44 mn in fiscal 2003. The increase in total income was primarily due to an increase of 30.85% in the export of software development services from Rs. 396.27 mn in 2003 to Rs. 518.50 mn in fiscal 2004. The increase in export income was as a result of increase in the volume of offshore software development services partly offset by price reduction by a major customer. Export income amounted to 92.07% of total income in fiscal 2004 as compared to 92.67% in fiscal 2003.

Other income increased by 114.19% to Rs. 2.56 mn in fiscal 2004 from Rs. 1.19 mn in fiscal 2003. This substantial increase was a result of:

- consultancy fee of Rs. 0.54 mn. in fiscal 2004 against nil in fiscal 2003;
- an increase in other income to Rs. 0.84 mn in fiscal 2004 from Rs. 0.05 mn in fiscal 2003 primarily as a result of interest on loans advanced to ECnet Ltd., and
- writing back of excess provision no longer required amounting to Rs. 0.29 mn in 2004.

Expenditures

Total expenditure for fiscal 2004 was Rs. 536.96 mn or 95.25% of total income as compared to Rs.425.27 mn, or 99.45% of total income in fiscal 2003. Total expenditure declined by 4.20% of total income in fiscal 2004 as compared to fiscal 2003 primarily because of increase in total income and the semi-fixed nature of certain expenditures.

Personnel Expenses

Personnel expenses increased by 37.80% to Rs. 283.29 mn or 50.25% of total income in fiscal 2004 from Rs. 205.58 mn or 48.08% of total income in fiscal 2003. This increase in personnel expenses was primarily due to an increase in the total number of personnel as well as due to first complete year of operation of our business process outsourcing services.

Operating and Other Expenses

Operating and other expenses increased by 20.20% to Rs. 213.78 mn or 37.92% total income in fiscal 2004 from Rs. 177.85 mn or 41.59% of total income in fiscal 2003. Operating and other expenses as percentage of total income decreased by 3.67% in fiscal 2004 as compared to 2003. This decrease was primarily on account of increase in total income and the semi-fixed nature of such expenses which were partly offset by increase in expenses on account of first complete year of operations of our business process outsourcing services. This break-down of operating and other expenses was:

- a 23.27 % increase in travelling and conveyance expenses to Rs. 74.51 mn in fiscal 2004 from Rs. 60.44 mn in fiscal 2003 primarily on account of increase in the volume of business,
- a 177.72% increase in repairs and maintenance expenses to Rs. 11.89 mn in fiscal 2004 from Rs. 4.28 mn in fiscal 2003 principally on account of newly commenced business process service offering and increase in level of operations,
- a 105.56% increase in commission expenses from 12.21 mn. in 2003 to 25.11 mn in 2004 principally on account of increase in export revenues.
- a 1736.98% increase in provision for doubtful debts and advances to Rs.2.97 mn in fiscal 2004 from Rs 0.16 mn in fiscal 2003 primarily on account of significant increase in operational income & management's assessment of providing reserves against accounts receivables.

These increase were largely offset by

- a 20.42% decline in legal and profession expenses to Rs. 16.36 mn in fiscal 2004 from Rs. 20.57 mn in fiscal 2003
- a 34.06% decline in equipment rent expenses to Rs. 2.84 mn in fiscal 2004 from Rs. 4.31 mn in fiscal 2003 as a result of replacing rental computer equipment with own machines.

Financial Expenses

Financial expenses increased by 509.38% to Rs.9.51 mn or 1.69 % of total income in fiscal 2004 from Rs. 1.56 mn or 0.36% of total income in fiscal 2003. This was primarily due to the increase in interest expenses on loans taken to finance the establishment of infrastructure to offer business process outsourcing services and increase in working capital loans to fund the working capital gap as a result of growth in export income. In addition bank charges increased from Rs. 0.59 mn in 2003 to Rs. 1.41 mn in 2004, primarily as a result of establishing additional lines of credit from our principal banker.

Depreciation

Depreciation increased by 20.81% to Rs. 28.38 mn or 5.04% of total income in fiscal 2004 from Rs. 23.50 mn or 5.49% of total income in fiscal 2003. The increase was primarily due to investment in new assets to establish the business process outsourcing center in fiscal 2004.

Profit/ (Loss) Before Taxation

Profit before taxation was Rs. 26.76 mn or 4.75% of total income in fiscal 2004 as compared to Rs. 2.36 mn or 0.55% of total income in fiscal 2003. The significant increase in profit before taxes as percentage of total income in fiscal 2004, compared to fiscal 2003, was primarily on account of increase in total income and semi-fixed expenses being spread over higher income that was partly diluted from increase in expenses on newly commenced business processing service offering.

Taxes

Current Taxes

Current Taxes for fiscal 2004 amounted to Rs. 3.46 mn or 0.61% of total income as compared to Rs. (3.13) mn or (0.73%) of total income in 2003. In fiscal 2003 there was a write-back of excess provision no longer required relating to prior years of Rs.1.92 mn.

Deferred Taxes

Deferred Taxes for 2004 was Rs. 0.88 mn as compared to Rs. 1.17 mn for fiscal 2003 resulting in a decrease of 24.54%.

FBT

There was no FBT for fiscal 2004 and 2003.

Profit (Loss) After Taxation

Profit after taxation in fiscal 2004 amounted to Rs.22.42 mn or 3.98% of total income compared to Rs.4.33 mn, or 1.01% of total income in fiscal 2003. The increase was primarily on account growth in profit before taxes and marginally offset by higher taxes as analysed earlier.

RESULTS OF OPERATIONS ON UNCONSOLIDATED BASIS - FISCAL 2003 COMPARED TO FISCAL 2002

Income

Total income increased by 57.34% to Rs. 427.63 mn in fiscal 2003 from Rs. 271.78 mn in fiscal 2002 primarily because of increase in income from operations.

Income from operations increased by 59.63% to Rs. 426.44 mn in fiscal 2003 from Rs. 267.14 mn in fiscal 2002. This was primarily due to an increase of 62.77% in the export income from software development services to Rs. 396.27 mn in 2003 from Rs. 243.46 mn in 2002. Export income amounted to 92.67% of total income in fiscal 2003 as compared to 89.58% in fiscal 2002.

Income from domestic sale of software products and services increased from Rs. 23.68 mn in 2002 to 30.17 mn in 2003, an increase of 27.38%. The increase was because Indus was amalgamated with our Company with effect from April 1, 2002 and the first full year benefit from sale of Indus Lending Solutions in domestic markets was obtained from fiscal 2003. Income from domestic sales amounted to 7.06% of total income in fiscal 2003 as compared to 8.71% in fiscal 2003. Other income decreased by 74.28% to Rs. 1.19 mn in fiscal 2003 from Rs. 4.64 mn in fiscal 2002. This decrease was a result of:

- Interest on bank deposits from surplus cash balances declining to Rs. 0.45 mn in fiscal 2003 against 3.54 mn. in fiscal 2002. Cash balances declined in 2003 over 2002 because investment of Rs 58.85 mn made to acquire Indus
- Writing back of excess provision no longer required amounting to Rs. 0.85 mn in 2002 against nil in 2003.

Expenditures

Total expenditure for fiscal 2003 was Rs. 425.27 mn, or 99.45% of total income as compared to Rs. 232.11 mn, or 85.40% of total income in fiscal 2002. Total expenditure increased by 14.05% of total income in fiscal 2003 as compared to fiscal 2002 primarily because of increases in expenditure to expand the business. The breakdown of total expenditure is as follows

Personnel Expenses

Personnel expenses increased by 70.46% to Rs. 205.58 mn or 48.08% of total income in fiscal 2003 from Rs. 120.60 mn or 44.37% of total income in fiscal 2002. This increase in personnel expenses was primarily due to an increase in the total number of personnel in anticipation of growing the business volumes. Staff welfare expenses increased substantially by 135.57% from Rs. 2.97 million in 2002 to Rs. 7.02 million in 2003 on account of increase in benefits offered to employees working in development centers.

Operating and Other Expenses

Operating and other expenses increased by 83.38% to Rs. 177.85 mn or 41.59% of total income in fiscal 2003 from Rs. 96.99 mn or 35.69% of total income in fiscal 2002. Operating and other expenses as percentage of total income increased in fiscal 2003 over fiscal 2002 because of investments being made in anticipation of growing the business. The break-down of increase in operating and other expenses was primarily due to:

- a 158.20 % increase in travelling and conveyance expenses to Rs. 60.46 mn in fiscal 2003 from Rs. 23.42 mn in fiscal 2002
- a 87.23% increase in communication expenses from Rs. 12.92 mn. in 2002 to Rs. 24.19 mn. in 2003
- an increase of 139.33% in commission expenses from Rs 5.10 mn. in 2002 to Rs. 12.21 mn in 2003.
- a 59.96% increase in legal and profession expenses to Rs. 20.64 mn in fiscal 2003 from Rs. 12.90 mn in fiscal 2002
- a 76.65% increase in recruitment and training expenses to Rs. 4.04 mn in fiscal 2003 from Rs. 2.28 mn in fiscal 2002

Financial Expenses

Financial expenses decreased by 25.63% to Rs 1.56 mn or 0.36% of total income in fiscal 2003 from Rs. 2.10 mn or 0.77% of total income in fiscal 2002. This was primarily due to the decrease in interest on term loans that were reduced to Rs. 0.19 mn at the end of fiscal 2003 from Rs. 0.94 mn at the end of fiscal 2002. There was no interest paid on prepayment of loans in fiscal 2003 as against Rs. 0.39 mn paid in 2002.

Depreciation

Depreciation increased by 89.17% to Rs. 23.50 mn or 5.49% of total income in fiscal 2003 from Rs. 12.42 mn or 4.57% of total income in fiscal 2002. This was primarily due to expansion and up-gradation of development centers in fiscal 2003 and the impact of Indus amalgamating with the Company with effect from April 1, 2002.

Profit/ (Loss) Before Taxation

Profit before taxation was Rs. 2.36 mn or 0.55% of total income in fiscal 2003 as compared to Rs.39.67 mn or 14.60% of total income in fiscal 2002, a decline of 94.05%. This decline in profits before taxes was primarily due to additional expenses incurred in anticipation of developing the business that was partly offset from contribution on increase in revenues.

Taxes

Current Taxes

Current taxes for fiscal 2003 amounted to Rs. (3.13) mn or (0.73%) of total income compared to Rs. 7.29 mn or 2.68% of total income in 2002. Current taxes in fiscal 2003 included write-back of excess provision for prior years no longer required of Rs. 1.92 mn resulting in net write- back of provision for taxes.

Deferred Taxes

Deferred Taxes for 2003 was Rs. 1.17 mn as compared to Rs. 2.86 mn for fiscal 2002 resulting in a decrease of 59.09%.

FBT

There was no FBT for fiscal 2003 or 2002.

Profit (Loss) After Taxation

Profit after taxation for fiscal 2003 amounted to Rs. 4.33 mn or 1.01% of total income compared to Rs. 29.52 mn, or 10.86% of total income for fiscal 2002. The decrease was primarily on account of decline in profit before taxes and marginally offset by lower taxes as analysed earlier.

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 (A) OF THE DIP GUIDELINES

Unusual or Infrequent Events or Transactions

There have been no events or material transactions to our knowledge which may be described as "unusual" or "infrequent" other than in May 2002 when our subsidiary company, R Systems, Inc. was notified by the United States Department of Labour ("DOL") of a formal inquiry regarding R Systems Inc.'s compliance with various regulations relating to the hiring of H1B employees. As a result of the inquiry R Systems Inc. reached an agreement with the DOL to pay compensation to certain employees and former employees. R Systems Inc. recognized this liability for USD 485,000 in 2003.

Significant economic/regulatory changes

Except as described in section "Regulations and Policies" in this Prospectus, there have been no significant economic/regulatory changes.

Known Trends or Uncertainties

Except as described in the section titled "Risk Factors" on page no. iii of this Prospectus and the section titled "Management Discussion and Analysis of Financial Conditions and Results of Operations" on page no. 214 of this Prospectus, to our knowledge, there are no known trends or uncertainties that have or had or expected to have any material adverse impact on revenues or income of our Company from continuing operations.

Future Relationship Between Cost and Income

Except as described in the section titled "Risk Factors" on page no. iii of this Prospectus and the section tilted "Management Discussion and Analysis of Financial Conditions and Results of Operations" on page no. 214 of this Prospectus, to our knowledge, there are no known factors which will have a material adverse impact on the operations and finances of our Company.

New Products or Business Segment

Other than the one described in the section titled "Business Overview" on page no. 47 of this Prospectus, to our knowledge, there are no new products or business segments.

Seasonality of Business

To our knowledge, our services do not have any seasonal impact, other than the one described elsewhere in this Prospectus and the reduction of billing days in November and December and sometimes in January for onsite services in the US on account of holidays and vacation taken by employees.

Significant Dependence on Single or Few Clients

Refer section on "Risk Factors" on page no. iii, GE Group Relationship on page no. 67 and "Management Discussion and Analysis of Financial Conditions and Results of Operations" on page no. 214 of this Prospectus for the details of our dependence on single or few clients

Competitive Conditions

Please refer to the section titled "About the Company" of this Prospectus beginning on page no. 47 of this Prospectus.

LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of 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) other than unclaimed liabilities of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Promoter or Directors. There have not been any litigation proceedings, claims or actions instituted against our Directors or Promoters.

COMPANY

Filed by the Company

The Company had instituted a suit against Project Management and Collaboration Technologies Private Limited **("Defendant 1")** and Mr. Navamani V. Dhanasingh **("Defendant 2")** in the Superior Court of the State of California County of El Dorado claiming a sum of USD 150,000 on November 30, 2001. This was pursuant to a letter of intent under which the Company had agreed to grant a refundable loan of Rs. 7,000,000. The above mentioned suit was instituted by the Company on violation of the loan agreement. This suit was decreed in favour of the Company and the Company is contemplating executing the decree granted by the Superior Court of the State of California County of El Dorado. Consequent to this suit being filed, the Defendants filed a suit in the Madras High Court seeking among other things a declaration that the Company has no rights in the software or intellectual property of the defendants, except to keep it as a security for the amount of Rs. 7,000,000 advanced by the Company to the defendants till repayment thereof at the rate of 10% interest. In reply, the Company is submitting that they agree and confirm that the defendants are the owners of the intellectual property in the software and that pursuant to the order of the Madras High Court dated January 6, 2003, the Company has already deposited the source code of the Electronic Personification Technology with the registry of the Madras High Court. We have therefore filed for dismissal of the suit and a direction to the Defendants to deposit the loan amount of INR 7 mn with the registry of the Madras High Court along with the agreed interest at the rate of 10% per annum. We filed our written statement in December 2005.

Filed against the Company

- R Systems International Ltd is in possession of two properties- C 40 Sector 59, Noida and C 1, Sector 59, Noida, which are contiguous (back to back to each other). It is intended to amalgamate both the assets into one entity with a view to share the infrastructure like power, DG sets, telecommunications etc.

  An application was made to the Noida Authority in July 2005. The Authority has raised a demand note for payment of Rs 3,87,368/-on account of recording of change in constitution of the company from R Systems India Pvt Ltd to R Systems International Ltd. We intend to contest the decision of the Authority on the following grounds:

  - No change in constitution fee is payable if applied for after 5 years.
  - No change in constitution fee is payable if change in constitution is in favour of a Public Ltd company.
  - No change in constitution fee is payable if the incoming members are blood relations

  The Company has on March 6, 2006 paid Rs. 387,672/- to the Noida authority.

- We have received a letter from the RBI dated January 18, 2006 bearing number FED.CO.PCD.15786/15.02.67/2005-06 for compounding of contravention relating to late filing of Form FC-GPR in relation to issue of bonus shares to foreign investors. We have already filed compounding application dated February 22, 2006 with the compounding authority, RBI in this regard.

- On February 25, 2006, the Company received a notice dated January 30, 2006 from the Deputy Commissioner, Income Tax for an additional demand of Rs. 444,115 against the Company in respect of the assessment year 2003 - 04 in the regular assessment under section 143 (3) of the Income Tax Act, 1961. The Company has filed an appeal on March 13, 2006, bearing acknowledgement number 169932, before the Commissioner of Income Tax Appeals -XVIII, New Delhi, for quantum relief against the said additional demand. The appeal is currently pending disposal.

R SYSTEMS INC

Filed against R Systems Inc

- A complaint was filed against R Systems Inc. around October 25, 2002 by Ellen Zenobia [Case No. PC20020661], a former employee of R Systems Inc in the Superior Court of El Dorado County. Ms. Zenobia was employed as the Director of Immigration Services. She was laid off for economic reasons but was offered an alternative position with R Systems Inc. She declined the offer and instituted a suit against R Systems Inc for damages for compensation for lost wages and emotional distress as well as for punitive damages. R Systems Inc had filed a cross-complaint in the matter but the same was dismissed on a Strategic Lawsuits against Public Participation motion being filed against that cross complaint and also because it was premature. Ms. Zenobia has also filed a complaint with the Department of Labor ("DOL") that R Systems Inc laid her off as retaliation for cooperating with the formal inquiry regarding compliance of H1B regulations by DOL. DOL has conducted an investigation on her complaint and R Systems Inc is awaiting the outcome of the investigation.
- On October 11, 2005, Omega Liquidating Trust filed a complaint in the Bankruptcy Court in Delaware (Case No. 03-13711) for the recovery of USD 198,416 from R Systems Inc. The Liquidating Trust is alleging that since Cable & Wireless USA had filed a petition for bankruptcy, the payments made by them to R Systems Inc., in respect of antecedent debts were preferential payments which they (Omega Liquidating Trust) are authorised to pursue. Omega Liquidating Trust has filed the case seeking to recover the payments made by Cable & Wireless USA to R Systems Inc. Subsequently, the counsel for Omega Liquidating Trust - Alix Partners, LLC ("Liquidating Trustee") and R Systems Inc. entered into a settlement agreement effective from February 21, 2006 under which, the Liquidating Trustee agreed to dismiss the complaint instituted against R Systems Inc. in consideration of a sum of USD 10,000 paid by R Systems Inc. to Omega Liquidating Trust. As on date, the matter stands settled between the parties concerned.
- On August 17, 2005 we were audited by the Department of labor and industries of State of Washington and we were required to pay industrial insurance premium of $1688.06, penalty of $ 1065.95 and interest totaling to $3974.04. We appealed against the order and the matter is pending before Board of Industrial Appeals of State of Washington and the hearing is scheduled for February 7, 2006.

Filed by R Systems Inc

- R Systems Inc. filed a complaint against Navamani Dhanasingh and PMACT Inc. (Case No. PC2001 - 0685) around May 22, 2002 in the Superior Court of El Dorado County for return of loan and demanding a sum of USD150,000 as damages plus attorneys fees. A judgment was delivered in favour of R Systems Inc against all defendants on August 10, 2004 for a sum equivalent to USD 130,000. The action is over but no recovery has been made so far.
- R Systems Inc entered into a Master Agreement for consulting services with I Frame Corporation. I Frame Corporation entered into a master agreement for consulting services with R Systems Inc. pursuant to which services were provided by R Systems Inc. to I Frame Corporation. Under the master agreement payments were to be made by I Frame Corporation within 30 days of provision of services to which they defaulted. The amount in dispute was a sum of USD 21,812 and a judgment has been passed in the El Dorado County (Case No. PCL 20010453) against I Frame Corporation for USD 23,788. The judgment has not been enforced yet.
- R Systems Inc. filed a compliant against Datum Tech in the Superior Court of Santa Clara (Case No. DC02423348) for the recovery of unpaid fees amounting to USD 22,400. A judgment was obtained around December 6, 2002 against Datum Tech for an amount of USD 23,681 but it has not been enforced till date.
- R Systems Inc. entered into a sub-contractors agreement with Cygate on November 5, 2001, pursuant to which R Systems were to provide certain services to Cygate. Under the sub-contractors agreement payments were to be made within 30 days of provision of services. Subsequent to a default by Cygate in making the necessary payments, a settlement was reached between Cygate and R Systems Inc., pursuant to which Cygate has been making regular payments to R Systems Inc.
- A legal notice was sent by R Systems Inc. to Proflowers Inc for seeking around USD 26,000 as damages for the breach of contract whereby Proflowers Inc had hired an employee of R Systems Inc without its approval as required under an agreement entered into with Proflowers Inc. Proflowers Inc has not responded to the legal notice till date.
- R Systems Inc. had filed a collection case in 2003 in the El Dorado County Superior Court against Synovation, a Californian Corporation for the collection of monies owed to R Systems. The owners of Synovation filed a bankruptcy case, which under American law took priority over the case filed by R Systems Inc. R Systems Inc. proceeded in the bankruptcy court by filing a claim for the monies owed by Synovation to R Systems Inc. However, recently R Systems Inc.

received a notice from the bankruptcy court that there will be no further distribution of the assets of Synovation as Synovation has no assets left to distribute. As a result the civil case filed by R Systems Inc. will be closed by the El Dorado Superior Court due to complete discharge in federal bankruptcy court of all creditor claims.

- During the ordinary course of business our US subsidiaries, R Systems Inc. and Indus Inc. receive notices from various regulatory agencies relating to immigration matters, state taxes, federal taxes, payroll taxes, employment regulations, business registration etc. The local management has a process in place to respond to these notices in a timely manner to ensure compliance, and provide the requested information with the assistance of outside advisors, if required. On the date of the filing of the Red Herring Prospectus, the following notices relating to taxes and state registration are outstanding.

R Systems Inc.

- Notice from the Washington Department of Revenue with respect to excise tax returns;
- Notice for part dues amounting to USD 3409.62 from the State of Ohio;
- Notice from the City of Columbus for non-filing of City Income Tax Return for the years 2003, 2004; and
- Notice from the Louisville Metro Revenue Commission for filing of Occupational License Fees Return for the year ending 2004.

Indus Inc.

- Notice from the State of Connecticut for the period ending June 30, 2003, November 30, 2003, June 30, 2005 and July 31, 2005; and
- Notice from the Oregon Department of Revenue for the quarter ending December 31, 2004, March 31, 2005 and June 30, 2005.

No litigation has been filed 'by' or 'against' our Directors and Promoters.

MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statements disclosed in this Prospectus, any circumstances that materially or adversely affect or are likely to affect the 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 twelve months.

GOVERNMENT/ STATUTORY BUSINESS APPROVALS

We have received the necessary consents, licences, permissions and approvals from the Government and various governmental agencies required for our present business and except as mentioned below, no further approvals are required for carrying on our present business.

APPROVALS FOR THE OFFER

We have received the following approvals relating to the Offer:

The Board of Directors has, pursuant to resolution passed at its meeting held on January 18, 2006, authorised the Fresh Issue subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act.

The shareholders of the Company have, pursuant to a resolution dated January 25, 2006 under Section 81(1A) of the Companies Act, authorised the Fresh Issue in accordance with law.

GE as a Selling Shareholder has pursuant to a resolution passed at a meeting of their board of directors on January 31, 2006, authorised the Offer for Sale. GE has authorised the Company to take decisions on their behalf in relation to the Offer otherwise than as specified elsewhere in this Prospectus.

Intel as a Selling Shareholder has obtained the requisite approval for the Offer for Sale pursuant to a Secretary's Certificate dated January 31, 2006.

The Selling Shareholders other than Intel and GE being individuals have executed individual powers of attorney in favor of the Company appointing them as their constituted attorneys and authorizing them to take decisions on their behalf in relation to the Offer otherwise than as specified elsewhere in this Prospectus.

The Selling Shareholders assume no responsibility for any of the statements made by the Company in this Prospectus relating to the Company, its business and related disclosures, except statements relating to the Selling Shareholders.

Our Company has received permission for transfer of Equity Shares from Non Residents (Selling Shareholders) to resident Indians and from resident Indians to Non Residents from RBI vide its letter no. FE.CO.FID/19848/10.21.036/2005-06 dated March 14, 2006.

APPROVALS FOR OUR BUSINESS

We require various approvals for us to carry on our business in India and overseas. The approvals that we have include the following:

Approvals and Registrations in India

Existing Approvals

STPI related approvals

We have obtained the following approvals from the STPI authorities in the different jurisdictions as relevant to our business. The issuing authority as well as the status of the approvals is set out below:

Sl. No.	Business Location	Issuing Authority	Status	Approval Reference
1	R Systems International Limited (IT Unit) C - 40, SECTOR 59, Noida (U.P) 201 307.	STPI NOIDA	Valid	Approval dated January 4, 1993 bearing reference number 5(4)/93/20/447 issued by the Director, STPI Noida approving the setting up of a 100% export oriented unit under the Software Technology Park Scheme for development and export of computer software by using data communication channel or physical media. This approval was renewed up to January 2, 2008 vide letter dated January 13, 2003 bearing reference number - PCMG/PSE/06/02/STPIN/3075 issued by the Director, STPI Noida.

Sl. No.	Business Location	Issuing Authority	Status	Approval Reference
2	R Systems International Limited (Technical Support & BPO Division) C - 40, SECTOR 59, Noida (U.P) 201 307.	STPI NOIDA	Valid	Approval dated October 16, 2002 bearing reference number -STPIN/APP/10162002/200115/12383 issued by the Director, STPI Noida approving the setting up of a 100% export oriented unit under the Software Technology Park Scheme for development and manufacture of computer software and ITES. This approval is valid for a period of 5 years from the date of issue of the approval.
3	R Systems International Limited (Pune Unit) S. No. 303/2/2 Bavdhan (Bk.) Mumbai-Bangalore Highway (Bypass), Tal. Mulshi, Dist. Pune Pune-411 008 India	STPI PUNE	Valid	Approval dated July 31, 1997 bearing reference number -STP/P/VIII (A) (152)/97/1257 issued by the Director, STPI Pune approving the setting up of a 100% export oriented unit under the Software Technology Park Scheme for development and manufacture of computer software. This approval was renewed up to August 7, 2007 vide letter dated August 8, 2002 bearing reference number - STP/P VIII(A)(152)/97/81 issued by the Director, STPI Pune.
4	R Systems International Limited (Chennai Unit) No. 141, Old Mahabalipuram Road, Kottivakkam, Chennai 600 041	STPI CHENNAI	Valid	Approval dated May 29, 2000 bearing reference number -STPIC/G712/2000-01/508 issued by the Director, STPI Chennai approving the setting up of a 100% export oriented unit under the Software Technology Park Scheme for development and manufacture of computer software and ITES. This approval has been renewed vide letter dated July 19, 2005 bearing reference number - STPIC/IMSC/2005-06/675 issued by the Director, STPI Chennai.
5	R Systems International Limited , C - 1Sector 59, Noida (U.P) 201 307	STPI NOIDA	Valid	Approval dated November 16, 2005 bearing reference number STPIN/APP 11162005/200662 issued by the Director, STPI Noida approving the setting up of a 100% export oriented unit under the Software Technology Park Scheme for development and export of computer software/ITES.
6	R Systems International Limited C - 40, Sector 59, Noida (U.P) 201 307	Ministry of Commerce, Government of India	Valid	Certificate of IEC issued by the Ministry of Commerce, Government of India dated May 5, 1999. The IEC number allotted to us is 5195000115.

Sl. No.	Business Location	Issuing Authority	Status	Approval Reference
7	R Systems International Limited C - 40, Sector 59, Noida (U.P) 201 307	Deputy Commissioner, Central Excise, Noida	Valid	This license dated March 31, 2000 bearing reference No. V(30) Customs/STP/197/2000/2118 is valid till December 31, 2007. Our license is accompanied by a bank guarantee dated December 10, 2005 executed by the State Bank of India in favour of the President of India through the Deputy Commissioner of Customs and Central Excise, Noida for a total amount of Rs. 500,000 against any losses or damages caused to the Government Authorities on account of any breach committed by us in respect of any of the conditions of the license. This bank guarantees are valid up to December 12, 2010. We have received a sanction order from the Customs and Central Excise Division, Noida for carrying on the operations relating to the manufacture of computer software and export thereof. This sanction order is in force till December 31, 2007.
8	R Systems International Limited C - 1, Sector 59, Noida (U.P) 201 307	Deputy Commissioner, Central Excise Division II, Noida	Valid	This license dated December 22, 2005 bearing reference No. V (30) Cus./STP/R.Systems/N-II/508/05/ 8415 (Customs License No. 18 R.SYSTEMS/STP/N-II/2005 is valid till December 09, 2010. Our license is accompanied by a bank guarantee dated December 10, 2005 executed by the State Bank of India in favour of "The President of India" Through the Deputy Commissioner, Central Excise Division-II, Noida for a total amount of Rs. 1,000,000 against any losses or damages caused to the Government Authorities on account of any breach committed by us in respect of any of the conditions of the license. This bank guarantee is valid up to December 09, 2010. We have received a sanction order from the Customs and Central Excise Division-II, Noida for carrying on the operations relating to the manufacture of computer software and export thereof. This sanction order is in force till December 09, 2010.
9	R Systems International Ltd. (Pune Division) S.No.303/2/2, Bavdhan (Bk.), Mumbai Bangalore Highway (Bypass). Tal. Mulshi, Dist. Pune, Pune -411 008 India	Deputy Commissioner, Central Excise & Customs, Pune - Division VI	Valid	The license dated March 28,2001 bearing reference no PNVI/CUS-STPU/21/INDUS/97 is valid till September 7,2007. Our license is accompanied by bank guarantee executed by the ICICI Bank Ltd. Pune for Rs. 750,000/- against any damages

Sl. No.	Business Location	Issuing Authority	Status	Approval Reference
				caused to the Government authorities on account of breach committed by us in respect of any of the conditions of the license. This bank guarantee is\ valid upto July 14, 2010.
10	R Systems International Ltd. (Chennai Division) No 141, Old Mahabalipuram Road, Kottivakkam, Chennai - 600 041	Commissioner of Customs, Air Commissio- nerate Bonds Dept. Air Cargo Complex, Chennai - 600 027	Valid	The license dated July 4,2000 bearing reference no E-083/2000 is valid till March 29,2010. Our license is accompanied by bank guarantee executed by the ICICI Bank Ltd. Pune for Rs. 1,000,000/- against any damages caused to the Government authorities on account of breach committed by us in respect of any of the conditions of the license . This bank guarantee is valid upto April 16, 2009.

Other approvals

RBI approval

We have been granted the approval of RBI from time to time in the normal course of business.

FIPB approval

We have been granted the permission of the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry dated June 5, 2000 vide letter no. 3/39/SIA/NFC/2000/NRI for NRI/OCB investment from M/s RightMatch Holdings Limited amounting to Rs. 225.5 mn. This approval permits us to have 100% foreign ownership.

This approval was amended by the Government vide their letter dated December 4, 2000 whereby permission was given to increase our NRI/OCB investment since we acquired 100% shares of R Systems Inc and the consideration for the acquisition of R Systems Inc was discharged through the issue of shares by the Company to the existing shareholders of R Systems Inc.

Subsequently, the aforesaid approval was amended vide their letter dated December 26, 2001 to once again increase the NRI/OCB investment in our Company since we acquired Indus through a share swap pursuant to which we issued shares inter alia to GE, Intel and Mr. Vikram Rao.

Registration for setting up an International call center at Noida

We received an approval from the Department of Telecom on September 16, 2002 bearing reference number 10-392/2002-OSP for setting up an international call center at Noida under the Other Service Provider category. This approval is valid for twenty years.

Employee Provident Fund

Our office in Noida has been registered under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and has been allotted registration number - 22176 vide letter dated November 12, 1997 bearing number 3/576/22176 issued by the Employee Provident Fund Organisation, Uttar Pradesh. Our Office in Pune and Chennai has been registered under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and has been allotted registration number - MH 31030 issued by the Employee Provident Fund Origanisation, Pune.

Employee State Insurance

Our office in Noida is registered under the Employees State Insurance Act, 1948 and has been allotted registration number 21-22158-67 vide letter dated February 2, 1998 bearing number 21-8-11-19-21-22158-67 issued by the Employee State Insurance Organisation, Uttar Pradesh. Our offices in Pune and Chennai are also registered under the Employees State Insurance Act, 1948 and have been allotted registration number 33-9712-62 vide letter dated November 13, 1996 bearing number 6839/96/33/97/2-62 issued by the Employee State Insurance Corporation, Sub Regional Office, Pune.

Sales Tax Registration

We have been issued a trade tax registration certificate by the Trade Tax Officer, Noida, dated September 14, 1999. This registration is accompanied by a bank guarantee dated December 15, 2004 executed by the State Bank of India of Rs. 25,000 in favour of the Trade Tax Officer, Noida against any losses or damages caused to the Government Authorities by reason of breach of provisions of the Uttar Pradesh Trade Tax Act, 1948 and the Central Sales Tax Act, 1956. This bank guarantee is valid up to December 14, 2009. We have agreed to indemnify the State Bank of India against any claims or actions in respect of the said bank guarantee and any renewal and, or, enhancements thereof. Our Pune and Chennai offices are also registered with the sales tax authorities.

Service Tax Registration

Our office in Pune has been registered with the Central Excise Department for payment of service tax on the service of maintenance and repair vide registration certificate bearing number - P - III/MRS. 871/STC/05 issued by the Central Excise Commissionerate, Pune - III on December 23, 2005.

Pending Applications

Since we are not clear as to whether the exemption to IT companies under the UP Information Technology Policy, 2004 apply to our Company, we are examining the applicability of registration under the Uttar Pradesh Shops and Commercial Establishments Act, 1962 and the Contract Labour Regulation and Abolition Act, 1970 and Contract Labour (Regulation and Abolition) Rules 1975 (Uttar Pradesh).

Approvals and Registrations outside India

Opening of Branch Office in UK

We have obtained the approval of the Reserve Bank of India dated August 28, 2001 for the opening of our trading office in London, UK.

Opening of Branch Office in USA

Vide a certificate dated July 26, 2005 issued by the Secretary of State, State of California, we have been permitted to transact intrastate business in the State of California.

OTHER REGULATORY AND STAUTORY DISCLOSURES

AUTHORITY FOR THE OFFER

THE COMPANY

The Offer, comprising of the Fresh Issue and the Offer for Sale of Equity Shares has been authorised by the resolution of the Board passed at their meeting held on January 18, 2006, subject to the approval of the shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act.

The Fresh Issue of 2,825,000 Equity Shares has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the Extra-ordinary General Meeting of our shareholders held on January 25, 2006.

SELLING SHAREHOLDERS

GE as a Selling Shareholder has pursuant to a resolution passed at a meeting of their board of directors on January 31, 2006, authorised the Offer for Sale. GE has authorised the Company to take decisions on their behalf in relation to the Offer otherwise than as specified elsewhere in this Prospectus.

Intel as a Selling Shareholder has obtained the requisite approval for the Offer for Sale pursuant to a Secretary's Certificate dated January 31, 2006.

The Selling Shareholders other than Intel and GE being individuals have executed individual powers of attorney in favor of the Company appointing them as their constituted attorneys and authorizing them to take decisions on their behalf in relation to the Offer otherwise than as specified elsewhere in this Prospectus.

The Selling Shareholders assume no responsibility for any of the statements made by the Company in this Prospectus relating to the Company, its business and related disclosures, except statements relating to the Selling Shareholders.

PROHIBITION BY SEBI

The Company, its subsidiaries, its affiliates, its group companies, its Directors, its Promoters, other companies promoted by the Promoters and companies with which the Company's Directors are associated as directors have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

Neither we, nor our Promoters or their relatives, or the Promoter Group companies have been declared as wilful defaulters by RBI or any other governmental authority or there have been no violations of securities laws committed by them in the past or no such proceedings are pending against us or them.

ELIGIBILITY OF THE COMPANY TO ENTER THE CAPITAL MARKETS

The Company is eligible for the Offer in terms of Clause 2.2.1 of the DIP Guidelines as follows:

- We have net tangible assets of at least Rs 30 mn in each of the preceding three full years (of 12 months each) of which not more than 50% is held in monetary assets in any of the said preceding years;
- We have a track record of distributable profits as per Section 205 of Companies Act, for at least three out of immediately preceding five years;
- We have a net worth of at least Rs.10 mn in each of the preceding three full years of 12 months each;
- We have not changed our name within the last one year;
- The aggregate of the proposed Offer would not exceed five times the pre-Offer net worth, as per the audited balance sheet of the last financial year.

The net profit, net worth, net tangible assets and monetary assets derived from the auditors report included in this Prospectus under the section "Financial Statements", as at, and for the last five years ended December 31, is set forth below:

Rs. In Million

	As at and for the year ended December 31, 2005	As at and for year ended December 31, 2004	As at and for year ended December 31, 2003	As at and for year ended December 31, 2002	As at and for year ended December 31, 2001	As at and for year ended December 31, 2000
Net Tangible Assets (1)	690.90	594.30	574.07	549.82	1,027.85	59.39
Monetary Assets (2)	39.08	24.17	32.99	35.17	113.27	5.33
Monetary Assets as a percentage of Net Tangible Assets	5.56%	4.07%	5.75%	6.40%	11.02%	8.97%
Net Profits as restated	124.64	22.42	4.33	29.52	10.02	24.72
Net Worth as restated	700.08	606.45	584.03	579.70	1,029.58	61.61
Distributable Profits (without restatement) (3)	214.37	87.00	69.81	66.81	31.50	60.85

(1) Net tangible assets is defined as the sum of all net assets of the Company, excluding intangible assets.

(2) Monetary assets include cash on hand and bank and quoted investments

(3) The Distributable profits of the company as per Section 205 of the Act and has been calculated from the audited financials statements of the respective year/period before making adjustments for restatement of financial statements

Further, in accordance with Clause 2.2.2 A of the DIP Guidelines, we undertake that the number of allottees, i.e. persons receiving Allotment in the Offer shall be at least 1000, otherwise, their entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

1,583,355 Equity Shares, being offered by the Selling Shareholders through Offer for Sale as a part of the Offer, were held for a period more than one year prior to the date of filing this Prospectus with ROC and therefore are eligible to be offered for sale in terms of Clause 4.14.2(ii) of the DIP Guidelines.

DISCLAIMER CLAUSE

"AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, IL&FS INVESTSMART LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE DIP GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION 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 OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE 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 MANAGERS, IL&FS INVESTSMART LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 2, 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 DRAFT RED HERRING PROSPECTUS PERTAINING TO THE OFFER.**

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 OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**

   - **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;**
   - **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE OFFER AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ,ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
   - **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER.**

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**

4. **WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF 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 PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THIS DRAFT RED HERRING PROSPECTUS.**

ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER WERE COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF COMPANIES ACT, ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER HAVE BEEN COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE BOOK RUNNING LEAD MANAGERS AND US ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE DRAFT RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL OFFERED BY OR AT OUR INSTANCE AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS OWN RISK.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS AND PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS AND PROSPECTUS."

DISCLAIMER FROM OUR COMPANY, THE SELLING SHAREHOLDERS AND THE BRLM

The Company, its directors, the Selling Shareholders and the BRLM accept no responsibility for statements made otherwise than in the Red Herring Prospectus, or the advertisements or any other material issued by or at the instance of the Company or the Selling Shareholders and any one placing reliance on any other source of information, including our website, www.rsystems.com would be doing so at his or her own risk.

The BRLM does not accept any responsibility, save to the limited extent as provided in terms of the Memorandum of Understanding entered into amongst the Company, the Selling Shareholders and the BRLM and the Underwriting Agreement entered into amongst the Company, the Selling Shareholders and the Underwriters dated April 3, 2006.

We shall not be liable to the bidders in any failure in the downloading of bids due to faults in the hardware/software system or otherwise.

All information shall be made available by the BRLM and the Company 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 etc.

DISCLAIMER IN RESPECT OF JURISDICTION

This Offer 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, scheduled commercial banks, regional rural banks, cooperative banks (subject to RBI permission), Trusts registered under the applicable trust law as amended from time to time, and who are authorised under their constitution to hold and invest in equity shares, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, Foreign Venture Capital funds registered with SEBI, State Industrial Development Corporation, Insurance companies registered with Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs.250 million and Pension Funds with minimum corpus of Rs.250 million, and to non-residents including NRIs and FIIs. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to equity shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public Offer in any jurisdiction where action would be required for that purpose, except that this Prospectus has been filed with SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Prospectus, may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change of affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF NSE

"As required, a copy of this Offer Document has been submitted to the National Stock Exchange of India Limited ('hereinafter referred to as NSE'). NSE has given vide its letter ref.: NSE/LIST/20765-T dated March 6, 2006 permission to the issuer to use the Exchange's name in this Offer Document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised 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 not in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the this Offer Document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Stock 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 BSE

"Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated March 10, 2006, permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner-

i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document or

ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or

iii. 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 that this offer document has been cleared or approved by the Exchange. 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 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 GE

GE is acting severally and not jointly with the other Selling Shareholder(s) in this Offer and takes responsibility for only those statements made with respect to the specific warranty on title to the Equity Shares of the Company held by it and being offered for sale in this Offer and as more particularly set out in this Prospectus. GE assumes no responsibility for any of the statements whatsoever made by the Company in this Prospectus including without limitation all statements relating to the Company, its businesses, its affairs and its disclosures.

FILING

A copy of the Draft Red Herring Prospectus has been filed with SEBI at 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, was delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act will be delivered for registration with such RoC.

LISTING

Applications have been made to National Stock Exchange of India Limited and Bombay Stock Exchange Limited for permission to deal in and for an official quotation of our Equity Shares. We have nominated NSE as the Designated Stock Exchange for the Offer.

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, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after the Company becomes liable to repay (i.e. from the date of refusal or within 15 days from the date of Offer Closing Date, whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from the expiry of eight days, will be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary requirements for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the basis of allotment for the Offer.

CONSENTS

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, Bankers to the Company and Bankers to the Offer; and (b) BRLM to the Offer and Syndicate Members, Escrow Collection Bank, Registrar to the Offer and Legal Advisors to the Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

S.R. Batliboi & Associates, chartered accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

S.R. Batliboi & Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus and has not withdrawn such consent up to the time of delivery of this Prospectus for registration with the RoC.

EXPERT OPINION

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

CHANGES IN AUDITORS DURING THE LAST THREE YEARS

There have been no changes of the auditors in the last three years.

EXPENSES OF THE OFFER

The expenses of this Offer include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Offer expenses are under:

Sr. No.	Particulars	Amount (Rs. in Mn.)	% of Total Issue Expenses	% of Total Issue Size
1	Lead Management, Underwriting and Selling Commission	64.50	57.08	5.85
2	Advertisement & Marketing Expenses	15.00	13.27	1.36
3	Printing & Stationery, Distribution, Postage, etc.	14.00	12.39	1.27
4	Other Expenses (Registrars fee, legal fee, listing fee, etc.)	19.50	17.26	1.77
	Total	**113.00**	**100**	**10.25**

The Company shall pay the listing fees and all other expenses with respect to the Offer.

FEES PAYABLE TO THE BOOK RUNNING LEAD MANAGER

The total fees payable by us to the Book Running Lead Manager (including underwriting commission and selling commission) will be as per the letter of appointment dated November 21, 2005 issued by our Company, a copy of which is available for inspection at our corporate office.

FEES PAYABLE TO THE REGISTRAR TO THE OFFER

The fees payable by us to the Registrar to the Offer will be as per the Memorandum of Understanding signed with the Company, a copy of which is available for inspection at our corporate office.

The Registrar to the Offer will be reimbursed for all out-of-pocket expenses including, cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Offer to enable them to send refund orders or allotment advice by registered post.

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and selling commission for the Offer is as set out in the Syndicate Agreement amongst us, the selling shareholders and the BRLM.

The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Offer Price and amount underwritten in the manner mentioned elsewhere in this Prospectus.

PREVIOUS RIGHTS AND PUBLIC ISSUES

We have not made any public issues and except as stated in the title "Capital Structure" beginning on page no. 11, we have not made any rights issue either in India or abroad in the five years preceding the date of this Prospectus.

COMMISSION AND BROKERAGE ON PREVIOUS ISSUES

Since this is the initial public issue of our Company, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

OUTSTANDING DEBENTURES OR BOND ISSUES OR PREFERENCE SHARES

We have no outstanding debentures or bond issues.

ISSUES OTHERWISE THAN FOR CASH

Our Company has not made any previous issues of shares otherwise than for cash, except as stated in the section titled "Capital Structure" beginning on page no. 11 of this Prospectus.

STOCK MARKET DATA FOR EQUITY SHARES

This being the initial public offer of the Company, the Equity Shares are not listed on any stock exchanges.

PARTICULARS REGARDING PREVIOUS PUBLIC ISSUES DURING THE LAST FIVE YEARS

The Company has not made any public issue during the last five years.

COMPANIES UNDER THE SAME MANAGEMENT

Except for our Subsidiaries, we have no companies under the same management. Please refer to section titled "Our Subsidiaries & Affiliates" beginning on page no. 74 of this Prospectus.

PROMISE V/S PERFORMANCE

This is the first public issue of the Company and none of our Promoter companies are listed and consequently we are not required to furnish details of promise V/s. performance in respect of the last issues of our Promoter companies.

MECHANISM EVOLVED FOR REDRESSAL OF INVESTOR GRIEVANCES

Investor grievances will be settled expeditiously and satisfactorily by the Company. The Memorandum of Understanding between the Company and the Registrar to the Offer will provide for retention of records with the Registrar to the Offer for a period of at least one year from the last date of despatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to this Offer maybe addressed to the Registrar to the Offer giving full details including name, address of the applicant, number of Equity Shares applied for, amount paid on application, Depository Participant and the bank branch or collection centre where the application was submitted.

DISPOSAL OF INVESTOR GRIEVANCES

We estimate that the average time required by the Company or the Registrar for the redressal of routine investor grievances is estimated to be seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company or Registrar will strive to redress these complaints as expeditiously as possible.

We and the Selling Shareholders have appointed Mr. Nand Sardana, our Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Offer or post-Offer related problems. He can be contacted at the following address:

Mr. Nand Sardana
R Systems International Limited
C-40, Sector-59,
Noida - 201 307
Uttar Pradesh
Tel.: + 91 120 430 3500
Fax: + 91 120 258 7123
Email: iporsystems@india.rsystems.com

CAPITALISATION OF RESERVES OR PROFITS

We have not capitalised our reserves or profits at any time, except as stated in the title "Capital Structure" on page no. 11 of this Prospectus.

REVALUATION OF ASSETS

We have not revalued our assets at anytime since our inception.

PAYMENT OR BENEFIT TO OFFICERS OF OUR COMPANY

Except for statutory benefits available in our Company, no amount or benefit has been paid or given or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as directors, officers, or employees, since incorporation of our Company.

TERMS OF THE OFFER

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles, conditions of the FIPB and RBI approvals, the terms of this Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, GOI, Stock Exchanges, RBI, Registrar of Companies and/or other authorities, as in force on the date of the Offer 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 and shall rank pari-passu with the existing Equity Shares, including receipt of dividend, if any. See the section entitled "Description of Equity Shares and Terms of the Articles of Association" beginning on page no. 267 of this Prospectus for a description of the Articles of Association of the Company. The Allottees in respect of allotment of Equity Shares under this Offer will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of allotment.

MODE OF PAYMENT OF DIVIDEND

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. We have not paid any dividend to our shareholders since incorporation.

FACE VALUE AND OFFER PRICE

The Equity Shares with a face value of Rs.10 each are being sold in the Offer at a total price of Rs. 250 per share. At any given point of time there shall be only one denomination for the Equity Shares.

COMPLIANCE WITH DIP GUIDELINES

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

RIGHTS OF THE EQUITY SHAREHOLDER

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association of the Company, the equity shareholders will have the following rights:

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

For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, refer to the section titled "Description of Equity Shares and terms of the Articles of Association" on page no. 267 of this Prospectus.

MARKET LOT

In terms of Section 68B of the Companies Act, the Equity Shares in this Offer shall be transferred only in dematerialized form. As per existing DIP Guidelines, the trading of our Equity Shares shall only be in dematerialized form.

Since trading of our Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Transfer of the Equity Shares upon allocation will be done only in electronic form in lots of one Equity Share, subject to a minimum allotment of 25 Equity Shares.

JURISDICTION

Exclusive jurisdiction for the purpose of this Offer is with the competent courts in New Delhi only.

NOMINATION FACILITY TO INVESTOR

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

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

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

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

Since the allotment/transfer of Equity Shares in the Offer will be made only in dematerialized form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

MINIMUM SUBSCRIPTION

If our Company does not receive the minimum subscription of 90% of the Fresh Issue less Employee Reservation Portion, including devolvement of underwriters within 60 days from the Bid/Offer Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act. The requirement for minimum subscription is not applicable to the Offer for Sale.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS

Since the market lot for our Equity Shares will be one, no arrangements for disposal of odd lots are required.

APPLICATION IN OFFER

Equity Shares in this Offer can be applied for in the dematerialized form only.

APPLICATION BY DOMESTIC INVESTORS/NRIS/FIIS

As per the existing policy of the GOI, OCBs cannot participate in this Offer. As per the current provisions of the Foreign Exchange Management (Transfer or Offer of Security by a person Resident outside India) Regulations, 2000, there exists a general permission to the NRIs, FIIs and Foreign Venture Capital Investors registered with SEBI to subscribe to shares of an Indian company by way of subscription in a Public Offer. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIBP/RBI for the specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI. Such NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI will be treated on the same basis as other categories for the purposes of allocation.

OFFER PROCEDURE

BOOK BUILDING PROCEDURE

The Offer is being made through the 100% Book Building Process wherein up to of 50% of the Net Offer shall be available for allocation on a proportionate basis to QIBs. 5% of QIBs portion shall be specifically available for Mutual Funds registered with SEBI. However, these Mutual Funds participating in QIB category will also be eligible for allotment in the remaining portion available for other QIBs, available to QIBs. Further, atleast 15% of the Net Offer shall be available for allocation on a proportionate basis to Non Institutional Bidders and atleast 35% of the Net Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price.

Bidders are required to submit their Bids through the Syndicate. We, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the bidder at the time of rejection of bid. In case of Non Institutional Bidders and Retail Bidders we would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in 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 Bid-cum-Application Form bearing the stamp of a member of the Syndicate for making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, despatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized us to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund applying on repatriation basis	Blue
Permanent Employees of the Company	Pink

Who Can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity Shares;
4. Indian mutual funds registered with SEBI;
5. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI regulations, as applicable);
6. Venture capital funds registered with SEBI;
7. Foreign venture capital investors registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Offer;
8. FIIs registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Offer;

9. State Industrial Development Corporations;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
13. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their constitution to hold and invest in Equity Shares;
14. Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable local laws;
15. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares;
16. Permanent Employees of the Company as on January 31, 2006; and
17. Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Offer.

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 the relevant regulations or statutory guidelines.

Note: the BRLM and Syndicate Members shall not be entitled to subscribe to this Offer in any manner except towards fulfilling their underwriting obligation.

Application by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 99,200 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIBs, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No Mutual Fund Scheme shall invest more than 10% of its net asset value in the Equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments 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. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which the application is being made.

Under the SEBI Guidelines 5% of the QIB portion i.e. **99,200** shares shall be available for allocation on a proportionate basis for Mutual Funds only.

As per current regulations, the following restrictions are applicable for investment by FIIs:

The Offer of Equity Shares to a single FII should not exceed 10% of the post-Offer paid-up capital of the Company (i.e. 10% of 13,535,510 Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24 % of the total paid-up capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of our Company's paid-up capital.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter, subject to maximum Bid amount of Rs. 100,000. In case the maximum Bid amount is more than Rs. 100,000 then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Offer Price as determined at the end of the Book Building Process.

(b) For Non-Institutional Bidders and QIBs Bidders: The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Offer. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Offer Closing Date.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'cut-off'.

(c) For Bidders in the Employee Reservation Portion: The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter. The maximum Bid in this portion cannot exceed Rs. 2.5 million. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at "Cut-off".

Bidding Process

(a) Our Company will file the Red Herring Prospectus with the RoC.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLM /Syndicate Members.

(d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bid.

(e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Bidding

a) Our Company and the BRLM shall declare the Bid/Offer Opening Date, Bid/Offer Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC, and also publish the same in one English national daily, one Hindi national daily and one regional daily newspaper. This advertisement shall contain the disclosures as prescribed under SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Offer Period.

b) The Bidding Period shall be a minimum of three working days and not shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and a regional newspaper also by indicating on the websites of the BRLM and at the terminals of the members of the Syndicate the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.

c) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Offer Price, the maximum number of Equity Shares bid for by a Bidder at or above the Offer Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

d) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid -cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Offer. 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 no. 252 of this Prospectus.

e) During the Bidding Period, Bidders may approach the Syndicate Member to submit their Bid. Every Syndicate Member shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

f) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph 'Terms of Payment' on page no. 251 of this Prospectus.

g) The BRLM and Syndicate Member 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. It is the responsibility of the Bidder to obtain the TRS from the members of the Syndicate.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs. 210/- to Rs. 250/- per Equity Share of Rs. 10 each, Rs. 210/- being the Floor Price and Rs. 250/- being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, the Company in consultation with the BRLM can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Offer will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. We and the Selling Shareholders in consultation with BRLM can finalise the Offer Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(b) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Employees may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**

(c) Retail Individual Bidders or Employees, who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders or Employees bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders or Employees (i.e. the total number of Equity Shares allocated in the Offer multiplied by the Offer Price), Retail Individual Bidders and Employees shall receive the refund of the excess amounts from the Escrow Account.

(d) The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially.

(e) Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing Press Release and making available this information on the Bidding terminals.

(f) 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.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees, 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, 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 category in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Offer Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Escrow Mechanism

Escrow Account

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement to be entered into amongst the Company, the BRLM, Escrow Bankers and Registrar to the Offer. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Offer Account with the Bankers to the Offer as per the terms of the Escrow Agreement. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Selling Shareholder, the Registrar to the Offer and BRLM, 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 in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph 'Payment Instructions' on page no. 258 of this Prospectus) and submit the same to the member of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Offer Account. The balance amounts after the transfer to the Public Offer Account, lying credited with the Escrow Collection Banks shall, on the Designated Date be transferred to the Refund Account, held by the Refund Banker for the benefit of the Bidders who are entitled to a refund. No later than 15 days from the Bid/Offer Closing Date, the Refund Banker shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation, to the Bidders.

Each category of Bidders (i.e., QIBs, Non Institutional Bidders, Employees and Retail Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable is mentioned under the section titled 'Offer Structure' on page no. 37 of this Prospectus and will be available with the Syndicate and will be as per the Syndicate Agreement. 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 Offer 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 days from the date of communication of the allocation list to the Syndicate Members by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Rate for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid Form. The excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder as per the modes of payment of refund as detailed in page no. 264 within 15 days from the Bid/Offer Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

(a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.

(b) NSE and BSE will offer a screen-based facility for registering Bids for the Offer. This facility will be available on the terminals of the Syndicate Member and their authorized agents during the Bidding Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Offer Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be displayed on-line at all bidding centers and at the website of the NSE and BSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding/Offer Period. This information can be accessed on NSE's website at www.nseindia.com or on BSE's website at www.bseindia.com.

(d) At the time of registering each Bid, the Syndicate Member shall enter the following details of the investor in the on-line system:

- Name of the investor
- Investor Category such as Individual, Corporate, NRI, FII or Mutual Fund, etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid-cum-Application Form number
- Whether payment is made upon submission of Bid-cum-Application Form
- Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to request and obtain the TRS from the members of the Syndicate. The registration of the Bid by the Syndicate Member does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or the Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) We, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the bidder at the time of rejection of bid. In case of Non Institutional Bidders, Retail Bidders and Employees we would have a right to reject the Bids only on technical grounds listed on page no. 260 in this Prospectus.

(h) 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 and BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(i) 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 Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the bid 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 unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

(h) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allotment. In case of discrepancy of data between NSE or BSE and the Syndicate Member, the decision of the BRLM, based on physical records of Bid cum Application Forms shall be final and binding to all concerned.

Price Discovery and Allocation

(a) After the Bid/Offer Closing Date, the BRLM, will analyze the demand generated at various price levels and discuss pricing strategy with us.

(b) Our Company, the Selling Shareholders and BRLM shall finalise the "Offer Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders.

(c) The allocation for QIBs for upto of 50% of the Net Offer (including 5% specifically reserved for Mutual Funds) would be on a proportionate basis in consultation with Designated Stock Exchange subject to valid bids being received at or above the Offer Price. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of at least 15% and 35% of the Net Offer, respectively, would be on proportionate basis, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Offer Price.

(d) 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. However, if the aggregate demand by Mutual Funds is less than 99,200 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange.

(e) Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, applying on repatriation basis will be subject to the terms and conditions stipulated by RBI.

(f) The BRLM, in consultation with us, shall notify the Syndicate Member of the Offer Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) Our Company and the Selling Shareholders reserves the right to cancel the Offer any time after the Bid/Offer Opening Date but before allotment.

(h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.

(i) The allotment details shall be put on the website of the Registrar to the Offer.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the Selling Shareholders, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Offer Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Offer Price, Offer Size, underwriting arrangements and would be complete in all material respects.

Advertisement Regarding Offer 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 Offer Price. Any material updates between the Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

After the determination of Offer Price, the following steps would be taken

(a) The BRLM or Registrar to the Offer shall send to the Syndicate Member a list of their Bidders who have been allocated Equity Shares in the Offer.

(b) The BRLM or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Offer. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the 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 Offer subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

(a) After the funds are transferred from the Escrow Account to the Public Offer Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization and adoption of the basis of allotment.

(b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees.** Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Offer.

We would ensure the allotment of Equity Shares within 15 days of Bid/Offer Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Complete the Bid-cum-Application Form after reading all the instructions carefully;

c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;

d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;

e) Ensure that you have been given a TRS for all your Bid options;

f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;

g) Ensure that the bid is within price band;

h) 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, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum- Application Form;

i) 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 a copy of your PAN card with the Bid cum application Form. In case the PAN has not been allotted, mention "Not Allotted" in the appropriate place.

Don'ts:

a) Do not Bid for lower than the minimum Bid size;

b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;

c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the member of the Syndicate;

d) Do not pay the Bid amount in cash;

e) Do not provide your GIR number instead of your PAN.

f) Do not send Bid-cum-Application Forms by post; instead submit the same to members of the Syndicate only;

g) Do not Bid at cut off price (for QIBs and non-institutional bidders);

h) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Offer size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and

i) Do not submit Bid accompanied with Stock invest.

Bids by Permanent Employees of the Company

(a) For the purpose of this reservation, Permanent Employee means permanent employees of our Company as on January 31, 2006.

(b) Bids under Employee Reservation Portion by Permanent Employees shall be made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour Form).

(c) Permanent Employees, as defined above, should mention the following at the relevant place in the Bid cum Application Form:

(d) Employee Number

(e) The sole/ first bidder should be Permanent Employees as defined above.

(f) Only Permanent Employees, as defined above, would be eligible to apply in this Offer under this Reservation Portion.

(g) Bids by Permanent Employees, as defined above, will have to bid like any other Bidder. Only those bids, which are received at or above the Offer Price, would be considered for allocation under this category.

(h) Permanent Employees, as defined above, who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Permanent Employees whose minimum Bid amount exceeds Rs. 100,000.

(i) The maximum bid in this category cannot exceed Rs. 2.5 million.

(j) If the aggregate demand in this category is less than or equal to 440,355 Equity Shares at or above the Offer Price, full allocation shall be made to the Permanent Employees, as defined above, to the extent of their demand.

(k) Under subscription in this category would be added back to the Net Offer.

If the aggregate demand in this category is greater than 440,355 equity shares at or above the Offer Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para "Basis of Allotment" on page no. 261 of this Prospectus.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Member.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund applying on repatriation basis)

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum- Application Forms or Revision Forms are liable to be rejected.

(c) The Bids from the Retail Individual Bidders must be for a minimum of 25 Equity Shares and in multiples of 25 thereafter subject to a maximum Bid amount of Rs. 100,000/-.

(d) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs. 100,000/- and in multiples of 25 Equity Shares thereafter. All Individual Bidders whose maximum bid amount exceeds Rs. 100,000/- would be considered under this category. Bids cannot be made for more than the Offer Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three).

(f) 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

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 Offer will obtain from the Depository demographic details of the Bidders such as address, bank account details for making refunds and occupation ("Demographic Details"). Hence, Bidders are advised to immediately update their bank account details including Magnetic Ink Character Recognition (MICR) Code (a nine digit code appearing on a cheque leaf) as appearing on the records of the depository participant, and carefully fill in their Depository Account details in the Bid cum Application Form. 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 nor the Company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and making refunds as per the modes disclosed and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct. By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Offer, the required Demographic Details as available on its records.

Allocation Advice/CANs/ refund orders/ refund advice would be mailed at the address of the Bidders as per the Demographic details received from the Depositories. Bidders may note that delivery of allocation advice/CANs/ refund orders/ refund advice may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In the case of refunds through electronic modes as detailed in page no. 264 of this Prospectus, Bidders may note that refund may get delayed if the bank particulars obtained from the Depositories are incorrect.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

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, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration Offered by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

Bids by NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from our Corporate Office, located at C-40, Sector-59, Noida, Uttar Pradesh - 201 307, the Registrars to the Offer or Syndicate Member.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by Eligible NRIs and FIIs on a repatriation basis

Bids and revision to Bids must be made:

- 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.
- In a single name or joint names (not more than three).
- By FIIs for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000/- and in multiples of 25 Equity Shares thereafter.
- For further details, please refer to the section titled 'Offer Procedure - Maximum and Minimum Bid Size' on page no. 249 of this Prospectus.
- Bids by NRIs for a Bid Amount of up to or less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000/- would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI for a minimum of such number of Equity Shares and in multiples of 25 Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000/-; for further details see "- Maximum and Minimum Bid Size".
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid-cum- Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post. 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. All eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Offer.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account:

(a) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bidcum-Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.

(b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Offer 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.

(c) The payment instruments for payment into the Escrow Account should be drawn in favor of:

(i) In case of QIBs: "Escrow Account-RSIL Public Offer - QIB-R"

(ii) In case of non resident QIB Bidders: "Escrow Account-RSIL Public Offer - QIB-NR"

(iii) In case of Resident Retails and Non Instituitional Bidders: "Escrow Account - RSIL Public Offer"

(iv) In case of Non Resident Retail and Non Instituitional Bidders: "Escrow Account - RSIL Public Offer - NR"

(v) In case of Permanent Employees of the Company "Escrow Account-RSIL Public Offer -Employees"

(d) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

(e) In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

(f) 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 by the Refund Banker from the Refund Account.

(g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.

(h) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Offer Account with the Bankers to the Offer. Further, on the Designated Date, the Escrow Collection Banks shall transfer all amounts liable to be refunded to unsuccessful bidders and the excess amounts paid on Bidding to the Refund Account held by the Refund Banker for the benefit of the Bidders entitled to a refund.

(i) On the Designated Date and no later than 15 days from the Bid/Offer Closing Date, the Refund Banker shall, from the Refund Account, refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any.

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 center where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stock invest/money orders/ postal orders will not be accepted.

Payment by Stock invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.001/2003-04 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.

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 Syndicate Member at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. We and the Selling Shareholders reserve the right to reject, in our absolute discretion to accept or reject, all or any multiple Bids in any or all categories.

Permanent Account Number (PAN)

Where Bid(s) is/are for Rs. 50,000/- or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid Cum Application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

Unique Identification Number - MAPIN

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/Cir- 13/2005.

Our Right to Reject Bids

We and the BRLM reserve the right to reject any QIB Bid provided the rejection is at the time of receipt of Bid and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of Bid. In case of Non-Institutional Bidders and Retail Individual Bidders, we, the BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made as per the modes disclosed.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

1) Amount paid doesn't tally with the highest number of Equity Shares bid for;
2) Age of First Bidder not given;
3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
4) PAN not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN number;
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 and QIB Bidders;
9) Bids for number of Equity Shares which are not in multiples of 25;
10) Category not ticked;
11) Multiple bids as defined in the Red Herring Prospectus;
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 Stock invest/ 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 BRLM or Syndicate Member;
16) Bid-cum-Application Form does not have Bidder's depository account details;
17) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
18) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bidcum-Application Form, Bid/Offer Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form;
19) Bids by QIBs not submitted through IL&FS Investsmart Limited.
20) Bids by Employees of the Company not eligible to apply in the Employees Reservation Portion;
21) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
22) Bids by OCBs; and
23) Bid by U.S. residents or U.S persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

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 Offer shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Offer:

a) a tripartite agreement dated February 27, 2006 with NSDL, us and Registrar to the Offer;
b) a tripartite agreement dated February 21, 2006 with CDSL, us and Registrar to the Offer.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) Non-transferable allotment advice will be directly sent to the Bidder by the Registrar to this Offer. Refunds will be made directly by the Registrar to the Offer as per the modes disclosed.

f) If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

i) The trading of the Equity Shares of the Company would be in dematerialized form only for all investors.

Communications

All future communications in connection with Bids made in this Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allotment or Allocation

For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Offer Price.
- The Offer Size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Offer at a price that is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to 1,388,800 Equity Shares at or above the Offer 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 1,388,800 Equity Shares at or above the Offer Price, the allotment shall be made on a proportionate basis up to 1,388,800 Equity Shares. For the method of proportionate basis of allotment, refer below.

For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Offer Price.
- The Offer Size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Offer at a price that is equal to or greater than the Offer Price.

- If the aggregate demand in this category is less than or equal to 595,200 Equity Shares at or above the Offer 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 595,200 Equity Shares at or above the Offer Price, allotment shall be made on a proportionate basis up to a 595,200 Equity Shares. For the method of proportionate basis of allotment refer below.

For QIBs

- Bids received from the QIB Bidders at or above the Offer Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Offer Price.
- The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Offer at a price that is equal to or greater than the Offer 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 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 Offer Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allotment to all QIBs shall be determined as follows:
    - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Offer Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
    - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
    - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate allotment to QIB Bidders shall not be more than 1,984,000 Equity Shares.

For Employees:

- Bids received from the Employees at or above the Offer Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Employees will be made at the Offer Price.
- If the aggregate demand in this category is less than or equal to 440,355 Equity Shares at or above the Offer Price, full allotment shall be made to the Employees to the extent of their demand.
- In case the aggregate demand in this category is greater than 440,355 Equity Shares at or above the Offer Price, allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.
- Only Employees may apply under the Employee Reservation Portion.

Method of proportionate basis of allotment in the QIB, Retail and Non-Institutional portions

In the event of the Offer being over-subscribed, we shall finalise the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Offer shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

(a) Bidders will be categorised 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 marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of one. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

(f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

LETTERS OF ALLOTMENT OR REFUND ORDERS

The Company shall give credit to the beneficiary account with Depository Participants within two working days from the date of the allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, the Company shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through "Under Certificate of Posting" intimating them about the mode of credit of refund within 15 days of closure of Offer.

The Company shall ensure despatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Offer Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Offerer.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, the Company undertakes that:

- Allotment shall be made only in dematerialised form within 15 days from the Offer Closing Date;
- Despatch of refund orders/ refund advice shall be done within 15 days from the Offer Closing Date; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders/ credit intimation are not despatched and in case where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

The Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Offer.

Save and except refunds effected through the electronic mode i.e ECS, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification (DP ID) number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Offer will obtain from the Depository, the Bidders bank account details including the nine digit Magnetic Ink

Character Recognition (MICR) code as appearing on a cheque leaf. 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 nor the Company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference

I. ECS - Payment of refund would be done through ECS for applicants having an account at any of the 15 centers where clearing houses for ECS are managed by Reserve Bank of India, namely Ahmedabad, Bangalore, Bhubneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank acccount details including the nine digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf, from the depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centers named hereinabove, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or RTGS.

II. Direct Credit - Applicants having their bank account with the Refund Banker, i.e. ICICI Bank Ltd. shall be eligible to receive refunds, if any, throught direct credit. The refund amount, if any. would be credited directly to the eligible applicant's bank account with the Refund Banker.

III. RTGS - Applicants having a bank account at any of the 15 centers detailed above, and whose bid amount exceeds Rs, 1 million, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All applicants eligible to exercise this option shall mandatorily provide the IFSC code in the Bid cum Application form. In the event of failure to provide the IFSC code in the Bid cum Application form, the refund shall be made through the ECS or direct credit, if eligibility disclosed.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in I,II and III hereinabove. For all the other applicants, including applicants who have not updated their bank particulars alongwith the nine digit MICR Code, the refund orders would be despatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above.

Interest in case of delay in dispatch of allotment letters/making refunds

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Offer Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refunds orders have not been dispatched to the applicants within 15 days of the Bid/ Offer Closing Date or if in a case where refund or portion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid/Offer Closing Date, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

In case of revision in the Price Band, the Bidding/Offer Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Offer Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

Undertaking by the Company

We undertake as follows:

- that the complaints received in respect of this Offer shall be attended to 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 finalization of the basis of allotment;
- that the funds required for making refunds to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Offer by us;
- that where refunds are effected through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the Offer giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of the refund.

- that no further Offer of Equity Shares shall be made till the Equity Shares Offered through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- refunds shall be made as per the modes disclosed and allotment advice shall be dispatched to NRIs or FIIs or foreign venture capital investors registered with SEBI within the specified time.

Undertakings by the Selling Shareholder

The Selling Shareholder undertakes as follows:

- the Equity Shares being sold pursuant to the Offer for Sale are free and clear of any liens or encumbrances, and that it shall take all actions which are required to be taken for effecting the transfer of shares pursuant to the Offer for Sale; and
- the Selling Shareholder has authorized the Company Secretary and Compliance Officer and the Registrar to the Offer to redress complaints, if any, of the investors;
- GE is acting severally and not jointly with the other Selling Shareholder(s) in this Offer and takes responsibility for only those statements made with respect to the specific warranty on title to the Equity Shares of the Company held by it and being offered for sale in this Offer and as more particularly set out in this Prospectus. GE assumes no responsibility for any of the statements whatsoever made by the Company in this Prospectus including without limitation all statements relating to the Company, its businesses, its affairs and its disclosures.
- Intel is acting severally and not jointly with the other Selling Shareholders in this Offer and takes responsibility for only those statements made with respect to the specific warranty on title to the Equity Shares of the Company held by it and being offered for sale in this Offer and as more particularly set out in this Prospectus. Intel assumes no responsibility for any of the statements whatsoever made by the Company in this Prospectus including without limitation all statements relating to the Company, its businesses, its affairs and its disclosures.

Utilization of Offer proceeds

The Board of Directors of our Company certifies that:

(a) all monies received out of the Offer shall be transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

(b) details of all monies utilized out of this Offer referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such unutilized monies have been invested; and

(c) Details of all unutilized monies out of this Offer, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

The Company and the Selling Shareholders shall not have recourse to the Offer Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Company shall transfer to the Selling Shareholders, the proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

The details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in the balance sheet of the Company indicating then form in which such unutilized monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. No person shall make a Bid in pursuance of this Offer unless such person is eligible to acquire Equity Shares of our Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors making a bid in response to the Offer will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholders, the BRLM, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to subscribe to the Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Selling Shareholders, the BRLM, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor whether such investor is eligible to subscribe to Equity Shares of our Company.

Investment by FIIs

Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The allotment/ transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF OUR COMPANY

Capitalised terms used in this section have the meaning given to such terms in the Articles of Association of the Company.

We altered our Articles of Association to comply with the requirements of the Securities Contract & Regulation Act 1956 & Rules made there under, Depositories Act 1996, Requirements of the Listing Agreement proposed to be entered with the stock exchanges and other related provisions.

Pursuant to Schedule II of the Companies Act and the DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of equity shares/ debentures and/or on their consolidation/splitting are detailed below:

Paragraph numbers referred below refer to the paragraph numbers in our Articles of Association.

OPTION FOR INVESTORS TO HOLD SECURITIES WITH A DEPOSITORY

12A. Definitions:

For the purpose of this Article:

"Beneficial Owner" means a person or persons whose name is recorded as such with a depository

"Depository" means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities & Exchange Board of India Act, 1992; and

"Security" means such security as may be specified by SEBI from time to time.

12B. Dematerialization of Securities:

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996.

12C. Options for Investors:

Every Person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a Person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by Law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificate of Securities.

If a Person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

12D. Securities in depositories to be in fungible form:

All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

12E. Rights of depositories and beneficial owners:

i. Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of affecting transfer of ownership of security on behalf of the beneficial owner.

ii. Save as otherwise provided in (i) above, a depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

iii. Every Person holding securities of the Company and whose name is entered as the beneficial owner in the records of a depository shall be deemed to be a Member of the Company. The beneficial owner of securities shall be entitled to all the rights and be subject to all the liabilities in respect of his securities which are held by a depository.

12F. Service of documents:

Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

12G. Transfer of Securities:

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

12H. Allotment of Securities dealt with in a depository:

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

12I. Distinctive numbers of Securities held in a depository:

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers of securities issues by the Company shall apply to securities held with a depository.

12J. Register and Index of beneficial owners:

The Register and Index of beneficial owners by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

UNDERWRITING AND BROKERAGE

13. The Company may subject to the provisions of Section 76 and other applicable provisions (if any) of the Act and in accordance with SEBI guidelines wherever applicable, at the time of public issue pay a commission to any person in consideration of his subscribing or agreeing to subscribe or his procuring or agreeing to procure subscription whether absolutely or conditionally for any shares in or debentures of the Company but so that the amount or rate of commission does not exceed in the case of shares 5% of the price at which the shares are issued and in the case of debentures 2.5% of the price at which the debentures are issued. The commission may be satisfied by the payment in cash or the allotment of fully or partly paid up shares or debentures or partly in the one way and partly in the other. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.

FORFEITURE, SURRENDER AND LIEN

29. If any member fails to pay the whole or any part of any call or installment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or installment or any part thereof, and other monies remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such member or on the person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof or other moneys remaining unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment.

30. The notice shall name a day (not being less than 30 days from the date of service of notice) on or before which and the place or places on or at which such allotment call or installment or such part thereof and other monies as aforesaid and such interest and expenses as aforesaid are to be paid, and if payable to any person other than the company, the person to whom such payment is to be made. The notice shall also state that in the event of non-payment at or before the time and (if payable to any person other than the Company) at the place appointed the shares in respect of which the call was made or installment is payable will be liable to be forfeited.

31. If the requirement of any such notice as aforesaid shall not be complied with, any of the shares in respect of which such notice has been given, may at any time thereafter but before payment of all allotment money, calls or installments, interest and expenses and other monies due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

32. When any share shall have been so forfeited, an entry of the forfeiture with the date thereof, shall be made in the Register of Members and notice of forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture but no forfeiture shall be, in any manner, invalidated by any omission or neglect to give such notice or to make any entry as aforesaid.

33. Any share so forfeited shall be deemed to be the property of the Company and may be sold, re-allotted and 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 shall think fit.

34. The Directors may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of annul the forfeiture upon such conditions as they think fit.

35. Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the company all calls, installments, interest expenses and other money 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 as the Directors may determine and the Directors may enforce the payment of the whole or a portion thereof as it were a new call made at the date of the forfeiture but shall not be under any obligation to do so .

36. 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 these presents are expressly saved.

37. The Directors may subject to the provisions of the Act, accept a surrender of any share from or by any member desirous of surrendering the share on such terms as they think fit.

38. The Company shall have no lien on its fully paid shares. In the case of partly paid up shares the company shall have a first and paramount lien on such shares registered in the name of each member, whether solely or jointly with others and upon the proceeds of sale thereof for all moneys called or payable at a fixed time in respect of such shares and whether held solely or jointly with any other person, and whether their period for the payment, fulfillment or discharge thereof shall have actually arrived or not and no equitable interest in any share shall be created except upon the footing and condition that Article 12 is to have full effect. Any such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of transfer of shares shall operate as a waiver of the company's lien, if any, on such shares.

39. For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manners as they shall think fit, but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell such shares shall have been served on such member or the person (if any) entitled by transmission to the shares and default have been made by him in payment, fulfillment or discharge of such debts, liabilities or engagements for 7 days after such notice.

40. The net proceeds of any such sale after payment of the costs of such sale shall be applied in or towards the satisfaction of the amount called or payable on such shares. and the residue (if any), be paid to such member or the person (if any) entitled by transmission to the shares so sold.

41. A certificate in writing under the hand of two Directors that the call in respect of a share was made, and notice thereof given, and that default in payment of the call was made by a resolution of the Directors to that effect, shall be conclusive evidence of the facts stated therein as against all persons entitled to such share.

42. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some persons to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register of members in respect of the shares sold and the Company may receive the consideration, if any, given for the share on any sale, re-allotment or other disposition, thereof and the person to whom such share is sold, re-allotted or disposed of may be registered as the holder of the share and he shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity or invalidity in proceeding with reference to the forfeiture, sale, re-allotment or other disposal of the share and after his name has been entered in the Register of members in respect of such share, the validity of the sale shall not be impeached by any person.

43. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relevant shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

TRANSFER AND TRANSMISSION OF SHARES

44. The Company shall keep a book to be called the "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

45. The Company shall keep a book to be called the "Register of Renewed and Duplicate Certificates" and therein shall be fairly and distinctly entered the particulars of the issue of renewed and duplicate certificate in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out or rendered useless.

46. The instrument of transfer of any share shall be in writing and all the provisions of Section 108 of the Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and the registration thereof.

47. (1) An application for registration of transfer of the shares in the Company may be made either by transferor or the transferee.

(2) Where the application is made by the transferor and related to partly paid shares' the transfer shall not be registered unless the company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

(3) For the purpose of clause (2) above the 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.

48. Every such instrument of transfer shall be signed by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of Members in respect thereof.

49. The Company shall not register a transfer of shares in the Company unless, the transfer is made in accordance with the provisions of the Articles and a proper instrument of transfer duly stamped and executed by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company with in the prescribed period alongwith the certificate relating to the shares or if no such share certificate is in existence alongwith the letter of allotment of the shares. Provided that whereon an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to Indemnity as the Board may think fit. Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.

50. Before registering any transfer tendered for registration, the Company may, if it so thinks fit give, notice by letter in the ordinary course to the registered holder that such transfer deed has been lodged and that unless objection is taken, the transfer will be registered and if such registered holder fails to lodge an objection in writing at the office of the company within four weeks from the posting of such notice to him, he shall be deemed to have admitted the validity of the said transfer.

51. The Board may, decline to register:

(a) the transfer of share not being a fully paid up share, to a person of whom they do not approve; or

(b) any transfer of share on which the company has a lien, provided that the registration of transfer shall not be refused on the ground of transferor being either alone or jointly with any person or person indebted to the company on any account except a lien; or

(c) any transfer of share which are not in accordance with the provisions contained in the Articles.

(d) The company shall comply with provisions of Section 22 A of Securities Contracts (Regulations) Act, 1956, as regard to free transferability and registration of transfer of shares/debentures.

52. If the company refuses to register the transfer of any share or transmission of any right therein, the company shall within one month from the date on which the instrument of transfer or intimation of transmission was lodged with the company send notice of refusal to the transferee and transferor or the person giving intimation of the transmission as the case may be, and there upon the provisions of Section 111 of the Act or any statutory modification thereof for the time being in force shall apply.

53. A transfer of a share in the Company of 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.

54. The instrument of transfer shall after registration be retained by the Company and shall remain in its custody. All instruments of transfer which the Directors may decline to register, shall on demand be returned to the person depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company for the period of eight years or more.

55. The Directors shall have power, on giving not less than seven days previous notice by advertisement as required by Section 154 of the Act to close the transfer books of the Company, the Register of Members or the Register of Debenture-holders at such time or times and for such period or periods of time not exceeding in the whole 45 days in each year but not exceeding 30 days at a time as may seem expedient to the Board.

56. The executors or administrators or the holder of a Succession Certificate in respect of the estate of a deceased member (not being one or two or more joint holders) shall be the only persons recognised by the Company having any title to the shares registered in the name of such member and the Company shall not be bound to recognise such executors or administrators unless such executors or administrators shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be, from a Competent Court in India, provided that in any case where the Directors in their absolute discretion think fit, the Directors may dispense with the production of Probate or Letter of Administration or Succession Certificate and under the Provisions of Article 57, register 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.

57. Subject to the provisions contained in Article 51 and 52 hereof, any person becoming entitled to a share in consequence of the death, lunacy or insolvency of any member, upon producing proper evidence of the grant of Probate or Letters of Administration or Succession Certificate or such other evidence that he sustains the character in respect of which he proposes to act, with the consent of the Board (which it shall not be under any obligation to give), be registered as a member in respect of such shares, or may subject to the regulations as to transfer hereinbefore contained, transfer such shares. This article is herein referred to as the transmission clause.

58. Subject to provisions of the Act and these Articles, the Directors shall have the same right to refuse to register as a member a person entitled by transmission to any shares or his nominees as if he were the transferee named in an ordinary transfer presented for registration.

59. A person entitled to a share by transmission shall, be subject to the right of the Directors to retain such dividends or money as hereinafter provided, be entitled to receive, and may give a discharge for any dividends or other moneys payable in respect of the share.

60. Every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

61. There shall be no charge for :

(a) Registration of transfer or transmission of shares or debentures;

(b) Sub-division and/or consolidation of shares debentures certificates and sub-division of Letters of Allotment and split, consolidation, renewal and pucca transfer receipts into denominations corresponding to the market unit of trading.

(c) Issue of new certificates in replacement of those which are decreipt or worn out or where the cages on the reverse for recording transfers have been fully utilised.

(d) Sub-division of renouncible Letters of Rights.

(e) registration of any Powers of Attorney, Letter of Administration and similar other documents.

63. (a) Any shares issued to employees of the Company under the ESOP shall be subject to vesting/repurchase over at least three (3) years.

PROCEEDINGS AT GENERAL MEETINGS

96. Five members entitled to vote and present in person shall be a quorum for General Meeting and no business shall be transacted at any General Meeting unless the quorum requisite be present at the commencement of the business.

97. If within half an hour after the time appointed for the holding of a General Meeting a quorum be not present, the meeting, if convened on the requisition of shareholders, shall stand dissolved and in every other case shall stand adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday at the same time and place or to such other day, time and place as the Directors may by notice to the shareholders determine. If at such adjourned meeting a quorum be not present within half an hour from the time appointed for holding the meeting, the members present shall be a quorum and may transact the business for which the meeting was called.

98. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

99. The Chairman of the Board of Directors shall be entitled to take the Chair at every General Meeting. If there be no Chairman, or if at any meeting he shall not be present within 15 minutes after the time appointed for holding such meeting or he has notified to the company of his absence, or is unwilling to act as Chairman of the meeting, the Directors present may elect one of their members to be the Chairman of the meeting and in default of their doing so, the members present shall forthwith choose one of their members to be the Chairman of the meeting.

100.(1) No business shall be discussed at any General Meeting except the election of Chairman whilst the Chair is vacant.

(2) If a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with the provisions of the Act and these Articles, The Chairman so elected on the show of hands will exercise all the powers of the Chairman under the Act, and these Articles.

(3) If some other person is elected Chairman, as a result of the poll he shall be chairman for the rest of the meeting.

101. The Chairman with the consent of any meeting at which a quorum is present, may adjourn any meeting from time to time and from place to place in the city or the town or village in which the Registered Office of the Company is situated.

102. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or the business to be transacted at an adjourned meeting.

103. At any General Meeting, a resolution put to the vote of the meeting shall, unless a poll is (before or on the declaration of the result of the voting on show of hands) demanded be decided on a show of hands and unless a poll is so demanded, a declaration by the Chairman that a resolution has been carried, either unanimously or by a particular majority as the case may be and an entry to that effect in the books containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

104. 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 or by a duly constituted attorney in case the member is a Company or a Corporation either registered in India or abroad or by any member present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not less than one-tenth of the total voting power in respect of the resolution or by any member or members present in person or by proxy and holding shares in the Company, conferring a right to vote on the resolution being shares on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

105. A poll demanded on any question (other than the election of the Chairman or on a question of adjournment, which shall be taken forthwith) shall be taken at such place in the city, town or village in which the Registered Office of the Company is situated and at such time, not being later than forty-eight hours from the time when the demand was made, as the Chairman may direct, Subject in the provisions of the Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken, including the power to take the poll by open voting or by secret ballot and either at once or after the interval of adjournment or otherwise and the result of the poll shall be deemed to be decision of the meeting on the resolution on which the poll was taken.

106. When a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise votes given on the poll and to report thereon to him. The Chairman shall have the power, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of scrutineers arising from such removal or from any other cause. Of the two scrutineers appointed under this Article, one shall always be a member (not being an officer or employee of the Company) present at the meeting provided such a member is available and willing to be appointed.

107. The demand for a poll shall not prevent the continuance of meeting for transaction of any business other than the question on which poll has been demanded.

108. In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands take place, or at which the poll is demanded shall be entitled to a casting vote in addition to his own vote or votes which he may be entitled as a member.

109. At every Annual General Meeting of the Company there shall be laid on the table Director's Report and audited Statement of Accounts, Auditor's Report (if not already incorporated in the audited accounts), the Proxy Register with proxies and the Register of Directors and Managing Director's or Manager's holdings maintained under Section 307 of the Act. The Auditor's Report shall be read before the Company in General Meeting and shall be open to inspection by any member of the Company.

110. A copy each of the following resolutions (together with a copy of the statement of material facts annexed under Section 173 to the notice of the meeting in which such resolution has been passed) or agreement shall, within thirty days after the passing or making thereof, be printed or type-written and duly certified under the signature of an officer of the Company and filed with the Registrar:-

(a) all special resolutions;

(b) resolutions which have been agreed to by all the members of the Company but which, if not so agreed to, would not have been effective for their purpose unless they had been passed as special resolutions;

(c) resolutions of the Board or agreements relating to the appointment, re-appointment or renewal of the appointment or variation of the terms of appointment of a Managing Director;

(d) resolutions or agreements which have been agreed to by all the members or any class of shareholders but which if not so agreed to would not have been effective for their purpose unless they had been passed by some particular majority or otherwise in some particular manner and all resolutions or agreements which effectively bind all the members or any class of shareholders though not agreed to by all those members.

(e) resolutions requiring the Company to be wound up voluntarily passed in pursuance of sub-section (1) of Section 484 of the Act;

(f) resolutions passed by the Company according to the consent exercised by the Board of Directors of the powers under clauses (a),(d), and (e) of sub-section (1) of Section 293 of the Act; and

(g) resolutions passed by the Company approving the appointment of sole selling agents under Section 294 of the Act.

A copy of every resolution which has the effect of altering the Articles of Association of the Company and a copy of every Agreement referred to in the above sub-clauses (c) and (d) shall be embodied in and annexed to every copy of the Articles issued after the passing of the resolution or the making of the Agreement.

111. The Company shall cause minutes of all proceeding of every General Meeting to be kept in accordance with the provisions of Section 193 of the Act, by making, within thirty days of the conclusion of such meeting, entries thereof in books kept for that purpose with their pages consecutively numbered. Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such a book shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose. In no case the minutes of the proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise. Any such minutes kept as aforesaid shall be evidence of the proceedings recorded therein.

112. The books containing the aforesaid minutes shall be kept at the Registered Office and be open during business hours for the inspection of any member without charge subject to such reasonable restrictions as the Company may by these Articles or in General Meeting impose in accordance with Section 196 of the Act. Any member shall be entitled to be furnished within seven days after he has made a request in that behalf to the Company with a copy of the minutes on payment of Rupees One of every one hundred words or fractional part thereof required to be copied.

113. No report of the proceedings of any General Meeting of the Company shall be circulated or advertised at the expense of the Company unless it includes the matters required by these Articles or Section 193 of the Act to be contained in the minutes of the proceedings of such meetings

DIRECTORS

129. Minimum number of Directors shall be three (3) & Maximum number of the Director shall be Twelve (12) on the Board of the Company.

130. (1) The Board shall have power at any time, and from time to time, to appoint a person as an additional director, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the articles.

(2) Such person shall hold office only up to the date of the next annual general meeting of the company but shall be eligible for appointment by the company as a director at that meeting subject to the provisions of the Act.

130A. The Board of Directors of the Company may appoint an Alternate Director to act for a Director (here-inafter called "the Original Director") during his absence for a period of not less than three months from the State in which the meeting of the Board of Directors are ordinarily held and such appointment shall have effect and such appointee, whilst he hold office as an Alternate Director shall be entitled to notice of meetings of the Directors and to attend and vote thereat accordingly. An Alternate Director appointed under this Article shall not hold office as such for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns. If the term of office of Original Director is determined before he so returns to the said State of any provisions in the Act or in these Articles for the Automatic re-appointment of the retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director.

131. Subject to the provisions of Section 262(2) and 283(1) and other applicable provisions (if any) of the Act any casual vacancy occurring in the office of a Director whose period of office is liable to determination by retirement by rotation may be filled up by the Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date on which the Director in whose place he is appointed would have held office if the vacancy had not occurred.

132. A Director of the Company shall not be required to hold any qualification shares.

133. The Directors may, allow and pay to any Director who is not a bonafide resident of the place where a meeting is held and who shall come to such place for the purpose of attending a meeting, travelling, boarding, lodging and other expenses for attending such meeting.

134. The continuing Directors may act notwithstanding any vacancy in their body; but so that if the number falls below the minimum number above fixed and notwithstanding the absence of a quorum, the Directors shall not act except for the purposes of filling up vacancy or for summoning a General Meeting of the Company.

135.(1) Subject to the provision of Section 283 (2) of the Act, the office of a Director shall become vacant if :

(a) he is found to be of unsound mind by a Court of competent jurisdiction; or

(b) he applies to be adjudicated an insolvent ; or

(c) he is adjudged an insolvent; or

(d) he fails to pay any call made on him in respect of shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government has by a notification in the Official Gazette, removed the disqualification incurred by such failure ; or

(e) any office or place of profit under the Company or any subsidiary thereof is held by him in contravention of Section 314 of the Act; or

(f) he absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board of Directors for a continuous period of three months, whichever is longer without obtaining leave of absence from the Board of Directors ; or

(g) he becomes disqualified by an order of the Court under Section 203 of the Act; or

(h) he is removed in pursuance of Section 284 of the Act; or

(I) he (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private company of which he is a Director, accepts a loan or any guarantee or security for a loan from the Company in contravention of Section 295 of the Act ; or

(j) he acts in contravention of Section 299 of the Act and by virtue of such contravention shall have been deemed to have vacated office; or

(k) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months; or

(l) he having been appointed a Director by virtue of his holding any office or other employment in the Company ceases to hold such office or other employment in the Company.

(2) Subject to the provision of the Act, a Director may resign from his office at any time by notice in writing addressed to the Company or to the Board of Directors.

136.(1) Subject to the provisions of sub-clauses (2), (3), (4) and (5) of this article and the restrictions imposed by and the other Articles hereof and the Act and the observance and fulfillment thereof, no Director shall be disqualified by his office from contracting with the Company for any purpose and in any capacity whatsoever including either as vendor, purchaser, agent, broker or otherwise nor shall any such contract or any other contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only such Director holding office, or of the fiduciary relation thereby established, but the nature of his interest must be disclosed by him as provided by subclauses (2), (3) and (4) hereof.

(2) Every Director who is any way whether directly or indirectly concerned or interested in any contract or arrangement or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board of Directors or as provided in clause (4) here or.

(3) (a) In the proposed contract or arrangement, the disclosure required to be made by a Director under sub-clause (2) above shall be made at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, or if the Director was not at the date of the meeting concerned or interested, the Director concerned shall take reasonable steps to ensure that it is brought up and read at the first meeting of the Board after it is given.

(b) In the case of any other contract or arrangement the required disclosure shall be made at first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.

(4) For the purpose of this Article, a General Notice given to the Board of Directors by a Director to the effect that he is a Director or member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may after the date of the notice be entered into with that body corporate or firm shall be deemed to be sufficient disclosure of his concern or interest in relation to any contract or arrangement so made. Any such General Notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time by a fresh notice given in the last month of financial year in which it would have otherwise expired. The General Notice aforesaid and any renewal thereof shall be given at a meeting of the Board of Directors or the Director concerned shall take and reasonable steps to ensure that it is brought up and read in the first meeting of the Board after it is given.

(5) An interested Director shall not take any part in the discussions of or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, directly or indirectly, concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote, shall be void;

Provided that this prohibition shall not apply:

(i) to any contract of indemnity against any loss which the Directors or any one or more of them suffer by reason of becoming or being a surety or sureties for the Company,

(ii) to any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely in his being a Director of such Company and the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as Director thereof he having been nominated as such Director by the Company or in his being a member holding not more than two percent of the paid up share capital of such company whichever is greater;

(iii) in case a notification is issued under sub-section (3) of Section 300 of the Act to the extent specified in the notification.

137.(1) The Company shall keep one or more Registers in accordance with Section 301 of the Act in which shall be entered separately particulars of all contracts or arrangements to which Section 297 or Section 299 of the Act applies including the following particulars to the extent they are applicable in each case, namely :-

(a) the date of contract or arrangement ;

(b) the names of the parties thereto ;

(c) the principal terms and conditions thereof ;

(d) in the case of a contract to which Section 297 of the Act applies, or in the case of a contract or arrangement to which sub-section (2) of Section 299 of the Act applies, the date on which it was placed before the Board.

(e) the names of the Directors voting for and against the contract or arrangement and the names of those remaining neutral.

(2) Particulars of every such contract or arrangement to which Section 297 of the Act or as the case may be sub-section (2) of Section 299 of the Act applies, shall be entered in the relevant Register aforesaid

(a) in the case of a contract or arrangement requiring the Board's approval, within seven days (exclusive of Public Holidays) of the meeting of the Board at which the contract or arrangement is approved ;

(b) in the case of any other contract or arrangement, within seven days of the receipt at the Registered Office of the Company of the particulars of such other contract or arrangement or within thirty days of the date of such other contract or arrangement whichever is later ; and the Register shall be placed before the next meeting of the Board and shall be signed by all the Directors present at all meeting.

(3) The Register aforesaid shall also specify, in relation to such Director of the Company, the names of the firms and bodies corporate of which notice has been given by him under sub-section (3) of Section 299 of the Act.

(4) Nothing in the foregoing sub-clause (1), (2) and (3) shall apply to any contract or arrangement for the sale, purchase or supply of any goods, materials and services, if the value of such goods and materials or the cost of such services does not exceed five thousand rupees in the aggregate in any year. The Registers as aforesaid shall be kept at the Registered Office of the Company and they shall be open to inspection at such office and extracts may be taken from any of them and the copies thereof may be required by any member of the Company, to the same extent, in the same manner and on payment of the same fee as in the case of the Register of Members.

138. A Director of the Company may be, or become a Director of any Company promoted by this Company, or in which it may be interested as a vendor, member or otherwise and subject to the provisions of the Act and these Articles, no such Director shall be accountable for any benefits received as a Director or member of such company.

139. A Director, Managing Director, Manager or Secretary of the Company shall within twenty days of his appointment to or relinquishment of his office as Director, Managing Director, Manager or Secretary in any other body corporate disclose to the Company the particulars relating to his office in the other body corporate which are required to be specified under Section 303 (1) of the Act. The Company shall enter the aforesaid particulars in a register kept for that purpose in conformity with Section 303 of the Act. The Company shall also furnish the aforesaid particulars to the Register in accordance with Section 303 (2) of the Act.

140. A Director or Manager shall give notice in writing to the Company of his holding of shares and debentures of the Company or its subsidiary, together with such particulars as may be necessary to enable the Company to comply with the provisions of Section 307 of the Act. If such notice be not given at a meeting of the Board, the Director or Manager shall take all reasonable steps to ensure that it is brought up and read at the meeting of the Board next after it is given. The Company shall enter particulars of Director's and Manager's holding of shares and debentures as aforesaid in a register kept for that purpose in conformity with Section 307 of the Act.

141.(1) Except with the consent of the Company accorded by a special resolution:-

(a) No Director of the Company shall hold any office or place of profit; and

(b) No partner or relative of such a Director, no firm in which such a Director or relative is a partner, no private company of which such a Director is a director or member, and no Director or Manager of such a private Company shall hold any office or place of profit carrying a total monthly remuneration of such sum as may be prescribed under Section 314 (1) of the Act, except that of Managing Director, Manager, Banker, or Trustee for the holder of Debentures of the Company :

(i) under the Company ; or

(ii) under any subsidiary of the Company, unless the remuneration received from such subsidiary in respect of such office or place of profit is paid over to the Company or its holding Company.

Provided that it shall be sufficient if the special resolution according the consent of the Company is passed at the General Meeting of the Company held for the first time after the holding of such office or place of profit.

Provided further that where a relative of a Director or firm in which such relative is a partner, is appointed to an office or place of profit under the Company or a subsidiary thereof without the knowledge of the Director, the consent of the Company may be obtained either in the General Meeting aforesaid or within three months from the date of appointment, whichever is later.

Explanation : For the purpose of this clause a special resolution according consent shall be necessary for every appointment in the first instance to an office or place of profit and to every subsequent appointment to such office or place of profit on a higher remuneration not covered by the special resolution except where an appointment on a time scale has already been approved by the special resolution.

(2) Nothing in clause (1) above shall apply where a relative of a Director or a firm in which such relative is a partner hold any office or place of profit under the Company or a subsidiary thereof having been appointed to such office or place of profit before such Director becomes a Director of the Company.

(3) Notwithstanding anything contained in clause (1) above :-

(a) no partner or relative of a Director or Manager ;

(b) no firm in which such Director or Manager or relative of either, is a partner;

(c) no private company of which such Director or Manager or relative of either is a Director or Member ; shall hold any office or place of profit in the Company which carried a total monthly remuneration of not less than such sum as may be prescribed under Section 314 (IB) of the Act, except with the prior consent of the Company by a special resolution and the approval of the Central Government.

(4) If any office or place of profit is held in contravention of the provisions of clause (1) above the Director, partner, relative, firm or private Company or the Manager concerned shall be deemed to have vacated his or its office as such on and from the date next following the date of the General Meeting of the Company referred to in the first proviso or as the case may be, the date of the expiry of the period of three months referred to in the second proviso to that clause and shall also be liable to refund to the Company any remuneration received or the monetary equivalent of any perquisite or advantage enjoyed by him or it for the period immediately preceding the date aforesaid in respect of such office or place of profit. The Company shall not waive recovery of any sum refundable to it under this clause unless permitted to do so by the Central Government.

(5) Every individual, firm, private company or other body corporate proposed to be appointed to any office or place of profit to which this Article applied shall, before or at the time of such appointment, declare in writing whether he or it is or is not connected with a Director of the Company in any of the ways referred to in clause (1) hereof.

(6) If any office or place of profit referred to in clause (3) is held, without the prior consent of the Company by a special resolution and the approval of the Central Government, the partner, relative, firm, or private company appointed to such office or place of profit shall be liable to refund to the Company any remuneration received or the monetary equivalent of any perquisite or advantage enjoyed by him on and from the date on which the office was so held by him.

(7) The company shall not waive the recovery of any sum refundable to it under clause (6) unless permitted to do so by the Central Government.

(8) An office or place of profit shall be deemed to be an office or place of profit under the Company within the meaning of this Article :

(a) In case the office or place is held by a Director, if the Director holding it obtains from the Company anything by way of remuneration over and above the remuneration to which he is entitled as such Director, whether as salary, fees, commission, perquisites, the right to occupy free of rent any premises as a place of residence or otherwise ;

(b) In case the office or place is held by an individual other than a Director or by any firm, private company or other body corporate if the individual, firm private company, or body corporate holding it, obtains from the company anything by way of remuneration whether as salary, fees, commission, perquisites, the right to occupy free of rent any premises as a place of residence or otherwise.

142. The Company shall observe the restrictions imposed on it regarding the granting of loans to Directors and other persons as provided in Section 295 and other applicable provisions, if any, of the Act.

RETIREMENT AND ROTATION OF DIRECTORS

144.(1) Not less than two-third of the total number of Directors of the Company shall be persons whose period of office is liable to determination by retirement of Directors by rotation, and save as otherwise expressly provided in the Act and these Articles, be appointed by the Company in General Meeting.

(2) The remaining Directors shall be appointed in accordance the provision of these Articles and particularly in accordance with the provisions of Articles 130, 131 .

(3) At the first Annual General Meeting of the Company and at every subsequent Annual General Meeting one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then number nearest to one-third shall retire from office.

145. Subject to the provisions of the Act and these Articles, the Directors to retire by rotation under the foregoing Articles at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who become Directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lots. Subject to the provisions of the Act a retiring Director shall remain in office until the conclusion of the meeting at which his reappointment is decided or his successor is appointed.

146. Subject to the provisions of the Act and these Articles, a retiring Director shall be eligible for reappointment.

147. The Company, at the Annual General Meeting at which a Director retires in manner aforesaid, may fill up the vacated office by electing the retiring Director or some other person nominated by the shareholder having the right to nominate such Director.

148.(1) If the place of the retiring Director or Directors is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week at the same time and place, or if that day is a public holiday till the next succeeding day which is not a public holiday, at the same time and place.

(2) If at the adjourned meeting also, the place of the retiring Director or Directors is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director or Directors shall be deemed to have been reappointed at the adjourned meeting unless :-

(a) at the meeting or at the preceding meeting a resolution for the appointment of such Director or Directors has been put to the meeting and lost.

(b) the retiring Director or Directors has or have by a notice in writing addressed to the Company or its Board of Directors expressed his or their unwillingness to be so reappointed.

(c) he is or they are not qualified or is or are disqualified for appointment.

(d) a resolution, whether special or ordinary is required for his or their appointment or reappointment by virtue of any provisions of the Act.

(e) Article 150 or sub-section (2) of Section 263 of the Act is applicable to the case.

149.(1) Subject to the provisions of the Act and these Articles any person who is not a Retiring Director shall be eligible for appointment to the office of the Director at any General Meeting if he or some member intending to propose him as at least fourteen clear days before the meeting, left at registered office of the Company, a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose him as a candidate for that office as the case may be alongwith a deposit of rupees five hundred which shall be refunded to such person or as the case may be to such member, if the person succeeds in getting elected as a Director.

(2) Every person (other than a Director retiring by rotation or otherwise or a person who has left at the office of the Company a notice under sub-clause (1) of this Article or Section 257 of the Act signifying his candidature for the office of Director) proposed as a candidate for the office of a Director shall sign and file with the Company, his consent in writing to act as a Director, if appointed.

(3) On receipt of the notice referred to in this Article, the Company shall inform its members of the candidature of that person for the office of a Director or of the intention of a member to propose such person as a candidate for that office, by serving individual notices on Members not less than seven days before the meeting provided that it shall not be necessary for the Company to serve individual notices upon the members if the Company advertises such candidature or intention not less than seven days before the meeting in atleast two newspaper circulating in the city, town or village in which the Registered Office of the Company is situated, of which one is published in the English language and the other in the regional language.

(4) A person other than :-

(a) Director re-appointed after retirement by rotation or immediately on the expiry of the terms of his office; or

(b) an additional or alternate Director, or a person filling a casual vacancy in the office of a Director under section 262 of the Act appointed as a Director or reappointed as a director or re-appointed as an Additional or Alternate Director, immediately on the expiry of his term of office; or

(c) a person named as a Director of the Company under these Articles as first registered shall not act as a Director of the Company unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such Director.

150. At a General Meeting of the Company, a motion shall not be made for the appointment of two or more persons as Directors of the Company by single resolution unless a resolution that it shall be so made has first been agreed to by the meeting without any vote being given against it. A resolution moved in contravention of these Article shall be void whether or not objection was taken at the time of its being so moved; provided that where a resolution so moved is passed, no provision for the automatic re-appointment of retiring Directors by virtue of these Articles or the Act in default of another appointment shall apply.

PROCEEDINGS OF BOARD OF DIRECTORS

151. The Directors may meet together as a Board for the despatch of business from time to time unless the Central Government by virtue of the provisions to Section 285 otherwise directs, and shall so meet at least once in every three months and atleast four such meetings shall be held in every year, and they may adjourn and otherwise regulate their meetings and proceedings as they deem fit. The provisions of this Article shall not be deemed to be contravened merely by reason of the fact that meeting of the Board which had been called in compliance with the terms herein mentioned could not be held for want of a quorum.

152. A Director or the Managing Director may at any time and the Managing Director upon the request of a Director shall convene a meeting of the Directors. Notice of every meeting of the Directors of the Company shall be given in writing to every Director for the time being in India or at his usual address in India.

153. Subject to the provisions of Section 287 and other applicable provisions (if any) of the Act, the quorum for a meeting of the Board of Directors shall be one third of the total strength of the Board of Directors (excluding Directors, if any, whose place may be vacant at the time and any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher; provided that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of remaining Directors, that is to say, the number of Directors who are not so interested and are present at the meeting not being less than two shall be the quorum during such meeting. A meeting of the Directors for the time being at which quorum is present, shall be competent to exercise all or any of the authorities, powers and directions by or under the Act or the Articles of the Company, for the time being vested in or exercisable by the Board of Directors generally.

154. If a meeting of Board cannot be held for want of quorum, then the meeting shall stand adjourned to the same day in the next week or if that day is a public holiday till the next successive day which is not a public holiday at the same time and place or at such other place as the Directors present at the meeting may fix.

155. The Chairman shall be appointed by the Board of Directors from amongst the Directors.

156. All meetings of the Directors shall be presided over by the Chairman if present, but if at any meeting of the Directors the Chairman be not present at the time appointed for holding the same, then in that case, the Managing Director, if any present, shall be the Chairman of such meeting, and if the Managing Director be also not present, then in that case the Directors shall choose one of the Directors then present to preside over the meeting.

157. Questions arising at any meeting shall be decided by a majority of votes.

158. (a) Subject to the provisions of Section 292 of the Act, the Directors may delegate any of their powers to committees as they may think fit they may from time to time remove and discharge any such committee either wholly or in part and either as to persons or purposes but every Committee so formed shall in the exercise of the powers so delegated to it conform with any regulations that may from time to time be imposed on it by the Directors. All acts done by any such Committee in conformity with such regulations and in fulfillment of the purpose of their appointment but not otherwise shall have the like force and effect as if done by the Board.

159. The meeting and proceedings of any such Committee consisting of two or more Directors shall be governed by the provisions herein contained for regulating the meeting and proceedings of the Directors, so far the same are applicable thereto and are not superseded by any regulations made by the Directors under the preceding Article.

160.(1) A resolution passed by circulation without a meeting of the Board shall subject to the provisions of and clause 2 hereof and the Act, be as valid and effectual as resolution passed at a meeting of the Board duly called and held.

(2) A resolution shall be deemed to have been duly passed by the Board or by a committee by circulation, if the resolution has been circulated in draft together with the necessary papers, if any, to all the Directors or to all the members of the Committee then in India (not being less in number than the quorum) for a meeting of the Board or the Committee as the case may be and to all other Directors or Members of the Committee at their usual address in India and it is approved by such of the Directors or Members of the Committee as are then in India or by majority of them as are entitled to vote on the resolution.

(3) Subject to the provisions of the Act, a statement signed by the Managing Director or other person authorised in that behalf by the Directors certifying the absence from India of any Director shall for the purpose of this Article be conclusive.

161. Subject to the provisions of the Act and these Articles all acts done by any meeting of the Directors or by a committee of Directors or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Director or person acting as aforesaid, or that they or any of them were or was

disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director; provided that nothing in this article shall deemed to given validity to acts done by the Directors after their appointment had shown to the company to be invalid or to have been terminated.

162. The Company shall cause Minutes of the Meetings of the Board of Directors and of Committees of the Board to be duly entered in a book or books provided for the purpose in accordance with the relevant provisions of Section 193 of the Act. The Minutes shall contain a fair and correct summary of the proceedings of the meeting including the following:-

(i) The names of the Directors present at the meeting of the Board of Directors or any Committee of the Board.

(ii) All orders made by the Board of Directors or Committees of Board and all appointments of officers and committees of the Board.

(iii) All resolutions and proceeding of meeting of the Board of Directors and Committees of the Board.

(iv) In the case each resolution passed at meeting of the Board of Directors or Committee of the Board, the name of the Directors, if any, dissenting from or not concurring in the resolutions.

163. All such minutes shall be signed by the Chairman of the meeting as recorded or by the person who shall preside as Chairman at the next succeeding meeting and all minutes purported to be signed shall for all purposes whatsoever be prima-facie evidence of the actual passing of the resolutions recorded and the actual and regular transaction or occurrence of the proceedings so recorded and of the regularity of the meeting at which the same shall appear to have taken place

MANAGING DIRECTOR OR WHOLETIME DIRECTORS

165. (a) Subject to the provisions of Sections 269,316 and 317 and other applicable provisions of the Act, the Board shall, from time to time, appoint one of the Directors as Managing Director of the Company.

(b) Subject to the provisions of Section 269 and other applicable provisions of the Act, the Board may from time to time, appoint one Director as whole time Director of the Company for such term not exceeding five years at a time, and may from time to time remove, dismiss him from office and appoint another in his place. Such appointment of whole time Director shall be approved by a special resolution in the General Meeting.

(c) The wholetime Director or Directors, so appointed shall carry out such functions and have such powers as may be entrusted and/or delegated to him or them by the Board of Directors in consultation with the Managing Director. The wholetime Director or Directors shall work under the supervision and control of Managing Director.

166. The Managing Director shall be a wholetime Director of the Company. A Managing Director so appointed shall not while holding the office be subject to retirement by rotation but he shall be taken into account in determining the number of Directors to retire by rotation.

167. The remuneration of the Managing Director or Wholetime Directors (subject to the provisions of Section 309 and other applicable provisions of the Act and of these Articles and of any contract between him or them and the Company) shall be in accordance with the terms of his or their contract with the Company.

168. Subject to the provisions of the Act and to the terms of resolution of the Company in General Meeting or of any Resolution of the Board, the Managing Director shall have effective control of the day to day Management of the Company, under the superintendence, control and direction of the Board. He may, subject to the approval of the Board, have power to do all, acts, matters, and thinks deemed necessary, power or expedient for carrying on the business and concerns of the Company, including power to appoint, suspend and dismiss officers staff and workman of the Company and to exercise such powers as are delegated to him by the Board or as may be detailed in the agreement between him and the Company in such matters as incurring capital and revenue expenditure on behalf of the Company, entering into contracts, taking suitable legal actions, operating of bank account, making investment and other subjects.

DIVIDENDS

185. The profit of the company, subject to the provision of these Articles, shall be divisible among the members in proportion to the amount of capital paid up on the shares help by them respectively. Provided always that capital paid up on a share during the period in respect of which a dividend is declared, shall unless the terms of issue otherwise provide, only entitle the holder of such share to an apportioned amount of such dividend proportionate to the capital from time to time paid up, during such period on such share.

186. Where capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not whilst carrying interest confer a right to dividend or to participate in profits.

187. The company may pay dividends in proportion to the amount paid up or credited as paid up or credited as paid on each share, where a larger amount is paid up or a credited as paid up on shares than no others.

188. The Company in General Meeting may, subject to the provisions of Section 205 of the Act and Article 141, declare a dividend to be paid to the members according to their respective rights and interests in the profit and subject to the provisions of the Act may fix the time for its payment. When a dividend has been so declared either the dividend shall be paid or the warrant in respect thereof shall be posted within 42 days of the date of the declaration to the shareholders entitled to the payment of the same.

189. Subject to the provision of the Act the Board shall in accordance with Section 205 (2A) of the Act before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and such application may at the discretion, either be employed in the business of the company or be invested in such investments. The Board may also carry forward any profit which it may think prudent.

(i) No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits of the Company, or otherwise than in accordance with the provisions of section 205, 206 and 207 of the Act and no dividend shall carry interest as against the Company. The declaration of the Directors as to the amount of the net profits of Company shall be conclusive.

(ii) No unclaimed or unpaid dividend shall be forfeited by the Company and the same shall be dealt with in accordance with Section 205 A and 205 B of the Companies Act. 1956.

190. Subject to the provisions of the Act and Article 141, the Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies.

191. Subject to the provisions of the Act, the Directors may retain the dividends payable upon any shares in respect of which any person under Article 57 hereof, is entitled to become a member or which any person under that Article is entitled to transfer until such person shall become a member in respect of such shares of shall duly transfer the same. The provisions of this Article shall apply to any interest created in a share either by reason of transmission or by operation of law or otherwise.

192. Subject to the provisions of the Act no member shall be entitled to receive payment of any interest or dividend 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 howsoever either alone or jointly with any other person or persons, and the Directors may deduct from the interest or dividend payable to any member all sums of money due from him to the Company.

193. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer.

194. Unless otherwise directed any dividend may be paid by cheque or warrant sent through post to the Registered address of the members or person entitled to the shares or in the case of joint holders to that one of them first named in the Register in respect of the joint holding. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The company shall not be liable or responsible for any cheque or warrant lost in transaction or for any dividend lost to the member or other person entitled thereof by the forged endorsement of any cheques or warrant or the fraudulent or improper recovery thereto by any other means.

195. No unclaimed dividend shall be forfeited by the Board unless the claim thereto becomes barred by law and the unclaimed dividend shall be dealt with in accordance with the provision of Section 205 (A) of the Act.

196. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the members for such amount as the meeting fixes, but so that the call to each member shall not exceed the dividend payable to him and so that the call may be made payable at the same time as the dividend may, if so arranged between the company and the members be set off against the call.

OTHER INFORMATION

MATERIAL CONTRACT 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 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 Prospectus, have been delivered to the RoC for registration.

MATERIAL CONTRACTS

1. Shareholders Agreement dated February 16, 2002 between the Promoters, Company, Intel & GE.
2. Shareholders Agreement dated February 16, 2002 between the Promoters, Company, Mr. Vivek Mannige and certain other individuals.
3. Share Purchase Agreement dated February 16, 2002 between the Company, the erstwhile shareholders of Indus, GE and Intel.
4. Acquisition Agreement dated December 12, 2000 between our Company and R Systems Inc.
5. Agreement for sale and purchase of shares dated August 11, 2000 between our Company and R Systems Singapore.
6. Co-ownership Agreement dated February 20, 2002 between the Company and Mr. Vivek Mannige.
7. Share Purchase Agreement dated January 7, 2004 between the Company, the erstwhile shareholders of ECnet and ECnet.
8. Loaned Employee Services Agreement dated November 30, 2005 between our Company and GEC.
9. Global Software License Agreement with GEC dated August 31, 1998 between GEC and Indus Lending Solutions Business.
10. Services Agreement with GEC dated August 31, 1998 between GEC and Indus Lending Solutions Business.
11. Addendum Agreement dated February 18, 2002 between our Company, GEC and Indus Lending Solutions Business.
12. Information Technology Services Agreement dated June 7, 2004 between GEC and R Systems Inc.
13. Letter of appointment dated November 21, 2005 to IL&FS Investsmart Limited from the Company appointing them as BRLM.
14. Memorandum of Understanding dated January 31, 2006 executed by the Company with Intime Spectrum Registry Ltd., the Registrars to the Offer.
15. Memorandum of Understanding amongst our Company, the Selling Shareholders and the BRLM dated February 02, 2006.
16. Escrow Agreement dated March 22, 2006 entered into among the Company, the Selling Shareholders, the BRLM, the Escrow Collections Banks and the Registrar to the Offer.
17. Syndicate Agreement dated March 22, 2006 to be entered into among the Company, the Selling Shareholders and the BRLM and the Syndicate Members.
18. Underwriting Agreement dated April 3, 2006 to be entered into among the Company, the Selling Shareholders and the BRLM and the Syndicate Members.

MATERIAL DOCUMENTS

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation.
3. Our certificates in relation to change of name as per certificate dated April 13, 2000 & August 07, 2000.
4. Shareholders' resolution dated January 25, 2006 in relation to this Offer and other related matters such as appointment of auditors, formation and revision of Audit, Remuneration and other committees.
5. Present terms of employment between our Company and Managing Director & Executive Directors as approved by our Board and our Shareholders.

6. Report of the auditors, S.R. Batliboi & Associates, Chartered Accountants dated March 10, 2006 prepared as per Indian GAAP and mentioned in this Prospectus.
7. 'Statement of Tax Benefits' dated March 10, 2006 prepared by our auditors, S.R. Batliboi & Associates.
8. (a) Copies of annual reports of our Company for the years ended December 31, 2000, 2001, 2002, 2003, 2004 and 2005.
   (b) Copy of Annual Report of Subsidiaries
      I. R Systems (Singapore) Pte. Ltd. for the years ended December 31, 2000, 2001, 2002, 2003 & 2004 (subsidiary since September 2000).
      II. R Systems Inc. for the years ended December 31, 2001, 2002, 2003 & 2004 (subsidiary since January 2001).
      III. Indus Software Inc. for the years ended December 31, 2002, 2003, 2004 (subsidiary since April 2002).
      IV. ECnet Ltd. for the year ended December 31, 2004 (subsidiary since January 2004).
9. Consent of our auditors, S.R. Batliboi & Associates, Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Prospectus.
10. Consents of Bankers to the Company, Registrar to the Offer, Banker to the Offer, Legal counsel to the Company and Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
11. Initial listing applications dated February 2, 2006 and February 2, 2006 filed with NSE and BSE respectively.
12. In-principle listing approval of NSE vide letter no. NSE/LIST/20765-T dated March 6, 2006 and in-principle approval from BSE vide letter no. List/sdm/sm/2006 dated March 10, 2006.
13. Tripartite Agreement between NSDL, our Company and the Registrar to the Offer dated February 27, 2006.
14. Tripartite Agreement between CDSL, our Company and the Registrar to the Offer dated February 21, 2006.
15. Due diligence certificate dated February 02, 2006 to SEBI from the BRLM.
16. SEBI observation letter No. CFD/DIL/ISSUES/V/62469/2006 dated March 10, 2006.
17. Letter from Book Running Lead Manager no. nil dated March 14, 2006 and letter from Company Secretary & Compliance Officer no. nil dated March 14, 2006 for compliance of SEBI observations.

Any of the contracts or documents mentioned in this 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 provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act and the guidelines issued by the Government of India 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 Prospectus is contrary to the provisions of the Companies Act, 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 Prospectus are true and fair.

SIGNED BY ALL THE DIRECTORS

Mr. Satinder Singh Rekhi, Chairman and Managing Director	Sd/-
Mr. O'Neil Nalavadi, Director, Finance	Sd/-
Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director	Sd/-
Mr. David Richard Sanchez, Independent Director *	Sd/-
Mr. Raj Kumar Gogia, Independent Director	Sd/-
Mr. Gurbax Bhasin, Independent Director *	Sd/-

* SIGNED THROUGH THE DULY CONSTITUTED POWER OF ATTORNEY HOLDER MR. NAND SARDANA.

SIGNED BY THE COMPLIANCE OFFICER

Mr. Nand Sardana Sd/-

SIGNED BY THE SELLING SHAREHOLDERS (through the Company)

Each of the Selling Shareholders assume no responsibility for any of the statements whatsoever made by the Company in this Prospectus including without limitation all statements relating to the Company, its businesses, its affairs and its disclosures.

GE Capital Mauritius Equity Investment Sd/-

(GE is acting severally and not jointly with the other Selling Shareholders in this Offer and takes responsibility for only those statements made with respect to the specific warranty on title to the Equity Shares of the Company held by it and being offered for sale in this Offer and as more particularly set out in this Prospectus.)

Intel Pacific Inc. Sd/-

(Intel is acting severally and not jointly with the other Selling Shareholders in this Offer and takes responsibility for only those statements made with respect to the specific warranty on title to the Equity Shares of the Company held by it and being offered for sale in this Offer and as more particularly set out in this Prospectus.)

Ralph Kenny	Sd/-
O'Neil Nalavadi & Meera Nalavadi	Sd/-
Vivek Mannige & Shanth V Mannige	Sd/-
M. Vikram Rao	Sd/-
G.S. Vittal Rao & Shanth V. Mannige	Sd/-
Vasanti S Chandavarkar & Vivek Mannige & Shanth V. Mannige	Sd/-
Kalyani J. Basrur & Jaganath Basrur	Sd/-
Arun V. Rao	Sd/-
GM Solutions Pvt. Ltd.	Sd/-

Date: April 3, 2006
Place: Noida

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