DRAFT RED HERRING PROSPECTUS
Dated September 29, 2010
Please read section 60B of the Companies Act, 1956, as amended
100% Book Built Issue

MICROMAX INFORMATICS LIMITED

Our Company was incorporated as "Micromax Informatics Private Limited" on March 29, 2000 in New Delhi, under the Companies Act, 1956, as amended (the "**Companies Act**") with the Registrar of Companies, National Capital Territory of Delhi and Haryana ("**RoC**"). Subsequently, our Company became a public limited company pursuant to a shareholders' resolution dated June 26, 2000 and the name of our Company was changed to 'Micromax Informatics Limited' pursuant to a fresh certificate of incorporation from the RoC on August 3, 2001.

Registered Office: Block A, Plot No. 21/14 Naraina Industrial Area Phase II, New Delhi 110 028, India; **Tel.:** +(91 11) 4979 0020; **Fax:** +(91 11) 4979 0010; **Corporate Office:** #697, Udyog Vihar, Phase V, Gurgaon 122 015, Haryana, India; **Tel.:** +(91 124) 400 9600; **Fax:** +(91 124) 400 9603; **Website:** www.micromaxinfo.com; **Chief Financial Officer, Company Secretary and Compliance Officer:** Anita Goel; **E-mail**: investor@micromaxinfo.com For details of changes in the registered office of our Company, see "***History and Certain Corporate Matters***" on page 96.

Promoters: Rajesh Agarwal, Rahul Sharma, Sumeet Kumar and Vikas Jain

PUBLIC ISSUE OF 21,546,118 EQUITY SHARES OF ₹ 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (THE "ISSUE PRICE") OF MICROMAX INFORMATICS LIMITED (THE "COMPANY" OR THE "ISSUER") AGGREGATING ₹ [●] MILLION (HEREINAFTER REFERRED TO AS THE "ISSUE"). THE ISSUE WOULD CONSTITUTE 10.03% OF THE POST ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY. THE FACE VALUE OF THE EQUITY SHARE IS ₹ 10 EACH. THE PRICE BAND, THE RETAIL DISCOUNT AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ADVERTISED IN [●] EDITION OF [●] AND [●] EDITION OF [●] AT LEAST TWO (2) WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE.*

** Our Company in consultation with the BRLMs may decide to offer a discount of ₹[●] or up to 10% to the Issue Price to the Retail Individual Bidders ("**Retail Discount**"). The excess amount paid at the time of bidding shall be refunded to the Retail Individual Bidders.*

THE FACE VALUE OF THE EQUITY SHARE IS ₹ 10 EACH

In case of revision in the Price Band, the Bidding Period will be extended for three additional Working Days after the revision of the Price Band subject to the Bidding 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 Bombay Stock Exchange Limited (the "**BSE**") and the National Stock Exchange of India Limited (the "**NSE**"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers ("**BRLMs**") and at the terminals of the members of the Syndicate.

In terms of Rule 19 (2) (b) (ii) of the SCRR, this is an Issue for less than 25% of the post–Issue capital. This Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**", and such portion, the "**QIB Portion**") provided that our Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis, out of which at least one-third will be available for allocation to domestic Mutual Funds only ("**Anchor Investor Portion**"). For details, see ***"Issue Procedure"*** on page 274. Further, 5% of the QIB Portion (excluding Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. If at least 50% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. In addition, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Any Bidder, except Anchor Investors, may participate in this Issue through the ASBA process by providing the details of the respective bank accounts in which the corresponding Bid Amounts will be blocked by the Self Certified Syndicate Banks ("**SCSBs**"). For details in this regard, specific attention is invited to "***Issue Procedure***" on page 274.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first Issue of our Company, there has been no formal market for the Equity Shares of our Company. The face value of the Equity Shares is ₹ 10 per Equity Share and the Issue Price is [•] times the face value. The Issue Price (has been determined and justified by the BRLMs and our Company as stated in "***Basis for Issue Price***" on page 44) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company 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 Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of our Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the "***Risk Factors***" on page xii.

IPO GRADING

This Issue has been graded by [●] as [●], indicating [●]. The IPO Grading is assigned on a five point scale from 1 to 5, with the IPO Grade 5 indicating strong fundamentals and IPO Grade 1 indicating poor fundamentals. For details, see "***General Information***" and "***Annexure I***" on pages 14 and 317, respectively.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

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

GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS			BOOK RUNNING LEAD MANAGER	REGISTAR TO THE ISSUE
JM FINANCIAL CONSULTANTS PRIVATE LIMITED 141, Maker Chambers III Nariman Point Mumbai 400 021, India Tel: + (91 22) 6630 3030 Fax: + (91 22) 2204 7185 E-mail: micromax.ipo@jmfinancial.in Investor Grievance E-mail: grievance.ibd@jmfinancial.in Website: www.jmfinancial.in Contact Person: Lakshmi Lakshmanan SEBI Registration No.: INM000010361	**CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED** 12th Floor, Bakhtawar, Nariman Point, Mumbai 400 021, India Tel: +91 22 6631 9890 Fax: +91 22 3919 7844 E-mail: micromax.ipo@citi.com Investor Grievance e-mail: investors.cgmib@citi.com Website: http://www.online.citibank.co.in/rhtm/citigroupglobalscreen1.htm Contact Person: Ashish Jhaveri SEBI Registration No.: INM000010718	**EDELWEISS CAPITAL LIMITED** 14th Floor, Express Towers Nariman Point Mumbai 400 021, India Tel: (+91 22) 4086 3535 Fax: (+91 22) 4086 3610 E-mail: micromax.ipo@edelcap.com Investor Grievance E-mail: customerservice.mb@edelcap.com Website: www.edelcap.com Contact Person: Jibi Jacob/ Vishal Gupta SEBI Registration No.: INM0000010650	**NOMURA FINANCIAL ADVISORY AND SECURITIES (INDIA) PRIVATE LIMITED** Ceejay House, Level 11 Dr. Annie Besant Road, Worli Mumbai 400 018, India Tel: + (91 22) 4037 4037 Fax: + (91 22) 4037 4111 Email: micromax.ipo-in@nomura.com Investor Grievance Email: investorgrievances-in@nomura.com Website: www.nomura.com/asia/services/capital_raising/equity.shtml Contact Person: Nisha Khetan SEBI Registration No: INM000011419	[●]

BID /ISSUE PROGRAM*

BID/ISSUE OPENS ON	BID/ISSUE CLOSES ON
[●]	[●]

** **Anchor Investors, if any, shall submit their Bid on the Anchor Investor Bidding Date, which is one Working Day prior to the Bid/Issue Opening Date.***
Our Company in consultation with the BRLMs, may decide to close the Bidding for QIBs one day prior to the Bid/Issue Closing Date.

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or implies, capitalized terms have the following meanings in this Draft Red Herring Prospectus, and references to any statute or regulations or policies shall include any amendments or re-enactments thereto, from time to time.

Company Related Terms

Term	Description
"Micromax", "the Company", "our Company" and "the Issuer"	Micromax Informatics Limited, a public limited company incorporated under the Companies Act with its registered office at Block A, Plot No. 21/14 Naraina Industrial Area Phase II, New Delhi 110 028, India on an unconsolidated basis
"We", "us" and "our"	Micromax Informatics Limited and its Subsidiary (as defined herein below) on a consolidated basis
AoA/Articles of Association	The Articles of Association of our Company, as amended
Auditors	The statutory auditors of our Company, Walker Chandiok & Co., Chartered Accountants
Board of Directors/Board	Board of Directors of our Company duly constituted or a committee thereof
Corporate Office	The corporate office of our Company located at #697, Udyog Vihar, Phase V, Gurgaon 122 015, Haryana, India
CPTT	Centre for Promotion of Trade and Technology Private Limited, one of our Group Entities
Director(s)	Director(s) on the Board of our Company
Group Entities	Includes those companies and HUFs disclosed in "***Our Promoters and Group Entities***" on page 116, promoted by our Promoters, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act
Micromax FZE	Micromax Informatics FZE, our Subsidiary
Micromax Hong Kong	Micromax Informatics Limited, Hong Kong, one of our Group Entities
Micromax Technologies	Micromax Technologies Private Limited, one of our Group Entities
MMX ESOP	Micromax Employee Stock Option Plan 2010, of our Company
MoA/Memorandum of Association	The Memorandum of Association of our Company, as amended
PCCPS	Participatory, compulsorily convertible, cumulative preference shares of our Company, since extinguished and reclassified on September 15, 2010
Promoter Group	Includes such persons and entities constituting our promoter group pursuant to Regulation 2(1)(zb) of the SEBI ICDR Regulations
Promoters	Rajesh Agarwal, Rahul Sharma, Sumeet Kumar and Vikas Jain
Registered Office	The registered office of our Company located at Block A, Plot No. 21/14 Naraina Industrial Area Phase II, New Delhi 110 028, India
Investors' SHA	Shareholders' agreement dated September 16, 2010, amongst our Company, Mr. Rajesh Agarwal, Mr. Sumeet Kumar, Mr. Rahul Sharma, Mr. Vikas Jain, Wagner, Sequoia Capital, Sandstone and Madison
New Investors	Collectively, Sequoia Capital, Sandstone and Madison
Wagner SHA	Shareholders' agreement dated December 18, 2009 as amended on June 26, 2010 between Wagner Limited, our Company, Rajesh Agarwal, Rahul Sharma, Vikas Jain and Sumeet Kumar
Subsidiary	Micromax FZE

Issue Related Terms

Term	Description
Allotted/Allotment/Allot	Unless the context otherwise requires, the issue and allotment of Equity Shares to successful Bidders pursuant to this Issue
Allottee	A successful Bidder to whom Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer, who applies under the Anchor Investor Portion with a minimum Bid of ₹ 100 million
Anchor Investor Bid	Bid made by the Anchor Investor
Anchor Investor Bidding Date	The date which is one Working Day prior to the Bid/Issue Opening Date, prior to or after which the Syndicate will not accept any Bids from the Anchor Investors
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted in terms of the Red Herring Prospectus and the Prospectus to the Anchor Investors, which will be a price

Term	Description
	equal to or higher than the Issue Price but not higher than the Cap Price.
Anchor Investor Portion	Up to 30% of the QIB Portion, which may be allocated to Anchor Investors by our Company in consultation with the BRLMs, on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Anchor Investor Bids being received from domestic Mutual Funds at or above the price at which allocation will be made to Anchor Investors
Application Supported by Blocked Amount/ASBA	The application, whether physical or electronic, used by a ASBA Bidder to make a Bid authorizing the SCSB to block the Bid Amount in the ASBA Account maintained with the SCSB
ASBA Account	Account maintained with an SCSB which will be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder as mentioned in the ASBA Bid cum Application Form
ASBA Bid cum Application Form	The application form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
ASBA Bidder	Any Bidder other than Anchor Investors, who intends to Bid through ASBA
Banker(s) to the Issue/Escrow Collection Bank(s)	The bank(s) which is/are clearing member and registered with SEBI as Bankers to the Issue with whom the Escrow Account will be opened, in this case being [●]
Basis of Allotment	The basis on which the Equity Shares will be Allotted, described in "***Issue Procedure***" on page 274
Bid	An indication to make an offer during the Bidding Period by a Bidder (including an ASBA Bidder), or on the Anchor Investor Bidding Date by an Anchor Investor, pursuant to submission of a Bid cum Application Form or ASBA Bid cum Application Form to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by a Bidder on submission of a Bid in the Issue and in the case of ASBA Bidders, the amount mentioned in the ASBA Bid cum Application Form
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares and which shall be considered as the application for issue of Equity Shares pursuant to the terms of the Red Herring Prospectus and the Prospectus including the ASBA Bid cum Application Form, as may be applicable
Bid/Issue Closing Date	Except in relation to Anchor Investors, the date after which the Syndicate and SCSBs will not accept any Bids, being [●]
Bid/Issue Opening Date	Except in relation to Anchor Investors, the date on which the Syndicate and SCSBs shall start accepting Bids, being [●]
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form, including an ASBA Bidder and an Anchor Investor
Bidding Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days during which prospective Bidders (excluding Anchor Investors) can submit their Bids, including any revisions thereof
Book Building Process	The book building process as provided in Schedule XI of the SEBI ICDR Regulations, in terms of which this Issue is being made
Book Running Lead Managers/BRLMs	The book running lead managers to this Issue, in this case being, the GCBLRMs and Nomura Financial Advisory and Securities (India) Private Limited
Cap Price	The higher end of the Price Band, above which the Issue Price and Anchor Investor Issue Price will not be finalized and above which no Bids will be accepted, including any revisions thereof
Citi	Citigroup Global Markets India Private Limited
Confirmation of Allocation Note/CAN	The note or advice or intimation of allocation of Equity Shares sent to the successful Anchor Investors who have been allocated Equity Shares after discovery of the Anchor Investor Issue Price, including any revisions thereof
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate Bids in the Issue by ASBA Bidders with the BRLMs, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf
Cut-off Price	The Issue Price finalized by our Company in consultation with the BRLMs which shall be any price within the Price Band. Only Retail Individual Bidders are entitled to Bid at the Cut-off Price. QIBs (including Anchor Investors) and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Form used by ASBA Bidders and a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Public Issue Account and the amount blocked by the SCSBs are transferred from the ASBA

Term	Description
	Accounts to the Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to the Allottees
Designated Stock Exchange	[●]
Draft Red Herring Prospectus/DRHP	This Draft Red Herring Prospectus dated September 29, 2010 filed with SEBI and issued in accordance with Section 60B of the Companies Act, which does not contain complete particulars of the price at which the Equity Shares are issued
Edelweiss	Edelweiss Capital Limited
Eligible NRI	An Non Resident Indian in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus will constitute an invitation to subscribe for the Equity Shares
Equity Shares	Equity Shares of our Company of face value of ₹ 10 each
Escrow Account(s)	Account(s) opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidders (excluding ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	Agreement to be entered into among our Company, the Registrar, the BRLMs, the Syndicate Member(s) and the Escrow Collection Bank(s) for collection of the Bid Amounts and remitting refunds, if any, of the amounts to the Bidders (excluding ASBA Bidders) on the terms and conditions thereof
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form or the ASBA Bid cum Application Form
Floor Price	The lower end of the Price Band and any revisions thereof below which the Issue Price will not be finalized and below which no Bids will be accepted and which shall not be lesser than the face value of our Equity Shares
Global Co-ordinators and Book Running Lead Managers/GCBLMs	The global co-ordinators and book running lead managers to this Issue, in this case being, JM Financial Consultants Private Limited, Citigroup Global Markets India Private Limited and Edelweiss Capital Limited
Issue	This public issue of 21,546,118 Equity Shares of ₹ 10 each at the Issue Price
Issue Agreement	The agreement dated September 28, 2010 entered into amongst our Company and the BRLMs pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price (net of Retail Discount, as applicable) at which Equity Shares will be issued and Allotted to the successful Bidders in terms of the Red Herring Prospectus and the Prospectus. The Issue Price will be decided by our Company in consultation with the BRLMs on the Pricing Date
JM Financial	JM Financial Consultants Private Limited
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund Portion	5% of the QIB Portion (excluding the Anchor Investor Portion) equal to a minimum of 538,653 Equity Shares available for allocation to Mutual Funds only, on a proportionate basis
Net Proceeds	Proceeds of the Issue that are available to our Company, excluding the Issue related expenses
Nomura	Nomura Financial Advisory and Securities (India) Private Limited
Non Institutional Bidders	All Bidders, including sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs (including Anchor Investors) or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than ₹ 100,000
Non Institutional Portion	The portion of the Issue, being not less than 3,231,917 Equity Shares, available for allocation to Non Institutional Bidders
Pay-in Date	The Bid/ Issue Closing Date, except with respect to Anchor Investors, the Anchor Investor Bidding Date or a date not later than two days after the Bid/ Issue Closing Date, as may be applicable
Pay-in Period	Except with respect to ASBA Bidders, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/ Issue Closing Date
Price Band	Price band of a minimum price (Floor Price) of ₹ [●] and a maximum price (Cap Price) of ₹ [●] including revisions thereof. The Price Band and the minimum Bid lot size for the Issue will be decided by our Company in consultation with the BRLMs, and advertised in two newspapers (one in English and one in Hindi, which is also the regional newspaper) at least two Working Days prior to the Bid/ Issue Opening Date
Pricing Date	The date on which our Company in consultation with the BRLMs will finalize the Issue Price
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, among other things, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information and

Term	Description
	including any addenda or corrigenda thereof
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account(s) and the ASBA Accounts, on the Designated Date
QIB Portion	The portion of the Issue being a minimum 10,773,059 Equity Shares to be Allotted to QIBs, including the Anchor Investor Portion
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of ₹ 250 million and pension funds with minimum corpus of ₹ 250 million, the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India and insurance funds set up and managed by army, navy or air force of the Union of India
Red Herring Prospectus/RHP	The Red Herring Prospectus which will be issued in accordance with Section 60B of the Companies Act, which will not have complete particulars of the price at which the Equity Shares shall be issued and which shall be filed with the RoC at least three days before the Bid/ Issue Opening Date and will become the Prospectus after filing with the RoC after the Pricing Date
Refund Account(s)	Account(s) opened with Escrow Collection Bank(s) from which refunds of the whole or part of the Bid Amount (excluding to the ASBA Bidders), if any, shall be made
Refund Bank(s)	The bank(s) which are clearing members and registered with the SEBI as Bankers to the Issue, at which the Refund Accounts will be opened, in this case being, [●]
Registrar/ Registrar to the Issue	Registrar to the Issue, in this case being, [●]
Resident Retail Individual Bidder	Retail Individual Bidder who is a person resident in India as defined in the Foreign Exchange Management Act, 1999 and who has Bid for Equity Shares for an aggregate amount not more than ₹ 100,000 in all of the bidding options in the Issue
Retail Discount	The difference of ₹ [●] between the Issue Price and the differential lower price at which our Company may decide to allot the Equity Shares to Retail Individual Bidders
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have Bid for Equity Shares for an aggregate amount less than or equal to ₹ 100,000 in all of the bidding options in the Issue
Retail Portion	The portion of the Issue being up to 7,541,142 Equity Shares available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders including ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms, ASBA Bid cum Application Forms or any previous Revision Form(s)
RoC	Registrar of Companies, National Capital Territory of Delhi and Haryana
Self Certified Syndicate Bank/ SCSB	The banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offer services of ASBA, including blocking of ASBA Accounts, a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf
Stock Exchanges	The BSE and the NSE
Syndicate	Collectively, the BRLMs and the Syndicate Member(s)
Syndicate Agreement	Agreement among the Syndicate, our Company in relation to the collection of Bids (excluding Bids from the ASBA Bidders) in this Issue
Syndicate Member(s)	[●]
TRS/ Transaction Registration Slip	The slip or document issued only on demand by the Syndicate or the SCSB to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Member(s)
Underwriting Agreement	The Agreement between the Underwriters and our Company to be entered into, on or after the Pricing Date
Working Day(s)	All days other than a Sunday or a public holiday (except during the Bidding Period where a working day means all days other than a Saturday, Sunday or a public holiday) on which commercial banks in Mumbai are open for business

Technical/Industry Related Terms

Term	Description
ARPU	Average Revenue Per User
ASCs	Authorised after Sales service Centers

Term	Description
ASP	Average Selling Price
Category A	Category A states includes National Capital Territory Delhi, Maharashtra, Gujarat, Andhra Pradesh, Karnataka and Tamil Nadu
Category B	Category B states includes Kerala, Punjab, Haryana, Uttar Pradesh , Rajasthan, Madhya Pradesh, West Bengal and National Union Territory of Chandigarh
Category C	Category C states includes Himachal Pradesh, Bihar, Odisha, Uttarakhand, Jammu & Kashmir, Chattisgarh and Jharkhand
CDMA	Code Division Multiple Access
EIR	Equipment identity register
ESN	Electronic serial number
FB&T	Food, Beverages and Tobacco
GMPCS	Global Mobile Personal Communications by Satellite
GSM	Groupe Speciale Mobile also known as, Global System for Mobile Communications
GSM Association	Groupe Speciale Mobile Association
IMEI	International mobile equipment identity
ISPs	Internet Service Providers
IVR	Interactive Voice Response
McKinsey Report	The *'Bird of Gold': The Rise of India's Consumer Market*, a May 2007 report of the McKinsey Global Institute
OEM(s)	Original equipment manufacturer(s)
PCB	Printed Circuit Board
PMTRS	Public Mobile Radio Trunked Services
Report of the National Commission on Population, May 2006	May 2006 report of the National Commission on Population, an agency of the GoI
SMS	Short Messaging Service
SMT	Surface Mount Technology
Tier 1	Cities with a population of more than three million
Tier 2	Cities with a population between one to three million
Tier 3	Cities with a population of less than one million
VAS	Value added services
VSATs	Very Small Aperture Terminals
WAP	Wireless Application Protocol
WLL	Wireless in Local Loop

Conventional / General Terms

Term	Description
Companies Act	Companies Act, 1956
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DP/ Depository Participant	Depository participant as defined under the Depositories Act, 1996
FEMA	Foreign Exchange Management Act, 1999, read with rules and regulations thereunder
FII(s)	Foreign Institutional Investors (as defined under FEMA (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000), registered with SEBI under applicable laws in India
Financial Year / Fiscal	Period of 12 months ended March 31 of that particular year
FVCIs	Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI
I.T. Act	Income Tax Act, 1961
International Telecommunications Agreement	Ministerial Declaration on Trade in Information Technology Products, Singapore, December 13, 1996, of the World Trade Organisation
Indian GAAP	Generally Accepted Accounting Principles in India
Mutual Fund(s)	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
RBI Act	Reserve Bank of India Act, 1934
SCRA	Securities Contracts (Regulation) Act, 1956

Term	Description
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act 1992
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
Water Act	Water (Prevention and Control of Pollution) Act, 1974

References to other business entities

Term	Description
Madison	Madison India Capital HC
Modu	Modu Limited
Sandstone	Sandstone Investment Partners I
Sequoia Capital	SCI Growth Investments II
Wagner	Wagner Limited

Abbreviations

Term	Description
₹/Rs.	Indian Rupees
A/c	Account
AGM	Annual General Meeting
AS	Accounting Standards issued by the ICAI
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CSO	Central Statistical Organisation, Government of India
CSO	Central Statistical Organisation
DIN	Director Identification Number
DP ID	Depository Participant’s Identity
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EGM	Extraordinary General Meeting
EPS	Earnings Per Share *i.e.*, profit after tax for a fiscal year divided by the outstanding number of equity shares at the end of that fiscal year
FCNR	Foreign Currency Non Resident
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoI/ Government	Government of India
HSIIDC	Haryana State Industrial and Infrastructure Development Corporation Limited
HUF	Hindu Undivided Family
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPO	Initial Public Issue
MAT	Minimum Alternative Tax under the I.T Act
NA	Not Applicable
NAV	Net Asset Value
NECS	National Electronic Clearing Service
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian as defined under FEMA and the Foreign Exchange Management Act (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

Term	Description
PAN	Permanent Account Number allotted under the I.T. Act
PBDIT	Profit before depreciation, interest and tax
PIO	Persons of Indian Origin
RBI	Reserve Bank of India
RONW	Return on Net Worth
RTGS	Real Time Gross Settlement
STT	Securities Transaction Tax
TRAI	Telecom Regulatory Authority of India
U.S. / USA	United States of America
U.S. GAAP	United States Generally Accepted Accounting Principles
UAE	United Arab Emirates
UIN	Unique Identification Number
USD/US$	United States Dollar
w.e.f.	With effect from

For additional definitions on currencies see "***Presentation of Financial, Industry and Market Data***" on page viii.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our financial statements as of and for the fiscal years ended March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI ICDR Regulations included in this Draft Red Herring Prospectus.

Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the 12 months period ended March 31 of that year. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP, U.S. GAAP and IFRS. We urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian GAAP. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited.

All references to "**India**" contained in this Draft Red Herring Prospectus are to the Republic of India, all references to the "**U.S.**", "**USA**", or the "**United States**" are to the United States of America, together with its territories and possession.

Industry and Market Data

Unless stated otherwise, the industry and market data used throughout this Draft Red Herring Prospectus has been obtained from industry publications and government data. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decision should be made on the basis of such information. Although we believe industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Data from these sources may also not be comparable. The extent to which industry and market data used in this Draft Red Herring Prospectus is meaningful depends on the readers' familiarity with and understanding of the methodologies used in compiling such data.

Certain information in the section titled "***Summary of Industry***", "***Summary of Business***", "***Industry Overview***" and "***Our Business***" of this Draft Red Herring Prospectus has been obtained from Analysys Mason, which has issued the following disclaimer:

Forecasts set forth in information as annexed to this letter have been prepared on the basis of certain assumptions. Future market and operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. Certain statements in this document may constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "intends", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of Analysys Mason with respect to future events, and are not a guarantee of future performance or market outcome. Many factors could cause the actual results, performance or market outcomes to be significantly different from any future results, performance, achievements or outcomes that may be expressed or implied by such forward-looking statements. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties in the relevant markets. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements.

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

In accordance with the SEBI ICDR Regulations, we have included in the section titled "***Basis for the Issue Price***" on page 44 information relating to our peer group companies. Such information has been derived from publicly available sources and neither we nor the BRLMs have independently verified such information.

Currency and Units of Presentation

Except where specified, in this Draft Red Herring Prospectus, all figures have been expressed in "**million**" which means "10 lakhs".

All references to "**Rupee(s)**" or "**₹**" or "**Rs**." are to Indian Rupees, the official currency of the Republic of India. All references to "**$**" or "**U.S. Dollar(s)**" or "**US Dollar(s)**" or "**USD**" or "**U.S.$**" are to United States Dollar, the official currency of the United States of America. All references to "**AED**" are to United Arab Emirates Dirham, the official currency of the United Arab Emirates.

Exchange Rates

This Draft Red Herring Prospectus contains translations of certain U.S. Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of item (VIII) sub-item (G) of Part A of Schedule VIII of the SEBI ICDR Regulations. These convenience translations should not be construed as a representation that those U.S. Dollar or other currency amounts could have been, or can be converted into Indian Rupees, at any particular rate or at all.

The exchange rates of the respective foreign currencies as on March 31, 2009 and March 31, 2010 are provided below.

(₹)

Currency	Exchange Rate as on March 31, 2010	Exchange Rate as on March 31, 2009
1 US$	45.14	50.95

Source: Reserve Bank of India

NOTICE TO INVESTORS

United States

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this DRHP. Any representation to the contrary is a criminal offence in the United States.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("**U.S. Securities Act**"), or any state securities laws in the United States, and, unless so registered, may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this DRHP as "**U.S. QIBs**"; for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this DRHP as "**QIBs**"), in transactions exempt from the registration requirements of the U.S. Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

European Economic Area

This DRHP has been prepared on the basis that all offers of Equity Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of Equity Shares. The expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and Council and includes any relevant implementing measure in each Relevant Member State (as defined below). Accordingly, any person making or intending to make an offer within the EEA of Equity Shares which are the subject of the offer contemplated in this DRHP should only do so in circumstances in which no obligation arises for our Company or any of the Underwriters to produce a prospectus for such offer. None of the Underwriters and our Company has authorized, nor do they authorize, the making of any offer of Equity Shares through any financial intermediary, other than the offers relating to the Equity Shares contemplated in this DRHP.

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain "forward-looking statements". These forward looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our objectives, strategies, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

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

- our ability to successfully identify and respond to changing customer preferences and demands in a cost-effective and timely manner;
- our ability to successfully manage the introduction of new products;
- our ability to maintain and further build the "Micromax" brand;
- our ability to maintain our relationships with our state and regional distributors, or changes in business practices of our state and regional distributors and their inability to meet payment schedules and provide timely and accurate information;
- conflicts among our channels of distribution or our inability to further expand our distribution network;
- risks posed by manufacture of our products by third parties who in turn rely on third party suppliers;
- regulatory changes pertaining to the industry in India which have an impact on our business and our ability to respond to them;
- our ability to successfully implement our strategy, growth and expansion;
- competition in the industry in which we operate in;
- our ability to respond to technological changes;
- our exposure to market risks;
- the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices and other rates or prices; and
- general economic and political conditions in India and globally (in particular, Nepal, Bangladesh, Sri Lanka and other international markets we propose to do business in), which have an impact on our business and our ability to respond to them.

For further discussion of factors that could cause our actual results to differ, see "***Risk Factors***" and "***Management Discussion and Analysis of Financial Condition and Results of Operations***" on pages xii and 217, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the BRLMs nor the Syndicate Member nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. Our Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

SECTION II - RISK FACTORS

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

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

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

INTERNAL RISK FACTORS

Risks Relating to Our Business and Operations

1. ***If we fail to successfully identify and respond to changing customer preferences and demands in a cost-effective and timely manner, we will not be able to compete effectively and our ability to generate revenues and grow our business will be adversely impacted.***

The markets for our products are characterized by rapidly changing technologies, frequent new product introductions, short product life cycles and evolving industry standards as well as changes in consumer preferences and demand for features.

The competitiveness of our product portfolio depends on our ability to introduce on a continuous and timely basis, new innovative and appealing products and enhance existing products with added features and to create new or address yet unidentified needs among our current and potential customers.

In order to do so, we need to identify and understand the key market trends and user segments and address our customers' evolving needs in different customer segments proactively and on a timely basis. To achieve that, we must constantly obtain and evaluate feedback from our customers and our distributors and suppliers on customer usage patterns. If we fail to analyse correctly or accurately anticipate technological trends or our end users' needs and preferences, or if we are unable to respond to such trends by developing and offering cost effective products, our ability to retain our current, as well as attract new, customers will be impaired, and our ability to generate revenues and grow our business will suffer.

Even if we complete the development of our new products and services in a cost-effective and timely manner, they may not gain traction in the market at all or at anticipated levels, which would adversely affect our business.

2. ***If we are unable to successfully manage the introduction of new products, our business, operating cash flows and financial condition will be adversely affected.***

As we introduce new or enhanced products we face risks including, among other things, disruption in customers' ordering patterns, excessive or insufficient levels of existing product inventories, difficulties in ramping-up our manufacturing arrangements, revenue deterioration in our existing product lines, insufficient supplies of new products to meet customers' demand, possible product and technology defects and a potentially different sales and support environment. The development and commercialisation process is both time consuming and capital intensive. We may focus our resources on technologies that do not become widely accepted or are not commercially viable. Our ongoing investments in research and development for new products and processes may result in higher costs without a proportionate increase in revenues.

Further, any leaks of information about new products or features or technologies prior to their launch may reduce the effectiveness of our product launches, reducing sales volumes of current products due to anticipated future products, making it more difficult to compete, shortening the exclusivity of our product innovation and/or increasing market expectations for the results of our new products before we have had an opportunity to demonstrate the market viability of such products. Our failure to manage the introduction of newer products will adversely affect our business, operating cash flows and financial condition.

3. ***Our sales and profitability could be harmed if we are unable to maintain and further build our brand.***

We believe that our future success will be partially influenced by further development of the "Micromax" brand and our ability to communicate effectively about our products to various target customers through consistent and focused marketing messages. A number of factors, including adverse publicity regarding our brand ambassadors and unsuccessful product introductions, may have a negative effect on our reputation and erode our brand image. Insufficient investments in marketing and brand building could also erode or impede the development of our brand. Further, our brand is relatively new and, therefore, may not have significant brand recall in all market segments in which we sell our products or may be confused with other domestic mobile handset brands. Although we have expended, and expect to continue to expend including from the Net Proceeds of the Issue, resources on establishing and maintaining our brand, no assurance can be given that our brand will be effective in attracting and growing our customer base or that such efforts will be successful and cost-effective. For further details see, "***Objects of the Issue***" on page 36. Any impairment of our reputation or erosion of our brand or failure to optimize our brand in the marketing of our products could have a material adverse effect on our capacity to retain our current customers and attract new customers and therefore on our sales and profitability.

4. ***We operate in a highly competitive environment and may not be able to effectively compete.***

Competition in our industry is based on pricing of products, innovation, perceived value, brand recognition, promotional activities, advertising, special events, new product introductions and other activities. Maintaining or increasing our market share will also depend on the effectiveness of our marketing initiatives, including advertisements and our ability to anticipate and respond to various competitive factors, including our ability to improve our manufacturing arrangements, and intellectual property, introduce new products and respond to pricing strategies by competitors and changes in customer preferences. Our competitors include companies such as Nokia, Samsung, LG, Spice and Videocon.

Some of our competitors may devote greater resources to the development, promotion and sale of their products than we do. They may have lower costs and/or be better able to withstand lower prices in order to gain market share at our expense. They may offer better terms to third-party original equipment manufacturers ("**OEMs**"), suppliers and distributors. They may be more diversified than we are and better able to leverage their other businesses, products and services to be able to accept lower returns in the mobile device market and gain market share. These competitors may also bring with them customer loyalties, which may limit our ability to compete despite superior product offerings. In addition, many of our competitors have significantly greater engineering, technical, manufacturing, sales, marketing and financial resources and capabilities than we have. These competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements, including introducing a greater number and variety of products than we can.

In particular, we expect to face additional competition from domestic mobile handset companies in the markets in which we operate, which offer low cost mobile handsets, including handsets that have features similar to ours. In particular, it may be difficult for us to make profitable sales in markets where our domestic competitors are present and in which we have not previously made sales of mobile handsets. If market prices are substantially reduced by any of these domestic mobile handset companies in their respective markets, our business in those markets could be materially adversely affected. Further, if we do not continue to distinguish our products through distinctive, technologically advanced features and design, as well as continue to build and strengthen our brand recognition, we could lose market share and our revenues and earnings could decline.

To remain competitive, we must continue to invest significant resources in research and development, sales and marketing and customer support. We cannot be sure that we will have sufficient resources to make these investments or that we will be able to make the technological advances necessary to be competitive. Increased competition could result in price reductions, reduced demand for our products and services, increased expenses, reduced margins and loss of market share. Failure to compete successfully against current or future competitors could harm our business, operating cash flows and financial condition.

5. ***We may face product recalls, product liability claims and legal proceedings if the quality of our products does not meet our customers' expectations, in which case our sales and operating earnings, and ultimately our reputation, could be negatively impacted.***

Our products may contain quality issues or undetected errors or defects, especially when first introduced or when new models or versions are released, resulting from the design or manufacture of the product, or from the software or other components used in the product. These issues may be caused by components purchased by our OEM partners or by us, on behalf of our OEM partners, from suppliers. Such quality issues can expose us to product liability or recall claims in the event that our products fail to meet the required quality standards, or are alleged to cause harm to customers. We have not made any recall of our products in the past. However, we face the risk of legal proceedings and product liability claims being brought against us by various entities including consumers, distributors and government agencies for various reasons including for defective products sold or services rendered. We cannot assure you that we will not experience any product recalls or material product liability losses in the future or that we will not incur significant costs to defend any such claims. Further, we do not have any insurance cover to protect us from claims from customers in our international markets. A product recall or a product liability claim may adversely affect our reputation and brand image, as well as entail significant costs in excess of our available insurance coverage, which may adversely effect our reputation, business and financial condition.

6. ***Any inability to manage our growth could disrupt our business and reduce our profitability.***

We have experienced significant growth in recent years. In fiscal 2010, we had total sales of ₹ 15,653.04 million, a 355.14% increase compared to total sales of ₹ 3,439.15 million in fiscal 2009, which in turn represented a 186.41% increase compared to total revenues of ₹ 1,200.78 million in fiscal 2008. For further details on our financial statements see "***Financial Statements***" on page 123. Our operations have also expanded, as a result of our strategy to continue to expand into new customer segments and markets including select international markets.

We expect our future growth to place significant demands on both our management and our resources. This will require us to continuously evolve and improve our operational, financial and internal controls across our organization. In particular, continued expansion increases the challenges we face in:

- strengthening our internal control system for purchases of inventory to be commensurate with the size of our Company.
- improving the scope and coverage of our internal audit systems to keep pace with our growth;
- recruiting, training and retaining sufficient skilled technical, sales and management personnel;
- identifying, establishing, maintaining and expanding relationships with mobile communication service providers, distributors, OEM partners and after-sales services partners in each of the markets in which we operate;
- managing economies of scale, including a larger number of distributors and after-sales service providers including in select international markets;
- identifying, understanding and responding to challenges and risks that are unique to the different markets in which we operate;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems; and
- maintaining high levels of product quality and customer satisfaction.

Any inability to manage our growth may have an adverse effect on our business, results of operations and financial condition.

7. ***Disruption of our relationships with our state and regional distributors, changes in their business practices, their failure to meet payment schedules and provide timely and accurate information or***

conflicts among our channels of distribution or our inability to further expand our distribution network could adversely affect our business, operating cash flows and financial condition.

We have a three tier distribution network in India comprising more than 60 state and regional distributors across 23 states in India. Our state and regional distributors sell our products, in unique territories assigned by us, to more than 800 local distributors, who in turn distribute our products to several retail outlets that sell to consumers. In addition, we also operate one, third party owned, Micromax exclusive retail outlet. We have also partnered with a national distributor that targets organized retail outlets and helps us build our brand name and sales through such channels. We focus on building long term relationships with our distributors and have grown the depth and breadth of our distribution network rapidly, in both Tier 2 and Tier 3 cities as well as in India's largest cities. In each of Nepal, Sri Lanka and Bangladesh, we currently partner with one national level distributor. Our policy is to offer attractive margins to our channel partners to incentivize and motivate them to with respect to the distribution of our products versus the products of our competitors. Our in-house team of 33 service coordinators manages our distribution network.

We are dependent on our state and regional distributors for the distribution of our products within India and international distributors outside India. While we believe that our relationship with these parties has been satisfactory, we have neither long-term nor exclusive contracts with such state and regional distributors and international distributors. If our competitors offer distributors and retailers more favourable terms or have more products available to meet their needs or utilize the leverage of broader product lines sold through the channel, those distributors and retailers may de-emphasize or decline to distribute our products. In addition, our distributors could change their business practices, such as inventory levels, or seek to modify their contractual terms, such as payment terms. Inability of our distributors to meet our payment schedules or unexpected changes in inventory levels, payment terms or other practices by our distributors or other sales channel partners could negatively impact our business, operating cash flows and financial condition. We rely on our state and regional distributors and our international distributors to provide us with timely and accurate information about their inventory levels as well as sell-through of products purchased from us. We use this information as one of the factors in our forecasting process to plan future production and sales levels, which in turn influences our financial forecasts. If we do not receive this information on a timely and accurate basis, our results of operations and financial condition may be adversely impacted.

In order to expand the sales volume of our products, it is essential that we continue to expand the density as well as the geographic reach of our existing distribution network and ensure that our products reach every market segment and customer base. If we are unable to continue to expand our distribution network, our business will suffer.

8. ***Our products are manufactured by third parties that, in turn, rely on third-party suppliers, which presents numerous risks to our ability to receive an adequate supply of quality products.***

During fiscal 2010, we worked with a select group of OEM partners, some of whom have been working with us since the commencement of our mobile handset and data card business. We have entered into agreements with four OEMs and have relationships with an additional six OEMs. We rely on these OEM partners to manufacture our products and our manufacturing partners rely on third-party suppliers for many of the components used in our products. Moreover, our agreements with our OEM partners are generally not long-term or exclusive and, although we work closely with our OEM partners and their third-party suppliers, we do not exercise control over their contractual arrangements. Thus, our manufacturing model presents numerous risks to our ability to receive an adequate supply of quality products at reasonable prices and meet our customers' demands, which, if we fail to do, would have a negative impact on our business, financial position, results of operations, cash flows and prospects. These risks include:

- interruptions to the manufacturing operations of our OEM partners or their third-party suppliers due to strikes, lockouts, work stoppages or other forms of labour unrest, breakdown or failure of equipment, earthquakes, floods and other natural disasters as well as accidents and the need to comply with the directives of relevant governmental authorities;

- insufficient quality controls or failures in the quality controls of our OEM partners or their third-party suppliers;

- significant adverse changes in the financial or business conditions of our OEM partners or their third-party suppliers;

- performance by our OEM partners or their third-party suppliers below expected levels of output or efficiency;
- any inability of our OEM partners or their third-party suppliers to obtain timely and adequate delivery of quality materials, parts and components;
- increases in the costs of materials, parts and components;
- the possibility that our competitors will engage our OEM partners or their third-party suppliers, directly or indirectly, and thereby reduce the manufacturing capacity available to us;
- any inability on our part to renew existing agreements with or find replacements for existing OEM partners and third-party suppliers, respectively;
- risks related to the delay in making deliveries as our OEM partners and third-party suppliers are based outside of India; and
- misappropriation of our intellectual property by our OEM partners or their third-party suppliers.

Whilst we are proposing to establish a manufacturing facility in India, until such time we are able to set up such a facility, we will continue to be dependent on our OEM partners in China and Taiwan to manufacture our products. As a result, any restrictions on foreign trade in India, particularly with respect to the import or use of mobile communication technology and equipment manufactured in China, will materially adversely affect our business operations and financial condition.

9. ***We rely completely on third party agencies for the supply and transportation of our products from our OEM partners in China and Taiwan to our distributors, which is subject to various uncertainties and risks.***

We rely completely on third party agencies to manage our supply chain and ensure the timely delivery of our products, who in turn rely on a combination of air and road transport to supply our products. These transportation facilities may not be adequate to support our existing and future operations. Further, disruptions of transportation services due to weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure or other events could impair our ability to supply our products to our customers. Any such disruptions could materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that we will be successful in continuing to receive uninterrupted, service from our supply chain service providers for all our current and future products. Any disruption or inefficiencies in the supply chain network may adversely affect our business and results of operations.

10. ***We rely on third parties to provide after-sales services to the end users of our products. If these third-party providers fail to provide consistent quality service in a timely manner and sustain customer satisfaction, our operations and revenues could suffer***

We outsource after-sales services for our products to third parties. We depend on their expertise and rely on them to provide satisfactory levels of service. After-sales services, such as technical support and repair, are essential in order to maintain customer satisfaction with our products and create positive brand reputation.

If these third-party providers fail to provide consistent quality service in a timely manner and sustain customer satisfaction, our operations and revenues could suffer. We currently rely on more than 370 strategically located ASCs and five modular (component) service centers carefully selected based on our stringent standards. We also have one ASC in each of Nepal and Sri Lanka. All of our ASCs are owned and operated by third parties with whom we contract. If these third-parties were to stop providing these services, we may be unable to replace them on a timely basis and our brand reputation could be harmed. In addition, if these third parties were to change the terms and conditions under which they provide these services, our selling costs could increase.

11. ***We may be unable to effectively manage a variety of business, legal, regulatory, economic, social and political risks associated with our international operations.***

Our products are manufactured by OEM partners based in China and Taiwan who rely on third-party suppliers also located outside India. Further, we export our products to Nepal, Sri Lanka and Bangladesh and plan to increase international sales and expand into Brazil, Nigeria, Ghana and the UAE. These international operations and pursuing such a growth strategy exposes us to a variety of risks, including risks arising from:

- introduction of restrictions on foreign trade by India, particularly with respect to the import or use of mobile communication technology and equipment manufactured in China or Taiwan;
- unfamiliarity with the development, ownership and management of an adequate distribution network and supply chain in these markets,
- inability to obtain potential customers due to lack of brand recognition and knowledge regarding customer preferences in such markets;
- difficulties in staffing and managing multiple international locations;
- any need to obtain governmental approvals and permits under unfamiliar regulatory regimes;
- increased costs resulting from the need to comply with complex foreign laws and regulations including those relating to import and export requirements, telecom equipment, trade restrictions, labour relations and tax laws that apply to our international operations;
- imposition of, or unexpected adverse changes in, the laws, regulatory requirements or trade policies of foreign governments;
- increased exposure to foreign currency exchange rate risk, particularly in the U.S. dollar;
- restrictions on transfer of funds into or out of a country;
- inability to obtain adequate insurance;
- inability to maintain or enforce legal rights and remedies, including those relating to intellectual property and trade secrets, at a reasonable cost or at all;
- potential for political unrest, war or acts of terrorism in countries in which we operate such as the political unrest caused by rebel groups in Nepal;
- challenges caused by distance, language and cultural differences and by doing business with foreign agencies and governments;
- longer payment cycles in some countries;
- uncertainty regarding liability for products;
- credit risk and higher levels of payment fraud; and
- potentially adverse tax consequences.
- We may be unsuccessful in developing and implementing policies and strategies that will be effective in managing these risks in each country where we do business or plan to do business. Our failure to manage these risks successfully could adversely affect our business, operating results and financial condition.
- Furthermore, we may face competition in other countries from companies that have more experience with operations in such countries or with international operations generally. If we are unable to successfully build our brand reputation and sale revenues in our international markets, it may limit our ability to grow our business.

12. ***We intend to utlize ₹ 2,260.39 million of the Net Proceeds of this Issue to set up a manufacturing facility for mobile handsets. However, we have not, as of the date of this Draft Red Herring Prospectus, identified land, placed orders for any equipment or obtained various approvals required for the manufacturing unit.***

We intend to use ₹ 2,260.39 million of the Net Proceeds of this Issue to set up a manufacturing facility for mobile handsets. For use of Proceeds, see "***Objects of the Issue***" on page 36. We have identified Sriperumbudur in Tamil Nadu as a possible location for setting-up our manufacturing facility. However, we are also in the process of evaluating alternative locations for setting-up our manufacturing facility and we may decide to change the location of the project. Furthermore, we have not, as of the date of this Draft Red Herring Prospectus, identified or acquired any land for setting up the manufacturing unit proposed to be financed out of the Net Proceeds of this Issue. We may not be able to acquire a large area of industrial land due to its unavailability.

We also require environmental clearances and other approvals including under the Factories Act, 1948, Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 for setting up and commencing operation of the manufacturing unit. There can be no assurance that these approvals will be obtained within the scheduled time anticipated by us, or at all. Any delay or inability in obtaining these approvals could have a material adverse effect on our ability to develop the manufacturing unit as planned, and therefore, our financial condition and business prospects.

As per the project report dated September 23, 2010 prepared by Ace Global Private Limited, the costs relating to the project has been estimated based on rates obtained from the local State Industrial Development Corporation, estimates given by contractors and engineering firms, budgetary estimates from suppliers of equipments and certain assumptions including those relating to the cost of utilities and miscellaneous fixed assets, preliminary pre-operative and miscellaneous expenses and provision for contingency. For further details, see "***Objects of the Issue***" on page 36. Such estimates and assumptions may undergo change or revision based on several factors including, among other things, the eventual design specifications, configurations of equipments and automation/ technology selected. We may also face cost overruns during the construction or implementation of the proposed manufacturing unit on account of increased costs of sourcing imported equipments from foreign countries especially China and Taiwan, increased land acquisition costs, project implementation delays and other factors, which would require us to revise our project cost estimates.

Furthermore, we have not placed any orders with regards to the project. Any difficulties in obtaining timely supply of such plant and machinery may adversely affect the implementation of these projects. We will depend on the availability and skills of third party contractors for the construction and installation of our manufacturing facility and the supply of certain key plant and equipment. We may only have limited control over the timing or quality of services, equipment or supplies provided by these contractors and are highly dependent on some of our contractors who supply specialized services and machinery. We may be exposed to risks relating to the quality of the services, equipment and supplies provided by contractors necessitating additional investments by us to ensure the adequate performance and delivery of contracted services.

Further, we may be unable to hire necessary manpower for the manufacturing unit and may be subject to labour unrest in the future. In addition, India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for employee removal and dispute resolution and imposes financial obligations on employers upon employee layoffs which may adversely affect our business and profitability.

We expect that a significant portion of the production from this facility would be sold in the Indian market where we may face competition from existing domestic and international players. Our decision to undertake this project is based on the future demand for our products which may not materialize.

Any delays in the implementation of the project, cost overruns, changes or lack of demand for our products or for other reasons, we may not achieve the economic benefits expected of this project and our failure to obtain expected economic benefits from this project could adversely affect our business, financial condition and results of operations.

13. ***Our Promoters are first generation entrepreneurs and they do not have any prior experience in managing a manufacturing facility and there can be no assurance that they will be able to successfully set up and operate the proposed manufacturing facility.***

Our Promoters are first generation entrepreneurs and they do not have any prior experience in manufacturing mobile handsets and there can be no assurance that we will be able to attract the appropriate personnel to manage the proposed manufacturing facility. Further, the success of our manufacturing operations will also depend on our ability to work with our component suppliers located outside India to source the required quantity of components at the right prices. In the event we are unable to do so, we may not be able to get the desired returns from the planned investment in the manufacturing facility and we may still depend substantially on other vendors for manufacturing our mobile handsets.

We may pursue strategic acquisitions and investments which could have an adverse impact on our business if they are unsuccessful.

We have identified strategic acquisitions as one of our avenues for growth. We seek to identify acquisition targets and/or joint venture partners whose resources, capabilities, technologies and strategies are complementary to and are likely to enhance our product offering and business operations, and for this purpose we have earmarked ₹ 750 million as one of the objects of this Issue.

Acquisitions could result in difficulties in integrating operations, products, technology, internal controls, personnel and management teams and could result in the diversion of capital and management's attention away from other business issues and opportunities. If we fail to successfully integrate acquisitions, including timely integration of internal controls, our business could be harmed. In addition, our acquisitions may not be successful in achieving our desired strategic objectives, which would also cause our business to suffer. Acquisitions can also lead to large non-cash charges that can have an adverse effect on our results of operations as a result of write-offs for items such as impairments of intangible assets and goodwill or the recording of equity-based compensation.

Further, acquisitions inherently entail risks which may be presently unknown to us. For example, we may not be aware of (or have been able to diligence) all of the risks associated with the acquisitions we may undertake in the future. It may be difficult for us to conduct a thorough independent due diligence review of non-public information about the target company. We cannot assure you that our reviews, diligence or inspections (or the relevant review, diligence or inspection reports on which we have relied) would have revealed all liabilities or other problems with the business of a target company. Further, following completion of an acquisition, we will need to make capital expenditures that may be significant to maintain the business we have acquired and to comply with regulatory requirements. If any unknown liabilities were to materialise or arise after the completion of the acquisition, it could have an adverse effect on our business and results of operations.

Finally, we may be unable to identify attractive acquisitions or investments, in which case our expansion would be entirely dependent upon organic growth.

14. ***It may be difficult for us to recruit and retain highly skilled technical personnel that are necessary for our business in order to remain competitive.***

Competition for highly skilled technical personnel in technology industries is intense. We believe that our future success depends largely on our continued ability to hire, assimilate, retain and leverage the skills of qualified engineers and other highly-skilled personnel needed to develop successful new products. We may not be as successful as our competitors at recruiting, assimilating, retaining and utilizing these highly-skilled personnel. Our competitors may choose to locate research and development facilities in India and would likely to be able to offer better compensation packages to such personnel. If we are unable to recruit and retain qualified personnel with the requisite experience, our growth and competitive position will be adversely affected.

15. ***Our trademarks and are not currently registered under the Trade Marks Act, 1999 in India or in other countries in which we operate and our efforts to protect our intellectual property may not be sufficient.***

Currently, we do not have a registered trademark over our name and logo under the Trade Marks Act, 1999, in India or other applicable laws in the countries where our products are sold, and, consequently, do not enjoy the statutory protections accorded to trademarks which are registered. Though we have made applications for registration in India, Nepal and Bangladesh, the registration of any trademark is a time-consuming process, and there can be no assurance that any such registration will be granted. Further, we do not have any patents, pending patents, registered copyrights or applications for copyrights and we have also not registered the name of any of our products including product names such as Bling and Gameolution. Accordingly, competitors or other companies may challenge the validity or scope of our intellectual property.

We rely on a combination of confidentiality provisions to establish and protect our proprietary rights. This may not provide adequate protection for our intellectual property, particularly, with respect to our name and logo, because we do not have any trademarks registered. Unless our trademarks are registered, we may only get passing off relief for our marks if used by others, which could materially and adversely affect our brand image, goodwill and business.

We may be required to spend significant resources to monitor and police our intellectual property rights. Effective policing of the unauthorized use of our products or intellectual property is difficult and litigation may be necessary in the future to enforce our intellectual property rights. Intellectual property litigation is not only expensive, but time-consuming, regardless of the merits of any claim, and could divert attention of our management from operating our business and harm our reputation. Despite our efforts, we may not be able to detect infringement and may lose competitive position in the market before we do so. In addition, competitors may design around our technology or develop competing technologies. Intellectual property rights may also be unavailable, unenforceable or limited, which could make it easier for competitors to capture market share.

In addition, we may not be successful in preventing those who have obtained our proprietary information through employment by us or by our manufacturing partners from using our technology to produce competing products or leaking our proprietary information.

16. ***Third parties may claim in the future, that we, our OEM partners and/or their suppliers are infringing their intellectual property, and we could suffer significant litigation or licensing expenses or be prevented from selling products regardless of whether these claims are successful.***

Third parties may claim that we, our OEM partners and/or their suppliers are directly or indirectly infringing on their intellectual property rights, and we and/or they may be found to directly or indirectly infringe on those intellectual property rights and may be required to pay significant damages and obligated either to refrain from the further manufacture or sale of such products or to license the right to manufacture or sell such products on an ongoing basis. We may be unaware of intellectual property rights of others that may cover some of our products. We may not have direct contractual relationships with some of the component, software and applications providers for our products, and as a result, we may not have indemnification, warranties or other protection with respect to such components, software or applications. Furthermore, intellectual property claims against us or our OEM partners may cause us to delay the introduction new products or withdraw existing products and, as a result, our revenues, business and operating cash flows may be adversely affected.

Any litigation regarding patents or other intellectual property could be costly and time consuming and could divert the attention of our management and key personnel from our business operations. The complexity of the technology involved and the uncertainty of litigation generally increase the risks associated with intellectual property litigation. Similarly, litigation against our OEM partners or suppliers may disrupt our supply chain. Claims of intellectual property infringement may also require us to enter into costly royalty or license agreements or to indemnify our customers, licensees, OEM partners, and other third parties with whom we have relationships. However, we may not be able to obtain royalty or license agreements on terms acceptable to us or at all. We also may be subject to significant damages or injunctions against the development and sale of our products. These risks associated with patent litigation are exacerbated by the lack of a clear and consistent legal standard for assessing damages in such litigation.

17. ***There are outstanding litigation against us which if determined adversely, could affect our operations. Further, we could suffer significant litigation expenses in defending these claims and could be subject to significant damage awards or other remedies.***

In the course of our business, we may receive consumer protection claims, product liability claims, general commercial claims related to the conduct of our business and the performance of our products and services, employment claims and other litigation claims. Litigation resulting from these claims could be costly and time-consuming and could divert the attention of management and key personnel from our business operations.

Our legal proceedings are pending at different levels of adjudication before various courts and tribunals. The amounts claimed in these proceedings have been disclosed to the extent ascertainable, excluding contingent liabilities and include amounts claimed jointly and severally from us and other parties. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase expenses and current liabilities.

Litigation against our Company

Sr. No.	Nature of the litigation	No. of outstanding litigation matters	Aggregate approximate amount involved *(in ₹millions)*
1.	Statutory notice	1	11.86
2.	Income tax proceedings	1	0.06
3.	Delhi VAT related proceedings	1	0.89
4.	Civil cases	2	Not quantifiable
5.	Labour case	1	Not quantifiable
6.	Consumer cases	109	3.96
7.	Legal notices*	6	-

** These are consumer cases for which we have not yet received copies of complaints. For details see, "**Outstanding Litigation and Material Developments**" on page 238.*

We cannot assure you that any of the legal proceedings instituted above will be decided in our favour which may have a material adverse effect on our reputation, financial condition and results of operations. For further details of outstanding litigation against us see "***Outstanding Litigation and Material Developments***" on page 238.

18. We require a number of approvals, licenses, registrations and permits for our business, and the failure to obtain or renew them in a timely manner may adversely affect our operations.

We require a number of approvals, licenses, registrations and permits for our business. Additionally, we may need to apply for renewal of approvals which expire, from time to time, as and when required in the ordinary course. For more information, see "***Government and Other Approvals***" on page 249. Some of our approvals in relation to our warehouses/distribution offices located in various parts of India are yet to be obtained, due to which the relevant authorities may impose penalties for non-compliance. As of August 31, 2010 we had 23 warehouses/distribution offices and we are yet to obtain approvals under the Shops and Establishments Acts of the respective states in relation to all these warehouses/distribution offices. Further, we have an aggregate of six pending trademark applications in relation to our trademarks "micromax", "micromax mobile" and "x-treme", in India, Nepal and Bangladesh.

19. If we are unable to obtain key software technologies from third parties on a timely basis and free from errors or defects, we may have to delay or cancel the release of certain products or features in our products or incur increased costs.

Our OEM partners generally obtain the necessary licenses for using third party software. Our ability to release and sell our products, as well as our reputation, could be harmed if the third-party technologies are not delivered to us in a timely manner, on acceptable business terms or contain errors or defects that are not discovered and fixed prior to release of our products and we are unable to obtain alternative technologies on a timely and cost effective basis to use in our products. As a result, our product shipments could be delayed, our offering of features could be reduced or we may need to divert our development resources from other business objectives, any of which could adversely affect our reputation, business and operating cash flows.

20. We have entered into certain debt financing arrangements agreements which impose certain restrictive covenants which could adversely impact our ability to conduct our business operations.

As of March 31, 2010, we had a total outstanding indebtedness of ₹ 11.69 million. For further details regarding our indebtedness, see "***Financial Statements***" and "***Financial Indebtedness***" on pages 123 and 212, respectively. In addition, we have currently undrawn upon financing arrangements that contain restrictive covenants whereby we are required to obtain approval from our lenders, regarding, among other things, effecting any change in capital structure, any reorganization, amalgamation or merger, incurrence of additional indebtedness, the disposition of assets and the expansion of our business. We cannot assure you that we will receive such approvals in a timely manner, or at all.

Our ability to meet our debt service obligations and to repay our outstanding borrowings will depend primarily upon the cash flow generated by our business over time. If we fail to meet our debt service obligations or breach our financial or other covenants required under the financing documents, the relevant lenders could declare us in default under the terms of our borrowings, accelerate the maturity of our obligations, either in whole or in part, require us to pay any costs related to our default or take over and/or sell the assets that have been used to secure our loans, which include immovable and movable properties, book debts and stock. We cannot assure you that, in the event of any such acceleration, we will have sufficient resources to repay these borrowings. Failure to meet our obligations under the debt financing arrangements could have an adverse effect on our cash flows, business and results of operations.

21. We rely on our information technology systems in managing our supply chain and other integral parts of our business. Any failure in our information technology systems could adversely affect our financial condition and result of operations.

Our information technology systems are of paramount importance to our business. We rely heavily on our information technology systems in connection with sales accounting, finance accounting, distribution and the general running of our day-to-day business. In particular we heavily rely on Microsoft's Navision enterprise resource planning software to connect and manage information from the manufacturing, distribution and financial management areas of our business. Any failure in our information technology systems could result in business interruption, adversely impacting our reputation and could have an adverse effect on our financial condition and results of operations.

22. Contingent liabilities could adversely affect our financial condition.

The following table provides our contingent liabilities as on the dates indicated:

(*In ₹ million*)

Nature of contingent liability	As at March 31, 2010
Income tax case (assessment year 2008-09) pending with Commissioner of Income-tax (Appeals)	0.06
Delhi VAT case (assessment year 2007-08) pending with deputy commissioner of income-tax	0.89
Total	**0.95**

If any or a significant portion of these contingent liabilities materialize, it could have an adverse effect on our business, financial condition and results of operation.

23. The success of our business depends substantially on management team and operational workforce. Our inability to retain them could adversely affect our businesses.

Our key management personnel are experienced in managing our businesses and are difficult to replace. They provide expertise which enables us to make well informed decisions in relation to our businesses and our future prospects We cannot assure you that we will continue to retain any or all of the key members of our management. The loss of one or more members of our senior management team could impact our ability to execute our growth strategy and grow our revenues.

Competition for senior management in our industry is intense, and we may not be able to recruit and retain suitable persons to replace the loss of any of our senior managers in a timely manner. Any loss of our senior managers or other key personnel or the inability to recruit further senior managers or other key personnel could impair our future by impairing our day-to-day operations, hindering our development of new products and harming our ability to develop, maintain and expand our operations.

24. Two of our Group Entities has incurred losses in recent fiscals.

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

(₹ million)

Name of Group Entity	Profit/ (Loss) after tax		
	Fiscal 2010	Fiscal 2009	Fiscal 2008
Centre for Promotion of Trade and Technology Private Limited	0.00	0.00	(0.01)

(US$ million, unless otherwise stated)

Name of the Group Entity	June 2008 - March 31, 2010
Micromax Informatics Limited, Hong Kong	0.00 (1)

(1) *Loss after tax US$ 1008*

In addition, the auditors of Micromax Informatics Limited, Hong Kong ("**Micromax Hong Kong**") have included certain significant notes for the period June 26, 2008 to March 31, 2010 including that Micromax Hong Kong was dormant during such period. For details, see "***Our Promoters and Group Entities***" on page 116.

25. We have experienced negative cash flows from operating activities in fiscal 2008. Any negative cash flows from operating activities in the future could adversely affect our results of operations and financial condition.

For fiscal 2008, we had a negative cash flow from operating activities of ₹ 83.61 million. Any negative cash flows from operating and investing activities in future would adversely affect our results of operations and financial condition. See "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 217.

26. We generate our income and incur expenses in both Indian Rupees and U.S. Dollars and exchange rate movement may cause us to incur losses when hedging on our exchange exposure is not sufficient.

While a substantial portion of our revenues is, and we expect in future will be, denominated in Rupees, we are exposed to foreign exchange rate risk on imported components and products supplied by our OEM partners based in China and Taiwan and revenue from sales in our international markets, which is mostly denominated in U.S. Dollars. We report our consolidated financial results in Indian Rupees, while portions of our total income and expenses are denominated, generated or incurred in currencies other than Indian Rupees such as the U.S. Dollar. While we may enter into hedging transaction to cover our foreign currency exchange risk , there is no assurance that this would adequately cover the risk arising from such exposure. Accordingly, any depreciation of the Rupee against the US Dollar will significantly increase the Rupee cost to us of servicing and repaying our foreign currency payables, which in turn could impact our results of operations.

27. Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures and restrictive covenants in our financing arrangements

Whether our Company pays dividends in the future and the amount of any such dividends, if declared, will depend upon a number of factors, including our results of operations and financial condition, financing agreements that we have entered into, contractual restrictions (including the terms of some of our financing arrangements that currently restrict our ability to pay dividends) and other factors considered relevant by our Board of Directors and shareholders. We may be unable to pay dividends in the near or medium term, and our future dividend policy will depend on our capital requirements and financing arrangements. There is no assurance that our Company will declare and pay, or have the ability to declare and pay, any dividends on Equity Shares at any point in the future.

28. If we do not accurately forecast demand for our products, our revenues, gross profit and financial condition could be adversely impacted.

The demand for our products depends on many factors, including pricing and channel inventory levels, and is difficult to forecast due in part to variations in economic conditions, changes in customer preferences, relatively short product life cycles, changes in competition, seasonality and reliance on key sales channel partners. It is particularly difficult to forecast demand by individual product. Significant unanticipated fluctuations in demand, the timing and disclosure of new product releases or the timing of key sales orders could result in costly excess production or inventories, liabilities for failure to achieve minimum purchase commitments or the inability to secure sufficient, cost-effective quantities of our products or production materials. This could adversely impact our revenues, gross profit and financial condition.

29. Our future operating results are difficult to predict and may differ from our past performance.

Our results of operations during any financial year and from period to period are difficult to predict. Our business, results of operations and financial condition may be adversely affected by:

- Decreased demand for our products in the Indian and the international markets in which we operate;

- A decrease in domestic and international prices for our products;
- An increase in interest rates at which we can raise debt financing;
- An increase in Indian import tariffs or in domestic duties;
- Increasing transportation costs, including freight to key export markets, or the non-availability of transportation due to strikes, shortages or for any other reason;
- Strikes or work stoppages at our OEM partners; and
- Changes in government policies adversely affecting the mobile handset industry.

30. ***Our Promoters will continue to retain majority shareholding in our Company after the Issue, which will allow them to exercise significant influence over our Company. We cannot assure you that our Promoters will always act in our Company's or your best interest.***

The substantial majority of the issued and outstanding Equity Shares are currently beneficially owned by our Promoters, including Mr. Rajesh Agarwal, Mr. Rahul Sharma, Mr. Sumeet Kumar and Mr. Vikas Jain. Upon completion of the Issue, our Promoters and Promoter Group will own 153,125,980 Equity Shares, or 71.28% of our post-Issue Equity Share capital. Accordingly, our Promoters will continue to exercise significant influence over our business policies and affairs and all matters requiring shareholders' approval, including the composition of our Board of Directors, the adoption of amendments to our certificate of incorporation, the approval of mergers, strategic acquisitions or joint ventures or the sales of substantially all of our assets, and the policies for dividends, lending, investments and capital expenditures. This concentration of ownership also may delay, defer or even prevent a change in control of our Company and may make some transactions more difficult or impossible without the support of these shareholders. The interests of the Promoter Group as the Company's controlling shareholder could conflict with our Company's interests or the interests of its other shareholders. We cannot assure you that the Promoter Group will act to resolve any conflicts of interest in our Company's or your favour.

31. ***Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject and this may have a material adverse effect on our business.***

We face the risk of loss resulting from product liability, intellectual property, contractual, warranty, and other lawsuits, whether or not such claims are valid. In addition, our insurance may not be adequate to cover such claims or may not be available to the extent we expect. A successful claim that exceeds or is not covered by our policies could require us to pay substantial sums.

We maintain insurance policies with independent third parties in respect of buildings, equipment and certain inventories covering losses due to fire and a wide range of natural disasters and burglary. We also maintain policies in respect of marine, air and inland transit risks for exports and imports and within India. . We also maintain Directors and Officers liability insurance for our Promoters and accident insurance and health insurance for our employees.

Our products in India are currently also insured against product liability claims. Furthermore we also maintain marine and transportation insurance to mitigate damages to such products whilst in transit from our warehouses/manufacturing facilities to our distributors. However, we presently do not have any insurance cover to protect us from claims from customers in our international markets.

Although, we attempt to obtain coverage for and mitigate our liability for damages arising from negligent acts, errors or omissions through insurance policies, our liability may sometimes not be covered as a result of the limitations of liability set forth in our insurance policies. In such event, our insurance policies may not protect us from liability for damages. These may lead to financial liability and other adverse consequences.

Further, while we believe that insurance coverage will be available in the future, we cannot assure you that such coverage will be available at costs and terms acceptable to us or that such coverage will be adequate with respect to future claims that may arise. If we are not able to adequately insure against the risks we face, or the insurance coverage we have taken is inadequate to cover our losses, our business, financial condition and results of operations could be adversely affected.

32. Our management will have significant flexibility in temporarily investing the Net Proceeds of the Issue.

We intend to use the Net Proceeds of the Issue for the purposes described in "***Objects of the Issue***" on page 36. Pending utilization of the Net Proceeds of the Issue, we intend to temporarily invest such Net Proceeds of the Issue as stated under "***Objects of the Issue– Interim Use of Funds***", for which we, in accordance with the polices established by the Board of Directors will have significant flexibility. Further, since the size of the Issue is less than ₹ 5,000 million, there is no regulatory requirement for appointing an independent agency for monitoring the utilization of the Net Proceeds of the Issue. Our management may also determine that it is appropriate to revise our estimated project costs, fund requirements and deployment schedule owing to factors which may not be within the control of our management but may affect the use of Net Proceeds.

33. We have entered into, and will continue to enter into, related party transactions. There can be no assurance that such transactions, individually or in the aggregate will not have an adverse effect on our business, financial condition and results of operations.

We have entered into certain transactions with related parties, including our Subsidiary, Group Entities, Promoter Group Companies and Promoters. For instance we have entered into a distribution arrangement with Micromax Technologies Private Limited ("**Micromax Technologies**"), a Group Entity, for distribution of our products in Delhi and NCR. We have also entered into a lease agreement with Silicon Televentures, a Promoter Group company to lease the premises of our registered office. For further information on our related party transactions, see "***Financial Statements-Standalone Statement of Related Parties and Related Transactions with them-Annexure XXV***" and "***Financial Statements–Consolidated Statement of Related Parties and Related Transactions with them-Annexure XXIV***" on pages 157 and 200, respectively. While we believe that all our related party transactions have been conducted on an arm's length basis, there can be no assurance that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties.

Furthermore, it is possible that we will enter into related party transactions in the future. Further, Micromax Technologies is engaged in the business of trading mobile handsets which is an activity similar to that conducted by our Company. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our business, financial condition and results of operations. For details, see our "***Our Promoters and Group Entities***" on page 116.

34. Our Promoters and Directors have interests in us other than reimbursement of expenses incurred or normal remuneration or benefits.

Our Promoters may also be regarded as having interest in the Equity Shares, if any, held by them or by the companies/ firms/ventures promoted 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, pursuant to this Issue. All of our Promoters 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. Additionally, our Directors are also interested in our Company to the extent of remuneration paid to them for services rendered as Directors of our Company and reimbursement of expenses payable to them. Our Directors may also be interested to the extent of any transaction entered into by our Company with any other company or firm in which they are directors or partners. For details, see "***Our Management- Interests of Directors***" on page 110.

35. The funding requirements of our Company as described in "Objects of the Issue" are based on management estimates and have not been appraised or evaluated by any bank or financial institution.

The funding requirements of our Company as described in "Objects of the Issue" are based on management estimates and have not been appraised by any bank or financial institution. Our management will have discretion in the application of the Objects of the Issue and investors will not have the opportunity, as part of their investment decision, to assess whether we are using the proceeds in a manner that they believe enhances our market value. In view of the highly competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and consequently, our programs for deployment of the Objects of the Issue may be rescheduled.

36. ***Certain registered and warehouse/distribution offices and certain other premises from where we operate are not owned by us. Further one of our lease agreements has not been duly registered.***

We do not own our registered office, which we lease from Silicon Televentures Private Limited, a member of our Promoter Group, and certain other premises from which we operate, such as certain of our warehouse and distribution offices, and any claim by the owners of such premises or withdrawal of their consent to our occupancy may disrupt our operations. Further, we may be unable to locate suitable alternate facilities on favourable terms, or at all, and this may have a material adverse effect on our business, financial condition and results of operation. For details of our properties, see "***Our Business***" on page 69.

Further, one of our lease agreements with respect to an immovable property leased by us has not been duly registered. Unless such a document is duly registered, it may be rendered as inadmissible as evidence in a court in India or attract the payment of a penalty by us as prescribed under applicable law

37. ***We cannot guarantee the accuracy or completeness of facts and other statistics with respect to India, the Indian economy and the mobile handset device industries contained in this Draft Red Herring Prospectus.***

While facts and other statistics in this Draft Red Herring Prospectus relating to India, the Indian economy as well as the mobile handset device industries have been based on various publications and reports from agencies that we believe are reliable, we cannot guarantee the quality or reliability of such materials. While we have taken reasonable care in the reproduction of such information, industry facts and other statistics have not been prepared or independently verified by us or any of our respective affiliates or advisers and, therefore we make no representation as to their accuracy or completeness. These facts and other statistics include the facts and statistics included in "***Industry Overview***" on page 57. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced elsewhere and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, elsewhere.

38. ***Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which may be material to investors' assessments of our financial condition. Our failure to successfully adopt IFRS effective from April 2011 could have a material adverse effect on our stock price.***

Our financial statements, including the financial statements provided in this Draft Red Herring Prospectus, are prepared in accordance with Indian GAAP. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. U.S. GAAP and IFRS differ in significant respects from Indian GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader‟s level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited.

The Institute of Chartered Accountants of India, the accounting body that regulates the accounting firms in India, has announced a road map for the adoption of, and convergence with, IFRS, pursuant to which all public companies in India, such as our Company, will be required to prepare their annual and interim financial statements under IFRS beginning with Fiscal period commencing April 1, 2011. Because there is significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw in forming judgments regarding its implementation and application, we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. There can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IFRS than under Indian GAAP. As we transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that our adoption of IFRS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt IFRS by April 2011 could have a material adverse effect on our stock price.

EXTERNAL RISK FACTORS

Risks Related to Investments in the Industry

39. ***Our future growth depends, in part, on the continued growth of the mobile handset industry.***

Our future growth depends, in part, on continued expansion of the mobile handset industry in terms of the number of new mobile subscribers, number of existing subscribers who upgrade and/or replace their handsets and increased usage and demand for value-added services. A decline in the rate of expansion of these aspects of the mobile handset industry could have a negative impact on our growth.

40. ***Government regulation of radio frequencies may limit the growth of the wireless communications industry or reduce barriers to entry for new competitors.***

Radio frequencies are required to provide wireless services. The allocation of frequencies is regulated in India and other countries and limited spectrum space is allocated to wireless services. The growth of the wireless and personal communications industry may be affected: (i) by regulations relating to the access to allocated spectrum for wireless communication users, especially in urban areas, (ii) if adequate frequencies are not allocated, or (iii) if new technologies are not developed to better utilize the frequencies currently allocated for such use. Industry growth has been and may continue to be affected by the cost of new licenses required to use frequencies and any related frequency relocation costs. Deregulation may allow new wireless communications technologies to be developed and offered for sale, and may introduce new competition.

41. ***Allegations of health risks associated with electromagnetic fields and wireless communications devices, and the lawsuits and publicity relating to them, regardless of merit, could adversely impact our business, operating cash flows and financial condition.***

There has been public speculation about possible health risks to individuals from exposure to electromagnetic fields from base stations and to radio signals from the use of mobile devices. Government agencies, international health organizations and other scientific bodies are currently conducting research into these issues. In addition, other mobile device companies have been named in individual plaintiff and class action lawsuits alleging that radio emissions from mobile phones have caused or contributed to brain tumors and that the use of mobile phones poses a health risk. While there has been significant scientific research by various independent research bodies that has indicated that exposure to electromagnetic fields or to radio signals, at levels within the limits prescribed by public health authority standards and recommendations, present no adverse effect to human health, we cannot assure you that other studies will not suggest or identify a link between electromagnetic fields or radio signals and adverse health effects or that we will not be the subject of future lawsuits relating to this issue. Adverse factual developments or lawsuits against us, or even the perceived risk of adverse health effects from mobile devices, could adversely impact sales, subject us to costly litigation or harm our reputation, business, operating cash flows and financial condition.

Risks Relating to this Issue and the Equity Shares

42. ***We have issued Equity Shares during the last one year at a price that may be below the Issue Price.***

We have in the last twelve months prior to filing this Draft Red Herring Prospectus, issued equity shares at a price that could be lower than the Issue Price. The price at which the equity shares have been issued in the last one year is not indicative of the price at which they will be issued or traded. For further details regarding such issuances of equity shares, see "***Capital Structure***" on page 24.

43. ***The allocation of Equity Shares pursuant to the Employee Stock Option Scheme 2010 may result in a charge to our profit and loss statement and may adversely impact our net profit.***

Our Company has adopted the Micromax Employee Stock Option Plan 2010 ("**MMX ESOP**") under which senior management personnel and Directors of our Company and its Subsidiary are able to participate up to an aggregate of 353,535 options with each employee stock option convertible into one Equity Share. An employee, who is a Promoter, belongs to the Promoter Group or Director, who directly or indirectly, holds more than 10%

of the outstanding Equity Shares of our Company, is not eligible to participate in the MMX ESOP. For further details on the MMX ESOP, please see "***Capital Structure***" on page 24. Under Indian GAAP, the grant of stock options may result in a charge to our profit and loss account based on the difference between the exercise price determined at the date of the grant of options and the fair market value of the options. This expense will be amortized over the vesting period of the options

44. There is no existing market for the Equity Shares, the Issue Price of our Equity Shares may not bear any relationship to the market price of our Equity Shares after the Issue and the price of the Equity Shares may be volatile and fluctuate significantly in response to various factors.

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

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

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

Under the Securities Contract (Regulation) Rules, 1957, as amended ("**SCRR**"), listed companies are required to maintain public shareholding of at least 25% of their issued share capital. Pursuant to the Securities Contracts (Regulation) (Amendment) Rules, 2010, notified on June 4, 2010, and the notification of the Ministry of Finance, GoI, dated August 9, 2010 the SCRR were amended to define 'public shareholding' to refer to persons other than a company's promoter and promoter group and subsidiaries and associates, and excluding shares held by a custodian against which depository receipts have been issued overseas. Failure to comply with the minimum public shareholding provision would require a listed company to delist its shares and may result in penal action being taken against the listed company pursuant to the SEBI Act.

After the completion of the Issue, our Promoters will own, directly and indirectly, approximately 71.28% of our outstanding Equity Shares. Sales of a large number of our Equity Shares by our Promoters could adversely affect the market price of our Equity Shares. Similarly, the perception that any such primary or secondary sale may occur could adversely affect the market price of our Equity Shares.

There can be no assurance that we will not issue additional Equity Shares or that our shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Upon completion of the Issue, 20% of our post-Issue paid-up capital held by certain of our Promoters will be locked up for a period of three years from the date of allotment of Equity Shares in the Issue. For further information relating to such Equity Shares that will be locked up see "***Capital Structure***" on page 24 of this Draft Red Herring Prospectus. All other remaining Equity Shares that are outstanding prior to the Issue will be locked up for a period of one year from the date of allotment of Equity Shares in the Issue.

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

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

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

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval requires all other relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and the NSE. In accordance with section 73 of the Companies Act, in the event that the permission of listing the Equity Shares is denied by the Stock Exchanges, our Company is required to refund all monies collected to investors. For further information, see **"*Other Regulatory and Statutory Disclosures*"** on page 255. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

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

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

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

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

Stock exchanges in India have in the past experienced substantial fluctuations in the prices of listed securities. The BSE Sensex increased by more than 76%, representing approximately 7,560 points, in the calendar year 2009. The stock exchanges in India, in line with global developments, have witnessed substantial volatility in 2008 and continue to be volatile in 2010. The year-to-date percentage increase in BSE Sensex as of June 30, 2010 stood at 0.25%, as compared to 6.27% decrease for the Dow Jones Industrial Average, 7.97% decrease for the Hang Seng Index, and 2.67% decrease for the Strait Times Index (Singapore). However, as of June 30, 2010 100 day volatility of the Sensex as per Bloomberg data stood at a comparable figure of 17.00 relative to 19.09 for Dow Jones Industrial Average, 21.25 for the Hang Seng Index and 15.97 for Strait Times Index (Singapore). The Indian Stock Exchanges have experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

Risks Related to Investments in India

50. ***Recent global economic conditions have been unprecedented and challenging and have had, and continue to have, an adverse effect on the Indian financial markets and the Indian economy in general, which may cause a material adverse effect on our business and our financial performance and may have an impact on the price of our Equity Shares.***

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies continuing into 2010. Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for western and emerging economies. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have contributed to volatility of unprecedented levels.

As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers. The performance and growth of our business is dependent on the health of the overall Indian economy. Any downturn in the rate of economic growth in India, whether due to political instability or regional conflicts, economic slowdown elsewhere in the world or otherwise, may have a material adverse effect on demand for our products.

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

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

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

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

Certain events that are beyond our control, such as terrorist attacks and other acts of violence or war, may adversely affect worldwide financial markets and could potentially lead to a severe economic recession, which could adversely affect our business, results of operations, financial condition and cash flows, and more generally, any of these events could lower confidence in India's economy. India has experienced social unrest in some parts of the country. If such tensions occur in other parts of the country leading to overall political and economic instability, it could have a materially adverse effect on our business, future financial performance and the price of the Equity Shares.

53. ***Any downgrading of India's debt rating by an international rating agency may have a negative impact on our business.***

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

54. ***Our business and activities will be regulated by the Competition Act, 2002 (the "Competition Act") and any application of the Competition Act to use could have a material adverse effect on our business, financial condition and results of operations.***

The Indian Parliament has enacted the Competition Act for the purpose of preventing business practices that have an appreciable adverse effect on competition in India under the auspices of the Competition Commission of India, which (other than for certain provisions relating to the regulation of combinations) has recently become effective. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether or not formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. The effect of the Competition Act and the Competition Commission of India on the business environment in India is as yet unclear. Any application of the Competition Act to us may be unfavourable and may have a material adverse effect on our business, financial condition and results of operations.

55. ***Natural calamities could have an adverse impact on the economies of the countries in which we operate.***

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

56. ***Outbreaks of epidemic diseases may adversely affect our operations.***

Pandemic disease, caused by a virus such as H5N1 (the "avian flu" virus), or H1N1 (the "swine flu" virus), could have a severe adverse effect on our business. A new and prolonged outbreak of such diseases may have a material adverse effect on our business and financial conditions and results of operations. Although the long-term effect of such diseases cannot currently be predicted, previous occurrences of avian flu and swine flu had an adverse effect on the economies of those countries in which they were most prevalent. In the case of any of such diseases, should the virus mutate and lead to human-to-human transmission of the disease, the consequence for our business could be severe. An outbreak of a communicable disease in India or in the particular region in which we do business would adversely affect our business and financial conditions and the results of operations.

Prominent Notes:

- Issue of 21,546,118 Equity Shares of ₹ 10 each for cash at a price of ₹ [●] per Equity Share of our Company aggregating ₹ [●] million. The Issue would constitute 10.03% of the post Issue paid up capital of our Company.

- The net worth of our Company as of March 31, 2010 as per our standalone and consolidated restated financial statements included in this Draft Red Herring Prospectus was ₹ 2086.59 million and ₹ 2086.24 million, respectively.

- The net asset value per Equity Share as of March 31, 2010 as per our standalone and consolidated restated financial statements was ₹ 11.75.

- The average cost of acquisition of Equity Shares of our Company by our Promoters is as follows:

  Rajesh Agarwal: Nil per Equity Share;
  Rahul Sharma: Nil per Equity Share;
  Sumeet Kumar: Nil per Equity Share; and
  Vikas Jain: Nil per Equity Share.

- For details of Group Entities having any business interests or other interests in our Company, see "***Financial Statements-Standalone Statement of Related Parties and Related Transactions with them-Annexure XXV***" and "***Financial Statements-Consolidated Statement of Related Parties and Related Transactions with them -Annexure XXIV***" on pages 157 and 200, respectively.

- The details of transactions by our Company with our Group Entity during the last year including the nature and cumulative value of the transactions, are as follows:

(₹ in million)

Nature	Category Group Entity- Micromax Technologies
Transactions during year ended March 31, 2010:	
Purchase of Fixed Assets	6.06
Sale of Goods	1238.67
Discounts given	45.12
Amounts payable by our Company	**0.16**
Amounts receivable by our Company	**164.35**

- Our Company was incorporated as 'Micromax Informatics Private Limited' on March 29, 2000 under the Companies Act with the RoC. Subsequently, our Company became a public limited company pursuant to a shareholders' resolution dated June 26, 2000 and the name of our Company was changed to 'Micromax Informatics Limited' pursuant to a fresh certificate of incorporation from the RoC on August 3, 2001. There has been no change in the name of our Company in the last three years immediately preceding the date of filing of this DRHP with the SEBI.

- There has been no financing arrangement whereby the Promoter Group, the Directors of our Company our Promoters and/or their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period from six months immediately preceding the date of filing of the Draft Red Herring Prospectus with SEBI until date.

- Investors may contact any of the BRLMs who have submitted the due diligence certificate to SEBI, for any complaint pertaining to the Issue.

SECTION III - INTRODUCTION

SUMMARY OF INDUSTRY

*The information in this section is obtained from industry publications, data on websites maintained by private and public entities, data appearing in reports by market research firms and other publicly available information. These resources generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. In this section, bracketed numbers indicate losses / negative figures. See also, "**Presentation of Financial, Industry and Market Data**" and "**Forward Looking Statements**" on pages viii and xi, respectively.*

Growth of the Indian Economy

Over the last few years, India has shown strong economic growth. In Fiscal 2010 the growth rate for India's gross domestic product ("**GDP**") is estimated to have been 7.44%, and in Fiscal 2009 and 2008, GDP growth is estimated to have been 6.72% and 9.22%, respectively, according to the Central Statistical Organisation ("**CSO**"). Economic growth is expected to continue into the immediate future with the International Monetary Fund ("**IMF**") estimating India's real GDP growth at 9.4% in 2010 and 8.4% in 2011 *(Source: IMF World Economic Outlook, July 2010)*. The McKinsey Global Institute estimates that India's real GDP will grow at a combined annual growth rate ("**CAGR**") of 7.3% from 2005 to 2025.

Indian Consumer Market

As India's economy has grown, so too has the spending power of its citizens. Real average household disposable income has roughly doubled since 1985 and a new Indian middle class has emerged, according to *The 'Bird of Gold': The Rise of India's Consumer Market*, a May 2007 report of the McKinsey Global Institute (the "McKinsey Report").

The McKinsey Report posits that if India continues on its current high growth path, the Indian consumer market will undergo a major transformation during the period from 2005 to 2025:

- income levels will almost triple, with annual real income growth per household accelerating from 3.6% over the last two decades to 5.3% over the next two;
- the shape of India's income pyramid will change with India's middle class growing by over ten times from its 2007 size of 50 million to 583 million people;
- India will climb from its 2007 position as the 12th largest consumer market to become the world's 5th largest consumer market by 2025; and
- spending patterns will evolve, with basic necessities declining in relative importance, and categories such as communications growing rapidly.

Some of the key reasons relating to the growth of India's customer markets are summarised below:

- Population Growth
- Favourable Demographics
- Rising Income Levels
- Dramatic Shift to Income Pyramid
- Increasing Consumption
- Increased Discretionary Spending – Communications Spending to Grow Fast

Indian Telecommunications Services Market

India is the second largest and the fastest growing telecom market in the world in terms of number of wireless connections, according to the Telecom Regulatory Authority of India (the "TRAI"). The Indian telecom industry can be divided into basic, mobile and internet services.

With the implementation of the GoI's Broadband Policy in 2004, the number of broadband connections has increased to 8.77 million subscribers as of March 31, 2010, and according to TRAI, the President of India has set a target of 100 million connections by 2014.

The size of the mobile wireless services market has increase by 103.70% from 286.86 million subscribers as of June 30, 2008 to 584.32 million subscribers as of March 31, 2010. TRAI estimates that the number of wireless subscribers will be over 1.00 billion subscribers by March 2014. While wireless penetration is urban areas has increased significantly over the last few years, rural and semi-urban areas continue to be under-penetrated. The overall wireless teledensity in India has increased from 24.95% for the quarter ended June 30, 2008 to 49.60% for the quarter ended March 31, 2010 *(source TRAI).* TRAI estimates that urban mobile teledensity will reach 125% by March 2014, with urban mobile subscribers reaching 572 million, and that the rural mobile teledensity will reach 60% by March 2014, with rural mobile subscribers reaching 468 million.

Indian Mobile Handset Market

The Indian mobile handset market has grown by 30.17% from 116 million handsets for the twelve month period ended December 31, 2008 to 151 million handsets for the twelve month period ended December 31, 2009. The growth has been driven by the growth in “medium” ASP devices (devices with a price in the range of ₹ 2,000 to ₹ 5,000). The contribution of medium ASP devices has increased from 34.48% for the twelve month period ended December 31, 2008 to 45.03% for the twelve month period ended December 31, 2009.

According to Analysys Mason, the Indian mobile handset market is expected to grow from a total of 151 million handsets for the twelve month period ended December 31, 2009 to 402 million handsets for the twelve month period ended December 31, 2014. The medium ASP segment is likely to be the fastest growing with volumes increasing from 68 million handsets for the twelve month period ended December 31, 2009 to 240 million handsets for the twelve month period ended December 31, 2014 and overall contribution increasing from 45.03% to 59.85% of total mobile handset market in India.

The growth in the Indian mobile handset market is likely to be driven by the replacement handset market rather than new user additions. Within the replacement handset market, the medium ASP device market is likely to grow the fastest. *(Source: Analysys Mason)*

Indian Data Card and USB Market

The Indian mobile data card and USB modem market stood at 2.02 million units in volume terms and ₹ 5,179.72 million in value terms for the twelve month period ended March 31, 2010. *(Source: IDC India, 2010)*

Key Growth Drivers for the Indian Telecom and Handset Market

We believe a number of factors have contributed to and will continue to drive growth in the Indian telecom and handset market, including the following:

- India’s economic growth has helped increase household incomes and consequently consumption, especially among young Indians who are increasingly investing in various entertainment and communication services. India’s favourable demographics in the coming years will continue to add impetus to the growth of the telecom and handset markets.

- The growing need of high mobility and connectivity at affordable prices.

- In order to curtail their network deployment costs, many service providers are considering sharing both passive and active infrastructure with each other. Common infrastructure will improve coverage, reduce costs and enable operators to expand telecom services at affordable prices to customers.

- Low overall mobile penetration indicates a latent potential for growth in India. This is especially true for expansion opportunities in the rural and semi-rural markets, which currently have low teledensity. GoI telecom policies have emphasized the need for expanding telecom coverage to include rural areas and empowering rural Indians through access to mobile telephony.

- Besides the presence of major telecom handset manufacturers, including Nokia, Samsung, LG and Motorola, and leading global telecom service companies and infrastructure majors, such as Vodafone, Singapore Telecom, AT&T, Ericsson, Alcatel and Siemens, there is strong competition from growing domestic handset companies and Indian mobile operators. Furthermore, increased competition among service providers created as a result of India allowing an unlimited number of service providers in each service area has contributed to and will continue to drive the growth of the telecom sector in India.

- The growth in the Indian mobile handset market is likely to be driven by the replacement handset market rather than new user additions. The replacement market is expected to grow from 118 million handsets for the twelve month period ended December 31, 2010, constituting 62.77% of overall Indian mobile handset market, to 359 million handsets for the twelve month period ended December 31, 2014, constituting 89.30% of overall Indian mobile handset market. Furthermore, within the replacement handset market, the medium ASP device market is likely to grow the fastest. *(Source: Analysys Mason)*

- The demand for more sophisticated and innovative e-mail and multimedia based services, as well as gaming and music related offerings is likely to fuel growth in The delivery of value added services (“**VAS**”). We believe the advent of 3G will also add impetus to the growth of the VAS market due to 3G's faster network capabilities. Consequently, we believe mobile devices will also need to become more sophisticated.

- We believe that as wireless teledensity increases, particularly among lower income Indians, the ARPU will continue to decline. As ARPUs decline and voice gets commoditized, both handset manufacturers and operators will need to develop VAS so as to create high yielding revenue streams, and attract as well as retain customers by creating a basis for differentiation. The growth in VAS is likely to impact the growth of the telecom and handset markets.

- The advent of 3G has stimulated the introduction of 3G compatible mobile devices, and expanded offerings of applications, which can take advantage of the superior speed and data transfer capabilities of 3G, from the providers of hosting, billing and network management services and content providers.

SUMMARY OF OUR BUSINESS

Company Overview

We are the largest Indian domestic mobile handsets company in terms of units shipped during the quarter ended March 31, 2010 and the third largest mobile handset seller in India as at March 31, 2010. We were the fastest growing among India's top five mobile brands during the twelve month period ended March 31, 2010 compared to the twelve month period ended March 31, 2009 in terms of the number of shipments *(Source: IDC's India Quarterly Mobile Handsets Tracker, 1Q 2010, June 2010 release)*. We sold 7.05 million mobile handsets in fiscal 2010. Our handset sales have grown by 132.43% from 1.11 million units in the quarter ended June 30, 2009 to 2.58 million units in the quarter ended March 31, 2010. We also sell mobile data cards for computers under our own brand to service providers in India.

All of our Promoters have a background in engineering and an average of more than 10 years' experience each in the information technology and telecommunications industry.

In 2009, TA Associates, a private equity firm based in the United States, through its associate, Wagner, acquired a stake in our Company and currently holds 15.00% of the pre-Issue capital of our Company. Furthermore, SCI Growth Investments II ("**Sequoia Capital**"), Sandstone Partners I ("**Sandstone**") and Madison India Capital HC ("**Madison**"), through their affiliates, acquired 5.77% of the current pre-Issue capital of our Company in September 2010. For further details see "***Capital Structure***" and "***History and Certain Corporate Matters***" on pages 24 and 96, respectively.

Our earnings before interest, taxation, depreciation and amortization (**"EBITDA"**) of ₹ 3,377.07 million in fiscal 2010 represented growth of 539.37% against ₹ 528.19 million in fiscal 2009, which in turn represented growth of 164.15% compared to EBITDA of ₹ 199.96 million in fiscal 2008. In fiscal 2010, we had total income of ₹ 16,017.58 million, a 358.44% increase compared to total revenues of ₹ 3,493.95 million in fiscal 2009, which in turn represented a 168.46% increase compared to total revenues of ₹ 1,301.50 million in fiscal 2008.

Market Overview

We believe a number of factors have contributed to and will continue to drive growth in the Indian telecom and handset market, including the following:

- *Macroeconomic growth, rising incomes and increasing consumer spending.* India's real GDP is expected to grow at a CAGR of 7.3% from 2005 to 2025. During the same period, income levels will almost triple and India's middle class is expected to increase over ten times to 583 million people in 2025. This is expected to lead to changing consumer preferences in both urban and rural markets with consumer spending on communications expected to be one of the fastest expanding categories of spending with growth of over 13.4% per year taking the market size to ₹ 4,2888 billion by 2025 *(Source: The McKinsey Report)*.

- *Favourable demographics.* While India's economic growth unfolds, the population of India is expected to continue to consist mostly of working age people between the ages of 15-59 with urbanization levels reaching approximately 31% by 2015 and 38% by 2026 *(Source: Report of the National Commission on Population (May 2006))*.

- *Wireless penetration.* Low overall mobile penetration indicates a latent potential for growth in India. TRAI estimates that urban mobile teledensity will reach 125% by March 2014, with urban mobile subscribers reaching 572 million, and that rural mobile teledensity will reach 60% by March 2014, with rural mobile subscribers reaching 468 million.

- *Replacement cycle*. The growth in the Indian mobile handset market is likely to be driven by the replacement handset market rather than new user additions. The replacement market is expected to grow from 118 million handsets for the twelve month period ended December 31, 2010, constituting 62.77% of overall Indian mobile handset market, to 359 million handsets for the twelve month period ended December 31, 2014, constituting 89.30% of overall Indian mobile handset market. Furthermore, within the replacement handset market, the medium ASP device market is likely to grow the fastest *(Source: Analysys Mason)*.

- *3G business.* 3G service is an emerging technology in India and certain other markets where we distribute our products. 3G technology provides growth opportunities through multiple avenues including upgradation to 3G compatible mobile handsets and mobile data cards.

- *Value added services.* Going forward, the demand for more sophisticated and innovative e-mail and multimedia based services, as well as gaming, music and video related offerings is likely to fuel growth in VAS. We believe the advent of 3G will also add impetus to the growth of the VAS market due to 3G's faster network capabilities. These trends are likely to increase the demand for more sophisticated mobile devices.

We believe we are well positioned to capitalize on the opportunities presented by our market. For further information, refer to the section titled "***Industry Overview***" on page 57.

Product Overview

We believe that consumers in India have unique preferences with respect to mobile handsets such as long battery life, dual GSM capability, low-cost QWERTY phones, universal remote control and gaming phones. Our strategy focuses on innovating, designing and using the latest technologies to develop products at affordable prices. In addition, we also focus on developing higher value premium products targeted at urban populations.

We believe that we differentiate ourselves from our competitors through innovation and design, use of advanced technologies and in-depth understanding of rapidly changing consumer preferences in India, which have enabled us to develop several new product categories that address unique customer needs. We believe that our product development capabilities have enabled us to establish ourselves as an innovative Indian mobile handset company. Our marketing strategy focuses on the unique functionalities of our products to further develop our reputation for innovation. Since our entry into the Indian mobile handset market in India in January 2008, we have introduced more than 40 distinct mobile handset models, and as of August 31, 2010, we sell more than 30 distinct mobile handset models. Our key mobile handset product categories include:

- Long life battery mobile phones. We offer marathon battery mobile phones that have a 30-day battery life in standby mode;

- Dual reception mode handsets. We currently offer GC400 and GC275 handset models that are GSM-CDMA combination phones and can function using either technology;

- QWERTY keypad mobile phones. We currently offer eight handset models in this category;

- Utility phones. Our handsets in this product category have an LED flashlight, FM radio and color screen. We currently offer six models in this category;

- Multimedia mobile phones. Our multimedia mobile phones provide superior sound quality with powerful speakers and also have an in-built motion sensor, camera and wireless FM antenna. We currently offer six handset models in this category;

- Universal remote control mobile phone. Our X235 phone is programmable as a universal remote control for televisions, air conditioners, DVD and VCD players;

- Gaming mobile phone. Our Gameolution phone also functions as a wireless, motion-sensing controller for computer games and is capable of converting a computer into a gaming device;

- Smart phones. Our W900 phone is a Microsoft Windows compatible mobile phone, with voice assisted GPS navigation capability and maps provided by "Map my India";

- 3G mobile phones. We were the first mobile handset company to provide operator branded 3G mobile handsets in India *(Source: MTNL)*;

- Gravity phones. Our handsets in this product category are gravity sensor enabled and enable the user to change mobile networks by rotating the handset. We offer two models in this category.

Our competitive strengths

- Market leadership and growing market share in a fast growing telecom market.
- Combination of technical expertise and understanding of Indian consumer behaviour.
- Strong product development capabilities.
- Efficient and speedy execution capability.
- Extensive nationwide distribution network.
- Nationwide after sales support.
- Scalable asset-light business model with strong cashflow generation.
- Our business is diversified across products, geographies and distributors.
- Strong Promoter background and highly qualified, motivated and energetic workforce.

Our Strategies

- Continue to build "Micromax" as an innovation focused brand.
- Continue to expand our product portfolio and invest in product development.
- Expand distribution network and after sales services networks.
- Target high growth avenues for the mobile handset business.
- Developing subscription based applications for providing value added services
- Pursue strategic acquisitions and investments in India and abroad.
- Establish our own manufacturing facility in India.

THE ISSUE

Issue (1)	21,546,118 Equity Shares
Of which	
A) QIB Portion*	At least 10,773,059 Equity Shares
Of which	
Available for allocation to Mutual Funds only	538,653 Equity Shares
Balance for all QIBs including Mutual Funds	10,234,406 Equity Shares
B) Non-Institutional Portion	Not less than 3,231,917 Equity Shares(3)
C) Retail Portion**	Not less than 7,541,142 Equity Shares(3)
Equity Shares outstanding prior to the Issue	193,270,610 Equity Shares***
Equity Shares outstanding after the Issue(3)	214,816,728 Equity Shares
Use of Issue Proceeds	See "***Objects of the Issue***" on page 36

** Our Company in consultation with the BRLMs may allocate up to 30% of the QIB Portion, to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. For further details see "**Issue Procedure**" on page 274. Except with respect to the Anchor Investor Portion, allocation shall be made on a proportionate basis.*

*** Retail Discount of up to 10% of the Issue Price or ₹ [●] to the Issue Price may be offered to Retail Individual Bidders.*

****Up to 353,535 additional Equity Shares may be issued on exercise of stock options under the MMX ESOP.*

Notes:

1. *Allocation to all categories, except the Anchor Investor Portion, if any, shall be made on a proportionate basis.*

2. *If at least 50% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded. In the event that the aggregate demand in the QIB Portion has been met, any under subscription in any category, other than the QIB category, would be allowed to be met with spill-over from other categories or combination of categories at the discretion of our Company in consultation with the BRLMs and the Designated Stock Exchange.*

3. *The Issue has been authorized by the Board of Directors pursuant to a board resolution dated September 16, 2010 and by the shareholders of our Company pursuant to a special resolution dated September 16, 2010 passed at the EGM of shareholders under section 81(1A) of the Companies Act. The Board of Director, pursuant to a board resolution dated September 24, 2010, have approved the size of the Issue.*

4. *The Issue comprises 10.03% of our post-Issue share capital.*

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For details of the terms of the Issue, see "***Terms of the Issue***" on page 267.

SELECTED FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our standalone restated financial statements for fiscal years ending March 31, 2010, March 31, 2009, March 31, 2008, March 31, 2007 and March 31, 2006 and consolidated restated financial statements for the year ended March 31, 2010. These financial statements have been prepared in accordance with Part II of Schedule II to the Companies Act and the applicable SEBI ICDR Regulations and are presented in the section titled "***Financial Statements***" on page 123. The summary financial information presented below should be read in conjunction with our standalone restated financial statements and consolidated restated financial statements, the notes thereto and the section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 217.

Standalone Summary Statement of Restated Assets and Liabilities

(Amounts in Rs. Millions)

Particulars	As at March 31,				
	2010	2009	2008	2007	2006
A. Fixed assets					
Gross block	111.09	87.90	47.87	17.91	8.33
Less: Accumulated depreciation and amortisation	19.38	11.51	7.55	5.93	4.41
Net block	**91.71**	**76.39**	**40.32**	**11.98**	**3.92**
B. Capital work in progress (including capital advances)	**14.61**	**14.61**	**4.00**	**-**	**-**
C. Investments	**202.08**	**0.77**	**0.77**	**0.77**	**0.77**
D. Current assets, loans and advances					
Inventories	990.72	299.65	71.80	64.62	4.42
Sundry debtors	1,219.98	328.55	223.47	118.64	91.49
Cash and bank	2,262.29	708.86	57.71	114.94	5.81
Loans and advances	913.16	234.37	13.34	4.82	0.69
Other current assets	11.96	3.12	0.87	0.38	0.02
	5,398.11	**1,574.55**	**367.19**	**303.40**	**102.43**
E. Deferred tax asset (net)	**-**	**48.17**	**-**	**0.41**	**-**
F. Liabilities and provisions					
Loan funds:					
Secured loans	11.69	25.14	54.88	3.83	2.85
Unsecured loans	-	7.00	9.90	3.10	1.00
Current liabilities and provisions:					
Current liabilities	2,635.78	1,038.97	108.91	244.60	89.35
Provisions	971.05	165.79	2.13	0.61	0.32
	3,618.52	**1,236.90**	**175.82**	**252.14**	**93.52**
G. Deferred tax liability (net)	**1.40**	**-**	**0.30**	**-**	**0.11**
Net worth (A+B+C+D+E-F-G)	**2,086.59**	**477.59**	**236.16**	**64.42**	**13.49**
Net worth represented by:					
Share capital	48.00	48.00	48.00	9.60	2.40
Share application money	1,012.50	5.00	14.50	1.00	1.00
Reserves and surplus	1,026.09	424.59	173.66	53.82	10.09
Net worth	**2,086.59**	**477.59**	**236.16**	**64.42**	**13.49**

Note:
The above statement should be read with the Accounting Policies and Notes to Standalone Restated Summary Statements in Annexure XXVIII and XXIX respectively. See "***Financial Statements***" on page 123.

Standalone Summary Statement of Restated Profit and Loss

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Income					
Sale	15,653.04	3,439.15	1,200.78	997.24	303.55
Other income	364.54	54.80	100.72	9.85	2.42
Total income	**16,017.58**	**3,493.95**	**1,301.50**	**1,007.09**	**305.97**
Expenditure					
Cost of goods sold	10,768.21	2,595.61	1,027.02	870.97	277.85
Personnel costs	71.18	47.45	27.32	18.35	2.93
Selling and distribution	752.70	197.65	21.77	12.33	2.43
General and administrative	1,048.42	125.05	25.43	18.33	5.47
Depreciation and amortisation	8.96	4.61	2.44	1.52	0.59
Interest and finance charges	89.88	36.24	12.98	6.24	1.84
Total expenditure	**12,739.35**	**3,006.61**	**1,116.96**	**927.74**	**291.11**
Profit before tax and prior period item	3,278.23	487.34	184.54	79.35	14.86
Tax expense					
Current tax	1,127.15	136.40	27.06	27.01	5.09
Deferred tax	0.66	0.61	0.05	0.00*	0.00 *
Fringe benefit tax	-	0.73	0.50	0.36	0.19
Net profit after tax and before prior period items	**2,150.42**	**349.60**	**156.93**	**51.98**	**9.58**
Prior period items	**147.26**	-	-	-	-
Net profit after tax	**2,003.16**	**349.60**	**156.93**	**51.98**	**9.58**
Restatement adjustments					
Provision for retirement benefits (refer note 1 (a) of Annexure XXIX)	2.39	(1.71)	(0.29)	(0.12)	(0.27)
Purchase adjustment (refer note 1 (b) of Annexure XXIX)	-	-	8.68	(8.68)	-
Inventory valuation adjustment (refer note 1 (c) of Annexure XXIX)	34.71	(34.71)	-	-	-
Adjustment for insurance expense (refer note 1 (d) of Annexure XXIX)	(2.72)	1.53	(1.68)	2.87	-
Foreign exchange fluctuation gain/ (loss) (refer note 1 (e) of Annexure XXIX)	30.69	(30.67)	(4.75)	4.36	0.37
Warranty expense (refer note 1 (f) of Annexure XXIX)	82.19	(82.19)	-	-	-
Total impact of adjustments	**147.26**	**(147.75)**	**1.96**	**(1.57)**	**0.10**
Tax adjustment					
Income taxes (refer note 3 of Annexure XXIX)	(48.92)	49.08	(0.65)	0.52	(0.03)

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Net profit as restated	**2,101.50**	**250.93**	**158.24**	**50.93**	**9.65**
Appropriation					
Transfer to general reserve	236.55	-	-	-	-
Interim dividend	1,282.11	-	-	-	-
Dividend distribution tax	217.89	-	-	-	-
	1,736.55	**-**	**-**	**-**	**-**
	364.95	250.93	158.24	50.93	9.65
Balance as per last balance sheet	424.59	173.66	53.82	10.09	0.44
Surplus carried to balance sheet	**789.54**	**424.59**	**212.06**	**61.02**	**10.09**

Note:
The above statement should be read with the Accounting Policies and Notes to Standalone Restated Summary Statements in Annexure XXVIII and XXIX respectively. See "***Financial Statements***" on page 123.

** rounded off to zero*

Consolidated Summary Statement of Restated Assets and Liabilities

(Amount in Rs. millions)

Particulars	As at March 31, 2010
A. Fixed assets	
Gross block	111.09
Less: Accumulated depreciation and amortization	19.38
Net block	**91.71**
B. Capital work in progress (including capital advances)	**14.61**
C. Investments	**200.81**
D. Current assets, loans and advances	
Inventories	990.72
Sundry debtors	1,219.98
Cash and bank	2,263.56
Loans and advances	912.84
Other current assets	11.96
	5,399.06
E. Liabilities and provisions	
Loan funds:	
Secured loans	11.69
Current liabilities and provisions:	
Current liabilities	2,635.81
Provisions	971.05
	3,618.55
F. Deferred tax liability (net)	**1.40**
Net worth (A+B+C+D-E-F)	**2,086.24**
Net worth represented by:	
Share capital	48.00
Share application money	1,012.50
Reserves and surplus	1,025.74
Net worth	**2,086.24**

Note:
The above statement should be read with the Accounting Policies and Notes to Consolidated Restated Summary Statements in Annexure XXVII and XXVIII respectively. See "***Financial Statements***" on page 123.

Consolidated Summary Statement of Restated Profit and Loss

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
Income	
Sale	15,653.04
Other income	364.54
Total income	**16,017.58**
Expenditure	
Cost of goods sold	10,768.21
Personnel costs	71.18
Selling and distribution	752.70
General and administrative	1,048.77
Depreciation and amortization	8.96
Interest and finance charges	89.88
Total expenditure	**12,739.70**
Profit before tax and prior period item	3,277.88
Tax expense	
Current tax	1,127.15
Deferred tax	0.66
Net profit after tax and before prior period item	**2,150.07**
Prior period items	**147.26**
Net profit after tax	**2,002.81**
Restatement adjustments	
Provision for retirement benefits (refer note 1 (a) of Annexure XXVIII)	2.39
Inventory valuation adjustment (refer note 1 (b) of Annexure XXVIII)	34.71
Adjustment for insurance expense (refer note 1 (c) of Annexure XXVIII)	(2.72)
Foreign exchange fluctuation gain/ (loss) (refer note 1 (d) of Annexure XXVIII)	30.69
Warranty expense (refer note 1 (e) of Annexure XXVIII)	82.19
Total impact of adjustments	**147.26**
Tax adjustment	
Income taxes (refer note 2 of Annexure XXVIII)	(48.92)
Net profit as restated	**2,101.15**
Appropriation	
Transfer to general reserve	236.55
Interim dividend	1,282.11
Dividend distribution tax	217.89
	1,736.55

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
	364.60
Balance as per last balance sheet	424.59
Surplus carried to balance sheet	**789.19**

Note:
The above statement should be read with the Accounting Policies and Notes to Consolidated Restated Summary Statements in Annexure XXVII and XXVIII respectively. See "***Financial Statements***" on page 123.

GENERAL INFORMATION

Our Company was incorporated as 'Micromax Informatics Private Limited' on March 29, 2000 under the Companies Act with the Registrar of Companies, National Capital Territory of Delhi and Haryana ("**RoC**"). Subsequently, our Company became a public limited company pursuant to a shareholders' resolution dated June 26, 2000 and the name of our Company was changed to 'Micromax Informatics Limited' and our Company received a fresh certificate of incorporation on August 3, 2001.

Registered Office of our Company

Micromax Informatics Limited
Block A, Plot No. 21/14
Naraina Industrial Area Phase II
New Delhi 110 028
Tel.: + (91 11) 4979 0020
Fax: + (91 11) 4979 0010
Website: www.micromaxinfo.com

Corporate Office of our Company

Micromax Informatics Limited
#697, Udyog Vihar, Phase V
Gurgaon 122 015, Haryana, India
Tel.: +(91 124) 400 9600
Fax: +(91 124) 400 9603

Registration Number: 55-104823
Corporate Identity Number: U00000DL2000PLC104823

Our Company is registered with the RoC described below:

Registrar of Companies, National Capital Territory of Delhi and Haryana
4th Floor, IFCI Tower
61, Nehru Place
New Delhi 110 019, India

Board of Directors

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

Name, Designation, Occupation, Term and DIN	Age (years)	Address
Rajesh Agarwal **Designation**: Managing Director **Occupation**: Businessman **Term**: November 16, 2009 to November 15, 2014 **DIN**: 00060434	45	B-312, Saraswati Vihar, New Delhi 110 034
Rahul Sharma **Designation**: Executive Director **Occupation**: Businessman **Term**: April 1, 2007 to March 31, 2012 **DIN**: 00060485	34	A-713 Sushant Lok, Phase I, Gurgaon 122 002

Name, Designation, Occupation, Term and DIN	Age (years)	Address
Sumeet Kumar **Designation**: Director and Chief Technical Officer **Occupation**: Businessman **Term**: April 1, 2007 to March 31, 2012 **DIN**: 00060398	35	A-1/20,Sector-8 Rohini, Delhi 110 085
Vikas Jain **Designation**: Executive Director **Occupation**: Businessman **Term**: April 1, 2007 to March 31, 2012 **DIN**: 00331624	35	B-1/118 2nd Floor, Paschim Vihar, New Delhi 110063
Naveen Wadhera **Designation**: Nominee Director **Occupation**: Professional **Term**: Non-retiring **DIN**: 02503164	33	Flat No. 8, Narendra Bhuvan 51, Bhulabhai Desai Road Breach Candy, Mumbai 400 026
Mohit Bhatnagar **Designation**: Nominee Director **Occupation**: Professional **Term**: Non-retiring **DIN**: 00381741	41	A1/19, Shantiniketan, Rao Tula Ram Marg, New Delhi 110 057
Mahendra Swarup **Designation**: Independent Director **Occupation**: Professional **Term**: Liable to retire by rotation **DIN**: 01213634	57	C-7, Paschimi Marg, Vasant Vihar, New Delhi 110 057
Amit Burman **Designation**: Independent Director **Occupation**: Businessman **Term**: Liable to retire by rotation **DIN**: 00042050	41	E-83, Paschimi Marg, Vasant Vihar, New Delhi 110 057
Vijay Kumar Gupta **Designation**: Independent Director	62	1048/1, HIG Flats, Sector 39-B, Chandigarh 160 036

Name, Designation, Occupation, Term and DIN	Age (years)	Address
Occupation: Service **Term**: Liable to retire by rotation **DIN**: 00023101		
Ghyanendra Nath Bajpai **Designation**: Independent Director **Occupation**: Consultant **Term**: Liable to retire by rotation **DIN**: 00946138	68	131, Shaan Apartments, Kashinath Dhuru Marg, Prabhadevi, Mumbai 400 028
R. Balakrishnan **Designation**: Independent Director **Occupation**: Film Director/Screenwriter **Term**: Liable to retire by rotation **DIN**: 02217552	46	34/35, Valentina, N. Gamadia Road, Opposite Activity School Mumbai 400 020
Ashish Bhardwaj **Designation**: Independent Director **Occupation**: Professional **Term**: Liable to retire by rotation **DIN**: 0084245	46	25751 Elena Road, Los Altos Hills, California, USA 94022

For further details of our Directors, see "***Our Management***" on page 101.

Chief Financial Officer, Company Secretary and Compliance Officer

Anita Goel
#697, Udyog Vihar, Phase V
Gurgaon 122 015, Haryana, India
Tel.: +(91 124) 400 9600
Fax: +(91 124) 400 9603
E-mail: investor@micromaxinfo.com

Investors can contact our Chief Financial Officer, Company Secretary and Compliance Officer or the Registrar to the Issue or BRLMs in case of any pre or post- Issue related problems, such as non-receipt of letters of Allotment, credit of Allotted Equity Shares in the respective beneficiary account and refund orders. All grievances relating to the Application Supported by Blocked Amount ("**ASBA**") process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

Global Co-ordinators and Book Running Lead Managers

JM Financial Consultants Private Limited
141, Maker Chambers III
Nariman Point
Mumbai 400 021, India
Tel: + (91 22) 6630 3030
Fax: + (91 22) 2204 7185

Citigroup Global Markets India Private Limited
12th Floor, Bakhtawar, Nariman Point
Mumbai 400 021, India
Tel: +91 22 6631 9890
Fax: +91 22 3919 7844
E-mail: micromax.ipo@citi.com

E-mail: micromax.ipo@jmfinancial.in
Investor Grievance E-mail:
grievance.ibd@jmfinancial.in
Website: www.jmfinancial.in
Contact Person: Lakshmi Lakshmanan
SEBI Registration No.: INM000010361

Investor Grievance e-mail: investors.cgmib@citi.com
Website:
http://www.online.citibank.co.in/rhtm/citigroupglobalscreen1.htm
Contact Person: Ashish Jhaveri
SEBI Registration No.: INM000010718

Edelweiss Capital Limited
14th Floor, Express Towers
Nariman Point
Mumbai 400 021, India
Tel: (+91 22) 4086 3535
Fax: (+91 22) 4086 3610
E-mail: micromax.ipo@edelcap.com
Investor Grievance E-mail:
customerservice.mb@edelcap.com
Website: www.edelcap.com
Contact Person: Jibi Jacob/ Vishal Gupta
SEBI Registration No.: INM0000010650

Book Running Lead Manager

Nomura Financial Advisory and Securities (India) Private Limited
Ceejay House, Level 11
Dr. Annie Besant Road, Worli
Mumbai 400 018, India
Tel: + (91 22) 4037 4037
Fax: + (91 22) 4037 4111
Email: micromax.ipo-in@nomura.com
Investor Grievance Email: investorgrievances-in@nomura.com
Website: www.nomura.com/asia/services/capital_raising/equity.shtml
Contact Person: Nisha Khetan
SEBI Registration No: INM000011419

Syndicate Member(s)

[●]

Domestic Legal Counsel to the BRLMs

Amarchand & Mangaldas & Suresh A. Shroff & Co.
216, Amarchand Towers
Okhla Industrial Estate Phase - III
New Delhi 110 020, India
Tel.: + (91 11) 2692 0500
Fax: + (91 11) 2692 4900

International Legal Counsel to the BRLMs

DLA Piper Singapore Pte. Ltd.
80 Raffles Place
#48-01 UOB Plaza 1
Singapore 048 624
Tel.: + (65) 6512 9500
Fax: + (65) 6512 9500

Domestic Legal Counsel to the Company

IndusLaw Advocates
A-4, Sector 26
Noida 201 301, India
Tel.: + (91 120) 472 8100
Fax: + (91 120) 472 8114

Registrar to the Issue

[●]

Bankers to the Issue and Escrow Collection Banks

[●]

Refund Banks

[●]

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSBs for the ASBA process are available at http://www.sebi.gov.in/pmd/scsb.pdf. Details relating to the Designated Branches of SCSBs collecting the ASBA Bid cum Application Forms are available at the above-mentioned link.

Bankers to the Company

DBS Bank Limited
Upper Ground Floor, Birla Tower, Barakhamba Road
New Delhi 110 001
Tel: + (91 11) 6621 1801
Fax: + (91 11) 6621 1899
Email: ashwinjuneja@dbs.com
Website: www.dbs.com
Contact Person: Ashwin Juneja

Citibank N.A.
9th Floor, DLF Square, M Block, Jacaranda Marg
DLF City Phase II, Gurgaon 122 002 Haryana
Tel: + (91 124) 418 6971
Fax: + (91 124) 401 2138
Email: appan.mahajan@citi.com
Website: www.citi.co.in
Contact Person: Appan Mahajan

ING Vysya Bank
13 West Pater Nagar, New Delhi 110 008
Tel: + (91 11) 2588 5210
Fax: + (91 11) 2588 5210
Email: arindam.saha@ingvysyabank.com
Website: www.ingvysyabank.com
Contact Person: Arindam Saha

Punjab National Bank
DCM Building, 8th Floor, Barakhamba Road
New Delhi 110 001
Tel: + (91 11) 2373 1075
Fax: + (91 11) 2331 1957
E-mail: bo2254@pnb.co.in
Website: www.pnbindia.com
Contact Person: Ashok Kumar Gupta

State Bank of India
2/15, East Patel Nagar
New Delhi 110 008
Tel: + (91 11) 2578 1392/2578 4013
Fax: + (91 11) 2585 0760
Email: sbi.01282@sbi.co.in
Website: www.sbi.co.in
Contact Person: Mahesh Chander

Standard Chartered Bank
#7A, DLF Building, DLF Cyber City
Sector 24,25 & 25A, Gurgaon 122 002, Haryana
Tel: + (91 124) 487 6328
Fax: + (91 124) 487 6203
Email: lokesh.bahl@sc.com
Website: www.standardchartered.co.in
Contact Person: Lokesh Bahl

Yes Bank Limited
D- 12 South Extension Part 2
New Delhi 110 049
Tel: + (91 11) 4602 9000
Fax: + (91 11)2625 4000

Email: gaurav.jindal@yesbank.in
Website: www.yesbank.in
Contact Person : Gaurav Jindal

Statutory Auditors to the Company

Walker, Chandiok & Co.
L-41, Connaught Circus,
New Delhi- 110 001, India
Tel.: + (91 11) 4278 7070
Fax: + (91 11) 4278 7071
E-mail: david.jones@wcgt.in
Firm Registration No.: 001076N

Credit Rating

As this is an Issue of Equity Shares, credit rating for this Issue is not required.

IPO Grading Agency

[●]

IPO Grading

This Issue has been graded by [●] and has been assigned a grade of [●] indicating [●]. The IPO Grading is assigned on a five point scale from 1 to 5, with IPO Grade 5 indicating strong fundamentals and IPO Grade 1 indicating poor fundamentals. For details in relation to the rationale furnished by [●], see "***Annexure I***" on page 317. Attention is drawn to the disclaimer appearing on page [●].

Trustees

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

Monitoring Agency

[●]

Appraising Agency

There is no project that is being appraised.

Experts

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

Statement of *inter-se* Allocation of Responsibilities among the BRLMs

The responsibilities and co-ordination for the various activities for this Issue are as follows:

S.No.	Activity	Responsibility	Co-ordination
1.	Capital Structuring with relative components and formalities such as type of instruments, etc.	BRLMs	JM Financial
2.	Due diligence of Company's operations / management / business plans / legal etc. Drafting and design of Red Herring Prospectus including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of Prospectus and RoC filing.	BRLMs	JM Financial

S.No.	Activity	Responsibility	Co-ordination
3.	Drafting and approval of all statutory advertisement	BRLMs	JM Financial
4.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in 3 above including corporate advertisement, brochure etc.	BRLMs	Nomura
5.	Appointment of other intermediaries viz., Registrar's, Printers, Advertising Agency and Bankers to the Issue	BRLMs	Edelweiss
6.	International institutional marketing strategy • Preparation of road show presentation • Finalize the list and division of investors for one to one meetings, in consultation with the Company, and • Finalizing the International road show schedule and investor meeting schedules	BRLMs	Citi
7.	Domestic institutions / banks / mutual funds marketing strategy • Finalize the list and division of investors for one to one meetings, institutional allocation in consultation with the Company. • Finalizing the list and division of investors for one to one meetings, and • Finalizing investor meeting schedules	BRLMs	JM Financial
8.	Non-Institutional and Retail marketing of the Issue, which will cover, inter alia, • Formulating marketing strategies, preparation of publicity budget • Finalize Media and PR strategy • Finalizing centers for holding conferences for press and brokers • Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material	BRLMs	Edelweiss
9.	Co-ordination with Stock Exchanges for Book Building software, bidding terminals and mock trading.	BRLMs	Nomura
10.	Finalization of pricing, in consultation with the Company	BRLMs	JM Financial
11.	The post bidding activities including management of escrow accounts, co-ordination of non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc. The post Issue activities for the Issue involving essential follow up steps, which include the finalization of trading and dealing of instruments and demat of delivery of Equity Shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the bank(s) handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.	BRLMs	Edelweiss

Book Building Process

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

- Our Company;
- BRLMs;
- Syndicate Member which is an intermediary registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Member is appointed by the BRLMs;
- Registrar to the Issue;
- Escrow Collection Banks; and
- SCSBs.

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be allocated to QIBs on a proportionate basis. Provided that, our Company may, allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis. Further, not less than 15% and 35% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price. If at least 50% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith.

Any bidder may participate in the Issue through the ASBA process by providing details of the ASBA Account in which the corresponding Bid Amounts will be blocked by the SCSBs. For details in this regard, specific attention is invited to "***Issue Procedure***" on page 274. In the event the aggregate demand in the QIB Portion is met, any under-subscription, in any category, other than the QIB category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLMs and the Designated Stock Exchange. For details of Bids by Anchor Investors and Mutual Funds, see "***Issue Procedure***" on page 274.

In accordance with the SEBI ICDR Regulations, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. However, Anchor Investors are not allowed to withdraw their Bids after the Anchor Investor Bidding Date. Allocation to the Anchor Investors will be on a discretionary basis. For further details, see "***Issue Structure***" on page 270.

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

The Book Building Process under the SEBI ICDR Regulations is subject to change from time to time and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.

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

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

Bid Quantity	Bid Amount (₹)	Cumulative Quantity	Subscription
500	24	500	16.67%
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.*, ₹ 22 in the above example. The issuer, in consultation with the book running lead managers will finalize the issue price at or below such cut-off price, *i.e.*, at or below ₹ 22. All bids at or above this issue price are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for Bidding

1. Check eligibility for making a Bid (For further details, see "***Issue Procedure - Who Can Bid***" on page 275).

2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form or the ASBA Bid cum Application Form, as applicable.

3. Except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form and the ASBA Bid cum Application Form (see "***Issue Procedure –'PAN' or 'GIR' Number***" on page 288).

4. Ensure that the Bid cum Application Form or the ASBA Bid cum Application Form, as applicable, is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form and the ASBA Bid cum Application Form.

5. Bids by ASBA Bidders will have to be submitted to the designated branches of the SCSBs. ASBA Bidders should ensure that the ASBA Accounts have adequate credit balance at the time of submission to the SCSB to ensure that the ASBA Bid cum Application Form is not rejected.

Withdrawal of the Issue

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

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

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for only after Allotment and within seven Working Days of finalization of Basis of Allotment; and (ii) the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

Bid/ Issue Program*

BID/ISSUE OPENS ON	**[●]**
BID/ ISSUE CLOSES ON	**[●]**

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

Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the Bidding centers mentioned in the Bid cum Application Form, or in the case of Bids submitted through ASBA, the designated branches of the SCSBs, **except that on the Bid/ Issue Closing Date, Bids excluding ASBA Bids shall be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders; and (ii) 5.00 p.m. which may be extended up to such time as permitted by the Stock Exchanges in case of Bids by Retail Individual Bidders where the Bid Amount is up to ₹ 100,000. Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/ Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in IPOs, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, our Company and the Syndicate shall not be responsible. Bids will be accepted only on Working Days, *i.e.*, Monday to Friday (excluding any public holiday).

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

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

In case of revision in the Price Band, the Bidding Period will be extended for three additional Working Days after revision of Price Band subject to the Bidding 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 Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price but prior to the filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

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

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

(Amount in ₹ million)

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

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

In the opinion of our Board of Directors (based on a representation made to the Company by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors, at its meeting held on [●] has accepted and entered into the Underwriting Agreement with the Underwriters.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments set forth in the table above. Notwithstanding the above table, the Underwriters shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure subscriptions for/subscribe to Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement.

CAPITAL STRUCTURE

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

(*Amount in ₹*)

		Aggregate Value at Face Value	Aggregate Value at Issue Price
A)	**Authorized share capital***		
	250,000,000 Equity Shares of ₹ 10 each	2,500,000,000	
B)	**Issued, subscribed and paid up share capital before the Issue**		
	193,270,610 Equity Shares of ₹ 10 each	1,932,706,100	
C)	**Present Issue in terms of this Draft Red Herring Prospectus****		
	Issue of 21,546,118 Equity Shares of ₹ 10 each	215,461,180	[●]
	Of Which:		
	QIB Portion of up to 10,773,059 Equity Shares	107,730,590	[●]
	Non-Institutional Portion of not less than 3,231,917 Equity Shares	32,319,170	[●]
	Retail Portion of not less than 7,541,142 Equity Shares	75,411,420	[●]
D)	**Issued, subscribed and paid up share capital after the Issue**		
	214,816,728 Equity Shares of ₹ 10 each	2,148,167,280	[●]
E)	**Share premium account**		
	Before the Issue	15,793,289	
	After the Issue		[●]

** For details in the changes of the authorized share capital of our Company, see "**History and Certain Corporate Matters**" on page 96.*
*** The Issue has been authorized by the Board of Directors pursuant to a board resolution dated September 16, 2010 and by the shareholders of our Company pursuant to a special resolution dated September 16, 2010, passed at the EGM of shareholders under Section 81(1A) of the Companies Act. The Board of Director, pursuant to a board resolution dated September 24, 2010, have approved the size of the Issue.*

Notes to Capital Structure

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

The following is the history of the equity share capital of our Company since incorporation:

Date of issue/allotment	No. of Equity Shares	Face Value (₹)	Issue Price (₹)	Consideration (Cash, other than cash etc.)	Nature of allotment	Cumulative equity share capital (₹)
March 3, 2000	4,000	10	10	Cash	Subscription to the MoA	40,000
March 30, 2001	164,290	10	10	Cash	Preferential allotment	1,682,900
March 28, 2006	71,710	10	10	Cash	Preferential allotment	2,400,000
July 21, 2006	720,000	10	-	N.A.	Bonus issue in the ratio of three Equity Shares for every one Equity Share	9,600,000
March 29, 2008	3,840,000	10	-	N.A.	Bonus issue in the ratio of four Equity Shares for every one Equity Share	48,000,000
September 15, 2010	423,530	10	2390.62	Cash	Conversion of participatory, compulsorily convertible, cumulative	52,235,300

Date of issue/allotment	No. of Equity Shares	Face Value (₹)	Issue Price (₹)	Consideration (Cash, other than cash etc.)	Nature of allotment	Cumulative equity share capital (₹)
					preference shares ("**PCCPS**")	
September 20, 2010*	88,800,010	10	-	N.A.	Bonus issue in the ratio of 17 Equity Shares for every one Equity Share out of the surplus from the profit & loss account as at March 31, 2010	940,235,400
September 21, 2010*	99,247,070	10	-	N.A.	Bonus issue in the ratio of 19 Equity Shares for every 18 Equity Shares out of the share premium account	1,932,706,100
Total	**193,270,610**	10				**1,932,706,100**

**The shareholders of our Company have approved both bonus issues through special resolution dated September 16, 2010, and the Board of Directors have allotted the Equity Shares through board resolutions dated September 20, 2010 and September 21, 2010. The Company has also filed Form 2 with the Registrar of Companies and the application with the NSDL for credit of Equity Shares into the demat account of the allottees, as applicable. The credit of shares into the demat account of the Promoters is still awaited as of the date of this Draft Red Herring Prospectus.*

The following is the preference share capital history of our Company:

Date of allotment	No. of PCCPS	Face Value (₹)	Issue Price (₹)	Consideration	Nature of allotment	Cumulative No. of PCCPS	Cumulative paid-up preference share capital
June 26, 2010	360,000	2,812	2,812.50	Cash	Preferential allotment	360,000	1,102,320,000
Total*	-	-	-	-	-	-	-

**On September 15, 2010, 360,000 PCCPS were converted into 423,530 Equity Shares of our Company and as of the date of this Draft Red Herring Prospectus, there are no outstanding PCCPS.*

Pursuant to certificates received from Sandeep Kuldeep & Co., Chartered Accountants, on March 28, 2006 and Ashish Kapoor & Associates, Company Secretaries on June 26, 2010, all preferential issues of Equity Shares and preference shares of the Company, respectively have been made in accordance with the requirements of the Companies Act read with the Unlisted Public Companies (Preferential Allotment) Rules, 2003.

2. ***Issue of Equity Shares in the last one year***

Our Company has issued 423,530 Equity Shares on September 15, 2010, in the last one year to Wagner Limited ("**Wagner**") upon conversion of 360,000 PCCPS at a price of ₹ 2,390.62 per Equity Share. Further, our Company has made a bonus issue of 88,800,010 Equity Shares on September 20, 2010 to all its existing shareholders (including our Promoters and members of our Promoter Group), out of the surplus balance in the Profit & Loss Account of the Company as at March 31, 2010 and a bonus issue of 99,247,070 Equity Shares on September 21, 2010 to all its existing shareholders (including our Promoters and members of our Promoter Group), out of the share premium account of the Company.

3. ***Issue of Equity Shares for consideration other than cash***

We have not issued any Equity Shares out of revaluation reserves since our incorporation. Further, we have not issued any Equity Shares for consideration other than cash at any point of time since our incorporation. In addition, we have not allotted any Equity Shares in terms of any scheme approved under Sections 391-394 of the Companies Act.

4. ***Employee Stock Options***

Pursuant to a Board resolution dated September 16, 2010, and shareholders' resolution dated September 16, 2010, our Company has instituted the Micromax Employee Stock Option Plan 2010 ("**MMX ESOP**"), under which 353,535 options can be granted to eligible employees of our Company. The MMX ESOP is administered by the Compensation Committee of our Board. As on the date of filing this Draft Red Herring Prospectus, our Company has granted all 353,535 options to eligible employees under MMX ESOP, none of which have vested, lapsed, cancelled or been exercised.

Particulars	**Details**		
Options granted	**Date of grant**	**No. of options granted**	**Price per Equity Share (₹)**
	September 21, 2010	353,535	10
	Total options granted	**353,535**	
Pricing formula	The Exercise Price would be decided by the Compensation Committee of our Board.		
Vesting period	Set forth below is the vesting schedule of the options to eligible employees subject to the criteria laid down by the Compensation Committee of our Board. - 33% of the options would vest at the end of 12 months from the date of grant - 33% of the options would vest at the end of 24 months from the date of grant - 34% of the options would vest at the end of 36 months from the date of grant		
Options vested (excluding the options that have been exercised)	Nil		
Options exercised	Nil		
The total number of shares arising as a result of exercise of options (including options that have been exercised)	Nil		
Options forfeited / lapsed / cancelled	Nil		
Variation of terms of options	Nil		
Money realised by exercise of options	Nil		
Total number of options in force	353,535		
Employee wise details of options granted to Directors / Senior management personnel	**Name of our Director**	**No. of options granted under MMX ESOP**	
	NIL	NIL	
	Total	**NIL**	
	Name of the Senior Management Personnel	**No. of options granted under MMX ESOP**	
	Anita Goel	14,800	
	Aditya Sheel	11,285	
	Sudhir Gaur	14,800	
	Pratik Seal	14,800	
	Ashwani Kumar Dagar	6,105	
	Pooja Verma	11,100	
	Ritesh Arora	11,100	
	Vikas Sahni	4,995	
	Jitender Panjwani	11,100	
	Total	**99,900**	
Any other employee who receives a grant in any one year of options amounting to 5% or more of the options granted during the year	None		
Identified employees who were granted options during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and	None		

Particulars	Details
conversions) of our Company at the time of grant	
Fully diluted EPS pursuant to issue of shares on exercise of options in accordance with the relevant accounting standard	N.A.
Lock-in	Nil
Impact on profit and EPS of the last three years	Nil
Difference, if any, between employee compensation cost calculated according using the intrinsic value of stock options and the employee compensation cost calculated on the basis of fair value of stock options	Fair value per option = Rs.121 Intrinsic value per option = Rs. 146 Difference per option = Rs. 25 Impact on profit of this difference: Rs.88,38,375 Impact on EPS of this difference: Rs.0.0457
Impact on the profits of our Company and on the EPS arising due to difference in accounting treatment and for calculation of the employee compensation cost (i.e. difference of the fair value of stock options over the intrinsic value of the stock options)	N.A., since the options have been granted on fiscal 2011
Weighted average exercise price and the weighted average fair value of options whose exercise price either equals or exceeds or is less than the market price of the stock	Weighted average exercise price = Rs.10 Weighted average fair value of options = Rs. 121
Method and significant assumptions used to estimate the fair value of options granted during the year	
Method used	Black Scholes Option Valuation Method
Risk free return	7.03% (average over 3 year vesting schedule)
Expected life	5.25 years (average over 4 year vesting schedule)
Expected volatility	94% (average of comparator companies’ volatility)
Expected dividends	NIL
Price of underlying shares in market at the time of the options grant (as on 21st September, 2010)	Rs. 156
Intention of the holders of equity shares allotted on exercise of options to sell their shares within three months after the listing of Equity Shares pursuant to the Issue	Not Applicable
Intention to sell Equity Shares arising out of the MMX ESOP within three months after the listing of Equity Shares by directors, senior management personnel and employees having equity shares arising out of the MMX ESOP,	Not Applicable

Particulars	Details
amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	

Particulars of Equity Shares issued under the MMX ESOP aggregated quarter wise

N.A.

5. ***Promoters contribution and lock-in***

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

(a) ***Details of the build up of Promoters' shareholding in our Company:***

Name of Promoter	Date of transfer/ allotment	Nature of Allotment / acquisition/ transfer	Consideration (Cash, other than cash etc.)	No. of Equity Shares	Face Value (₹)	Consideration per Equity Share (₹)
Rajesh Agarwal	March 28, 2006	Preferential allotment	Cash	16,500	10	10
	March 30, 2006*	Acquisition	Cash	43,490	10	10
	July 21, 2006	Bonus issue	N.A.	179,970	10	N.A.
	March 29, 2008	Bonus issue	N.A.	959,840	10	N.A.
	December 18, 2009 *	Transfer to Wagner	Cash	(90,000)	10	2,812.50
	September 16, 2010	Transfer to Sequoia Capital	Cash	(35,072)	10	6,700.45
		Transfer to Sandstone	Cash	(35,072)	10	6,700.45
		Transfer to Madison	Cash	(5,171)	10	6,700.45
	September 20, 2010**	Bonus issue in the ratio of 17 Equity Shares for every one Equity Share out of the surplus from the profit & loss account as at March 31, 2010	N.A.	17,586,245	10	N.A.
	September 21, 2010**	Bonus issue in the ratio of 19 Equity Shares for every 18 Equity Shares out of the share premium account		19,655,215	10	N.A.
Total (A)				**38,275,945**		
Rahul Sharma	March 3, 2000	Subscription to the MoA	Cash	1,000	10	10
	March 30, 2001	Preferential allotment	Cash	34,650	10	10
	March 28, 2006	Preferential allotment	Cash	14,340	10	10
	March 30, 2006*	Acquisition	Cash	10,000	10	10
		Acquisition	Cash	10	10	10
	July 21, 2006	Bonus issue	N.A.	180,000	10	N.A.
	March 29, 2008	Bonus issue	N.A.	960,000	10	N.A.
	December 18, 2009*	Transfer to Wagner	Cash	(90,000)	10	2,812.50
	September 16, 2010	Transfer to Sequoia Capital	Cash	(35,072)	10	6,700.45
		Transfer to Sandstone	Cash	(35,072)	10	6,700.45
		Transfer to Madison	Cash	(5,171)	10	6,700.45
	September 20, 2010**	Bonus issue in the ratio of 17 Equity Shares for every one Equity Share out of the surplus from the profit & loss account as at March 31, 2010	N.A.	17,589,645	10	N.A.

Name of Promoter	Date of transfer/ allotment	Nature of Allotment / acquisition/ transfer	Consideration (Cash, other than cash etc.)	No. of Equity Shares	Face Value (₹)	Consideration per Equity Share (₹)
	September 21, 2010**	Bonus issue in the ratio of 19 Equity Shares for every 18 Equity Shares out of the share premium account		19,659,015	10	N.A.
Total (B)				**38,283,345**		
Sumeet Kumar	March 3, 2000	Subscription to the MoA	Cash	1,000	10	10
	March 30, 2001	Preferential allotment	Cash	32,740	10	10
	March 28, 2006	Preferential allotment	Cash	6,250	10	10
	March 30, 2006	Purchase	Cash	20,000	10	10
	July 21, 2006	Bonus issue	N.A.	179,970	10	N.A.
	March 29, 2008	Bonus issue	N.A.	959,840	10	N.A.
	December 18, 2009*	Transfer to Wagner	Cash	(90,000)	10	2,812.50
	September 16, 2010	Transfer to Sequoia Capital	Cash	(35,072)	10	6,700.45
		Transfer to Sandstone	Cash	(35,072)	10	6,700.45
		Transfer to Madison	Cash	(5,171)	10	6,700.45
	September 20, 2010**	Bonus issue in the ratio of 17 Equity Shares for every one Equity Share out of the surplus from the profit & loss account as at March 31, 2010	N.A.	17,586,245	10	N.A.
	September 21, 2010**	Bonus issue in the ratio of 19 Equity Shares for every 18 Equity Shares out of the share premium account		19,655,215	10	N.A.
Total (C)				**38,275,945**		
Vikas Jain	March 3, 2000	Subscription to the MoA	Cash	1,000	10	10
	March 30, 2001	Preferential allotment	Cash	54,370	10	10
		Transfer to Raghav Bansal*	Cash	(10)	10	10
	March 28, 2006	Preferential allotment	Cash	4,620	10	10
	March 30, 2006	Acquisition	Cash	10	10	10
	July 21, 2006	Bonus issue	N.A.	179,970	10	N.A.
	March 29, 2008	Bonus issue	N.A.	959,840	10	N.A.
	December 18, 2009*	Transfer to Wagner	Cash	(90,000)	10	2,812.50
	September 16, 2010	Transfer to Sequoia Capital	Cash	(35,072)	10	6,700.45
		Transfer to Sandstone	Cash	(35,072)	10	6,700.45
		Transfer to Madison	Cash	(5,171)	10	6,700.45
	September 20, 2010**	Bonus issue in the ratio of 17 Equity Shares for every one Equity Share out of the surplus from the profit & loss account as at March 31, 2010	N.A.	17,586,245	10	N.A.
	September 21, 2010**	Bonus issue in the ratio of 19 Equity Shares for every 18 Equity Shares out of the share premium account		19,655,215	10	N.A.
Total (D)				**38,275,945**		
Total (A+B+C+D)				**153,111,180**		

* Share transfer forms in relation to the sale and purchase of the Equity Shares by the Promoters is not available and accordingly, the information disclosed above in respect of the same has been obtained from the books of records of the Company and undertakings from the Promoters.
**The shareholders of our Company have approved both bonus issues through special resolution dated September 16, 2010, and the Board of Directors have allotted the Equity Shares through board resolutions dated September 20, 2010 and September 21, 2010. The Company has also filed Form 2 with the Registrar of Companies and the application with the NSDL for credit of Equity Shares into the demat account of the allottees, as applicable. The credit of shares into the demat account of the Promoters is still awaited as of the date of this Draft Red Herring Prospectus.

(b) ***Details of the shareholding of the Promoters and the Promoter Group as on the date of filing of this Draft Red Herring Prospectus***:

Shareholders	Pre-Issue		Post-Issue	
	No. of Equity Shares	Percentage of shareholding	No. of Equity Shares	Percentage of shareholding*
Promoters				
Rajesh Agarwal	38,275,945	19.80%	38,275,945	17.82%
Rahul Sharma	38,283,345	19.81%	38,283,345	17.82%
Sumeet Kumar	38,275,945	19.80%	38,275,945	17.82%
Vikas Jain	38,275,945	19.80%	38,275,945	17.82%
Sub Total (A)	**153,111,180**	**79.22%**	**153,111,180**	**71.28%**
Promoter Group				
Vipul Jain	7,400	0.00%	7,400	0.00%
Manju Arora	7,400	0.00%	7,400	0.00%
Sub Total (B)	**14,800**	**0.01%**	**14,800**	**0.01%**
Total Promoters and Promoter Group ((A) + (B))	**153,125,980**	**79.23%**	**153,125,980**	**71.28%**

***** *Assuming none of the shareholders participate in the Issue*

(c) ***Details of Promoters' Contribution locked-in for three years***

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

Accordingly, 43,034,056 Equity Shares, aggregating up to 20% of the post-Issue capital of our Company (including equity shares assuming exercise of employee stock options outstanding in terms of the MMX ESOP scheme described hereinabove), held by our Promoters Rajesh Agarwal, Rahul Sharma, Sumeet Kumar and Vikas Jain, shall be locked in for a period of three years from the date of Allotment in the Issue. Details of the same are as follows:

Name of the Promoter	Number of Equity Shares locked in as part of Promoters' Contribution	Face Value (₹)	Percentage of pre-Issue capital*	Percentage of post-Issue paid-up capital*
Rajesh Agarwal	10,758,514	10	5.56%	5.00%
Rahul Sharma	10,758,514	10	5.56%	5.00%
Sumeet Kumar	10,758,514	10	5.56%	5.00%
Vikas Jain	10,758,514	10	5.56%	5.00%
Total	**43,034,056**		**22.23%**	**20.00%**

* *Including equity shares assuming exercise of employee stock options outstanding in terms of the MMX ESOP scheme described hereinabove.*

All the shares of our Company held by the Promoters are held in dematerialized form.

The Promoter's contribution has been brought in to the extent of not less than the specified minimum lot and from persons defined as Promoters under the SEBI ICDR Regulations.

The Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution under Regulation 33 of the SEBI ICDR Regulations. In this connection, we confirm the following:

(i) The Equity Shares offered for minimum 20% Promoter's contribution have not been acquired in the last three years for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves, or unrealised profits of our Company or from a bonus issue against Equity Shares which are otherwise ineligible for computation of Promoter's contribution;

(ii) The Equity Shares offered for minimum 20% Promoter's contribution does not include any Equity Shares acquired during the preceding one year at a price lower than the price at which the Equity Shares are being offered to the public in the Issue;

(iii) The Equity shares offered for minimum 20% Promoters' contribution were not issued to the Promoters' upon conversion of a partnership firm;

(iv) The Equity Shares offered for minimum 20% Promoter's contribution are not subject to any pledge; and

(v) The Equity Shares offered for minimum 20% Promoter's contribution does not consist of Equity Shares for which specific written consent has not been obtained from our Promoters for inclusion of their subscription in the minimum Promoter's contribution subject to lock-in.

(d) ***Details of Equity Shares locked-in for one year***

Other than the above Equity Shares that would be locked in for three years, and Equity Shares allotted to our Company's employees pursuant to the Micromax Employee Stock Option Plan, 2010, the entire pre-Issue capital of our Company comprising 150,236,554 Equity Shares would be locked-in for a period of one year from the date of Allotment in the Issue pursuant to Regulation 36(b) and Regulation 37 of the SEBI ICDR Regulations. See also, "***History and Certain Corporate Matters- Shareholders' Agreements***" on page 98.

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

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

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

The locked in Equity Shares held by the Promoters, as specified above, may be pledged only with scheduled commercial banks or public financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan. Provided that if any Equity Shares are locked in as minimum Promoters' contribution, under Regulation 39(a) of the SEBI ICDR Regulations, the same may be pledged, only if, in addition to fulfilling the above requirement, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

Pursuant to Regulation 40 of the SEBI ICDR Regulations, the Equity Shares held by the Promoters may be transferred *inter se* or to new promoters or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

The Equity Shares held by persons other than Promoters' prior to the Issue may be transferred to any other person holding Equity Shares which are locked-in as per Regulation 37 of the SEBI ICDR Regulations, subject to the continuation of the lock-in in the hands of transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

6. ***Shareholding Pattern***

The table below presents our Equity shareholding pattern before the proposed Issue as on the date of filing of the Draft Red Herring Prospectus.

Category Code	Category of Shareholders	Number of Shareholders	Total Number of shares	Number of Shares Held in dematerialized form	Total Shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of A+B	As a percentage A+B+C	Number of shares	As a percentage
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV)*100
(A)	**Shareholding of Promoter and Promoter Group**							
1	**Indian**							
a	Individuals/Hindu Undivided Family	6	153,125,980	153,111,180	79.23	79.23	Nil	Nil
b	Central Government/State Government	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c	Bodies Corporate	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d	Financial Institutions/Banks	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e	Any Other (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Sub-Total (A) (1)	6	153,125,980	153,111,180	79.23	79.23	Nil	Nil
2	**Foreign**							
a	Individuals(Non-Resident Individuals)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b	Bodies Corporate *i.e.* OCBs	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c	Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d	Any Other (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Sub-Total (A) (2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total Shareholding of Promoter and Promoter Group (A)(1)+(A)(2)	6	153,125,980	153,111,180	79.23	79.23	Nil	Nil
(B)	**Public Shareholding**							
1	**Institutions**							
a	Mutual Funds/UTI	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b	Financial Institutions/Banks	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c	Central Government/State Government(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d	Venture Capital Fund	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e	Insurance Companies	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f	Foreign Institutional Investors	Nil	Nil	Nil	Nil	Nil	Nil	Nil
g	Foreign Venture Capital Investors	3	11,146,620	11,146,620	5.77	5.77	Nil	Nil
h	Any Other (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Sub-Total (B) (1)	3	11,146,620	11,146,620	5.77	5.77	Nil	Nil
2	**Non-Institutions**							
a	Bodies Corporate	1	28,990,610	28,990,610	15.00	15.00	Nil	Nil
b	Individuals	1	7,400	Nil	Negligible	Negligible	Nil	Nil

Category Code	Category of Shareholders	Number of Shareholders	Total Number of shares	Number of Shares Held in dematerialized form	Total Shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
I	Individual Shareholders holding nominal Share Capital value upto ₹ 100,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
II	Individual Shareholders holding nominal Share Capital value in excess of ₹ 100,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c	**Any Other (specify)**	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i	Trust	Nil	Nil	Nil	Nil	Nil	Nil	Nil
ii	NRI's	Nil	Nil	Nil	Nil	Nil	Nil	Nil
iii	OCB's	Nil	Nil	Nil	Nil	Nil	Nil	Nil
iv	Foreign Nationals	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Sub-Total (B) (2)	2	28,998,010	28,990,610	15.00	15.00	Nil	Nil
	Total Public Shareholding (B)= (B)(1)+(B)(2)	5	40,144,630	40,137,230	20.77	20.77	Nil	Nil
	Total (A)+(B)	11	193,270,610	193,248,410	100	100	Nil	Nil
(C)	**Share held by Custodian and against which Depository Receipts have been issued**	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Grand Total (A)+(B)+(C)	11	193,270,610	193,248,410	100	100	Nil	Nil

As of the date of this Draft Red Herring Prospectus, the BRLMs and their associates do not hold any Equity Shares. Further, except for the employee stock options which are convertible into Equity Shares, none of our Directors, our Promoters and key management personnel, except for the ones provided in the table below, hold any Equity Shares. For details see "***-Notes to Capital Structure-Employee Stock Options***" and "***Our Management***" on pages 26 and 101, respectively.

S. No.	Name of Director / Promoter's Director / Key Management Personnel	Director of our Promoter / our Director	Number of Equity Shares
1.	Rajesh Agarwal	Director	38,275,945
2.	Rahul Sharma	Director	38,283,345
3.	Sumeet Kumar	Director	38,275,945
4.	Vikas Jain	Director	38,275,945

7. The list of our shareholders and the number of Equity Shares held by them is as under:

(a) Our top 10 shareholders as on the date of this Draft Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares	Percentage of shareholding	No. of Equity Shares entitled to upon exercise of options under MMX ESOP
1.	Rahul Sharma	38,283,345	19.81%	Nil
2.	Rajesh Agarwal	38,275,945	19.80%	Nil
	Sumeet Kumar	38,275,945	19.80%	Nil
	Vikas Jain	38,275,945	19.80%	Nil

S. No.	Shareholder	No. of Equity Shares	Percentage of shareholding	No. of Equity Shares entitled to upon exercise of options under MMX ESOP
5.	Wagner	28,990,610	15.00%	Nil
6.	Sequoia Capital	5,190,656	2.68%	Nil
7.	Sandstone	5,190,656	2.68%	Nil
8.	Madison	765,308	0.39%	Nil
9.	Yash Bhatia	7,400	Negligible	Nil
	Vipul Jain	7,400	Negligible	Nil
	Manju Arora	7,400	Negligible	Nil
	Total	**193,270,610**	**100.00%**	Nil

(b) Our top 10 shareholders as on September 20, 2010 which is 10 days prior to the filing of this Draft Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares	Percentage of shareholding	No. of Equity Shares entitled to upon exercise of options under MMX ESOP
1.	Rajesh Agarwal	1,034,485	19.80%	Nil
	Sumeet Kumar	1,034,685	19.80%	Nil
	Vikas Jain	1,034,485	19.80%	Nil
4.	Rahul Sharma	1,034,485	19.80%	Nil
5.	Wagner	783,530	15.00%	Nil
6.	Sequoia Capital	140,288	2.68%	Nil
7.	Sandstone	140,288	2.68%	Nil
8.	Madison	20,684	0.39%	Nil
9.	Yash Bhatia	200	Negligible	Nil
	Vipul Jain	200	Negligible	Nil
	Manju Arora	200	Negligible	Nil
	Total	**5,223,530**	**100.00%**	Nil

(c) Our shareholders as on September 29, 2008 which is two years prior to the date of filing of this Draft Red Herring Prospectus, were as follows:

S. No.	Shareholder	No. of Equity Shares	Percentage of shareholding
1.	Rahul Sharma	1,200,000	25.00%
2.	Rajesh Agarwal	1,199,800	24.99%
	Sumeet Kumar	1,199,800	24.99%
	Vikas Jain	1,199,800	24.99%
5.	Yash Bhatia	200	Negligible
6.	Vipul Jain	200	Negligible
7.	Manju Arora	200	Negligible
	Total	**4,800,000**	**100.00%**

8. Except for certain rights granted to Sequoia Capital, Sandstone and Madison (collectively referred to as the "**New Investors**") and Wagner pursuant to the Shareholders' agreement dated September 16, 2010, amongst our Company, Mr. Rajesh Agarwal, Mr. Sumeet Kumar, Mr. Rahul Sharma, Mr. Vikas Jain, Wagner, Sequoia Capital, Sandstone and Madison which terminate upon the listing of our Equity Shares on the Stock Exchanges, our Company, our Promoters, our Directors, and the BRLMs have not entered into any buy back and/or standby arrangements for the purchase of Equity Shares from any person. For details, see "***History and Certain Corporate Matters- Shareholders' Agreements***" on page 98.

9. Except the sale of 301,260 Equity Shares by the Promoters to Sequoia Capital, Sandstone and Madison, aggregating ₹ 2,018.58 million, none of our Promoters, Promoter Group, directors of our Promoters, our Directors or their immediate relatives have purchased or sold or financed the purchase or sale of Equity Shares by any other person during the period of six months immediately preceding the date of

filing of this Draft Red Herring Prospectus with the SEBI.

10. An over-subscription to the extent of 10% of the Issue to the public can be retained for the purpose of rounding off to the nearest multiple of minimum bid lot while finalizing the basis of Allotment. In the event that the aggregate demand in the QIB Portion has been met, any under subscription, other than the QIB category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLMs and the Designated Stock Exchange.

11. Except to the extent of the options granted or exercised under MMX ESOP, we presently do not intend or propose any further issue of Equity Shares whether by way of issue of bonus issue, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus to SEBI until the Equity Shares issued/ to be issued pursuant to the Issue have been listed.

12. Except for the employee stock options granted pursuant to MMX ESOP, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares as on the date of this Draft Red Herring Prospectus.

13. Our Company presently does not intend to alter its capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly into Equity Shares) on a preferential basis or issue of bonus or rights or further public issue of Equity Shares or qualified institutions placement or otherwise, except issue and allotment of Equity Shares under MMX ESOP upon conversion of options that may vest and be exercised, and except for issuance in terms of Rule 19(2)(b) of the SCRR for compliance with minimum public shareholding requirements set forth thereunder, or if we enter into acquisitions, joint ventures or other arrangements, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

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

15. As of the date of filing of this Draft Red Herring Prospectus, our Company has 11 shareholders.

16. There are no partly paid up Equity Shares in our Company. All the Equity Shares offered through this Issue will be fully paid up at the time of Allotment.

17. There has been no financing arrangement whereby the Directors and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the six months immediately preceding the date of filing of this Draft Red Herring Prospectus with the SEBI.

18. Our Company, Directors, Promoters or Promoter Group shall not make any payments either directly or indirectly, discounts, commissions, allowances or otherwise under this Issue except as disclosed in this Draft Red Herring Prospectus.

19. Our Promoters, Promoter Group and Group Entities will not participate in this Issue.

20. We shall ensure that transaction in Equity Shares by our Promoters between the date of registering the Prospectus with the RoC and the Bid/Issue Closing Date shall be reported to the Stock Exchanges within 24 hours of such transaction.

OBJECTS OF THE ISSUE

The objects of the Issue are as follows:

1. Establishment of a new handset manufacturing plant;
2. Enhancement of the 'Micromax' brand through advertising and marketing;
3. Investment in acquisitions and other strategic initiatives; and
4. Funding expenditure for general corporate purposes.

In addition, our Company expects to receive the benefits of listing the Equity Shares on the Stock Exchanges. We believe that the listing of our Equity Shares will, amongst other things, enhance our visibility and brand name.

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

Issue Proceeds and Net Proceeds

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

(₹ in million)

S. No	Description	Amount
1.	Gross proceeds to be raised through the Issue ("**Issue Proceeds**")	[●] *
2.	Issue related expenses	[●] *
3.	Net proceeds of the Issue after deducting the Issue related expenses from the Issue Proceeds ("**Net Proceeds**")	[●] *

** To be finalized upon determination of Issue Price*

Requirement of Funds, Use of Net Proceeds and Means of Finance

The Net Proceeds are currently expected to be utilized in accordance with the schedule set forth below:

(₹ in million)

S.No.	Activity	Amount proposed to be financed from the Net Proceeds of the Issue	Fiscal 2011	Fiscal 2012	Fiscal 2013
1.	Establishment of a new handset manufacturing plant	2,260.39	377.04	1,475.18	408.17
2.	Enhancement of the 'Micromax' brand through advertising and marketing	1,250.00	-	750.00	500.00
3.	Investment in acquisitions and other strategic initiatives	750.00	225.00	525.00	-
4	General corporate purposes *	[●]	[●]	[●]	[●]
	Total	[●]	[●]	[●]	[●]

** To be finalized upon determination of Issue Price.*

The entire requirements of the objects detailed above are intended to be funded from the Net Proceeds. Accordingly, our Company confirms that there is no requirement for it to make firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through the Issue.

Other than the project report dated September 23, 2010 provided by Ace Global Private Limited (the "**Project Report**") in relation to the establishment of a new handset manufacturing plant, on which we have relied, the fund requirement and deployment are based on internal management estimates and have not been appraised by any bank, financial institution or any other external agency. These are based on current circumstances of our business and are subject to change in light of changes in external circumstances or costs, or in our financial condition, business or strategy, as discussed further below. Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan and estimates from time to time and consequently our funding requirements and deployment of funds may also change. This may also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds.

In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue, subject to applicable law. If surplus funds are unavailable, the required financing will be met through our internal accruals, additional equity and/or debt arrangements. Furthermore, any expenditure incurred in relation to the aforementioned objects after the date of filing of this Draft Red Herring Prospectus may be recouped in due course out of the Net Proceeds. In the event that estimated utilization out of the Net Proceeds in a fiscal is not completely met, the same shall be utilized in the next fiscal. Our management, in accordance with the competitive and dynamic nature of our business and the policies of the Board, will have the flexibility to revise its business plan from time to time and in utilizing the sum earmarked for general corporate purposes and any surplus amounts from the Net Proceeds.

Details of the Objects of the Issue

1. Establishment of a new handset manufacturing plant

We propose to utilize ₹ 2,260.39 million from the Net Proceeds for establishing a new handset manufacturing plant. The manufacturing plant will comprise of a range of contemporary equipments, including Surface Mount Technology ("**SMT**") and testing line equipments, which will allow us to mount components directly onto the surface of Printed Circuit Boards ("**PCBs**"), solder the components, annealing, assemble the various other components of the handset to the surface mounted PCB and finally test/ run quality control diagnostics on the product at various stages in the manufacturing process, before packing and distribution. The plant will have the capability of producing basic handset models as well as models with smart phone features. The proposed manufacturing facility will enable us to manufacture upto 2.0 million handsets per month based on two, 10 hour shifts per day on an aggregate of nine SMT lines and a box-build assembly.

We have identified Sriperumbudur in Tamil Nadu as a possible location for setting-up our manufacturing plant. We are currently in the process of evaluating alternative locations for setting-up our manufacturing plant and may decide to change the location of the project. Furthermore, we have not yet commenced acquiring or leasing land for the project. For further details refer to the "***Risk Factors -"We intend to utilize ₹ 2,260.39 million of the Net Proceeds of this Issue to set up a manufacturing facility for mobile handsets. However, we have not, as of the date of this Draft Red Herring Prospectus, identified land, placed orders for any equipment or obtained various approvals required for the manufacturing unit."*** on page xvii.

We intend to source the power requirements of the proposed manufacturing plant from a combination of electricity sourced from the local state electricity board, arrangements with private sector power companies and power generated through in-house diesel generator sets. Furthermore, we intend to enter into arrangements for the supply of other utilities such as water and gas.

Estimated Cost

The total cost of setting-up the manufacturing plant is estimated at ₹ 2,260.39 million as per the Project Report and the same is intended to be wholly financed through equity. The detailed break down of the estimated cost and description of cost items, as mentioned in the Project Report, is as follows:

(₹ in million)

S.No.	Item	Estimated Cost
1.	Land acquisition cost	324.00
2.	Land development cost	30.00
3.	Construction costs	271.25
4.	Plant and machinery	1,320.29
5.	Utilities and miscellaneous fixed assets	165.00
6.	Preliminary pre-operative and other miscellaneous expenses	42.21
7.	Contingency costs	107.64
	Total	**2,260.39**

Land acquisition cost

The total cost of acquisition of land for this project is estimated at ₹ 324.00 million. The Company intends to setup its manufacturing plant on 15 acres of land and Sriperumbudur in Tamil Nadu has been identified as a possible location for setting-up the manufacturing facility. As there is presently no land available for acquisition in the SIPCOT industrial park at Sriperumbudur, the Company would need to acquire private agricultural land. Accordingly, the land acquisition cost comes to ₹ 300.00 million computed on an average acquisition cost of ₹ 20.00 million per acre based on per acre rates obtained from the local State Industrial Development Corporation. Additional registration and conveyance charges amounting to ₹ 24.00 million at 8% of the cost of acquisition of land have also been included in the total cost.

Land development cost

The total cost of development of land for this project is estimated at ₹ 30.00 million computed on an average land development cost of ₹ 2.00 million per acre based on estimates provided by local building contractors.

Construction costs

The total construction cost has been estimated at ₹ 271.25 million. The built-up area for the manufacturing plant has been estimated as 217,000 square feet based on permissible ground coverable norms of 40% for industrial constructions and area requirements applicable for a manufacturing facility with 9 assembly lines. The total cost of construction has been computed on an average construction cost of ₹ 1,250 per square feet, based on quotes obtained from contractors and engineering firms, applied on the estimated built-up area. This includes the cost of RCC roofing, cement-plaster walls, industrial epoxy flooring, air conditioning, administrative and marketing offices, workmen canteens and other amenities, and miscellaneous blocks.

Plant and machinery

The total cost of plant and machinery for this project is estimated at ₹ 1,320.29 million and includes the following key components:

(₹ in million)

S.No.	Item	Purpose	Estimated Cost
1.	SMT lines	– Mounting components directly onto the surface of PCBs; – Applying solder paste on the joints; – Soldering the pieces together in an oven; – Flipping the PCB and repeating the above process on the other side; – Delivering the mounted PCB.	1,285.56
2.	Box-Build assembly and testing lines	– Assembly of external components such as antennas, camera lens, batteries etc. to the surface mounted PCB; – Testing and inspection of PCBs, components and related assemblies in the SMT lines and box-Build assembly.	34.73
Total			**1,320.29**

The cost of setting-up a total of nine SMT lines at the facility has been estimated at ₹ 1,285.56 million. This includes the landed cost of ₹ 626.97 million for six SMT lines capable of delivering mounted PCBs for basic handsets and ₹ 658.60 million for three SMT lines capable of delivering mounted PCBs for more sophisticated, higher-end handsets.

The key equipments and other cost elements relating to the establishment of the six SMT lines for basic handsets, based on budgetary estimates from a supplier of such equipments is given below:

S.No.	SMT Line Equipments	Number of Machines	Unit Cost (US$)	Total Cost (US$ million)
1	Loader	1	12,000	0.01
2	Solder paste printer	1	70,000	0.07
3	Solder paste inspector	1	70,000	0.07
4	Inspection conveyor	2	3,500	0.01

S.No.	SMT Line Equipments	Number of Machines	Unit Cost (US$)	Total Cost (US$ million)
5	Pick and place machine	4	420,000	1.68
6	Automated Optical Inspection ("AOI") Machine	1	80,000	0.08
7	Reflow oven	1	80,000	0.08
8	Telescopic grid conveyor	1	15,000	0.02
9	Flipper	1	15,000	0.02
10	Un-loader	1	12,000	0.01
11	Routing machine	1	70,000	0.07
Estimated Cost per SMT Line (US$ million)				**2.11**
Estimated Cost per SMT Line (₹ million) (1)				95.00
Import Duties (₹ million) (2)				9.50
Total Landed Cost per SMT Line (₹ million)				**104.49**
Total Landed Cost for Six SMT Lines (₹ million)				**626.97**

(1) Exchange rate of US$ 1= ₹45 used;
(2) A large part of the equipment is expected to be duty free as per the International Telecommunications Agreement to which India is a signatory. However, assuming that certain components may not be duty free, a provision of 10% of the Estimated Cost per SMT Line has been budgeted.

The key equipments and other cost elements relating to the establishment of the three SMT lines for higher-end handsets, based on budgetary estimates from a supplier of such equipments is given below:

S.No.	SMT Line Equipments	Number of Machines	Unit Cost (US$)	Total Cost (US$ million)
1	Loader	2	12,000	0.02
2	Solder paste printer	2	90,000	0.18
3	Solder paste inspector	2	80,000	0.16
4	Inspection conveyor	4	3,500	0.01
5	Pick and place machine	8	420,000	3.36
6	Automated Optical Inspection ("AOI") Machine	4	90,000	0.36
7	Reflow oven	2	85,000	0.17
8	Telescopic grid conveyor	1	15,000	0.02
9	Flipper	1	15,000	0.02
10	Un-loader	1	12,000	0.01
11	Routing machine	1	125,000	0.13
Estimated Cost per SMT Line (US$ million)				**4.44**
Estimated Cost per SMT Line (₹ million) (1)				199.58
Import Duties (₹ million) (2)				19.96
Total Landed Cost per SMT Line (₹ million)				**219.53**
Total Landed Cost for Three SMT Lines (₹ million)				**658.60**

(1) Exchange rate of US$ 1= ₹45 used;
(2) A large part of the equipment is expected to be duty free as per the International Telecommunications Agreement to which India is a signatory. However, assuming that certain components may not be duty free, a provision of 10% of the Estimated Cost per SMT Line has been budgeted.

The budgetary estimate for the following configuration of box-build assembly and SMT testing equipments is given below:

S.No.	Box-build assembly and related testing equipments	Total Cost (₹ million)
1	Functional testing go-no go machine	4.00
2	Functional PCB diagnostic tester	7.00
3	Ball Grid Array ("BGA") rework bench	3.00
4	Surface Mount Device ("SMD") rework bench	0.30
5	Drop tester	0.35
6	Vibration tester	0.08
7.	SMT testing equipment (2 X-Ray machines)	20.00
	Total	**34.73**

No second hand equipment is proposed to be purchased with respect to the project.

Utilities and miscellaneous fixed assets

Besides the main plant and machinery as described above, a number of other ancillary utilities as well as fixtures for manufacturing and office/ administration buildings are required. Utilities relating to the manufacturing process include air handling units, standby power generation equipment, central voltage stabilization/ surge protection devices, water treatment and storage plant, clean compressed air systems, vacuum systems, fire fighting systems, material handling equipments etc. Furthermore, electronic surveillance and security accessories such as CCTVs, access control systems, anti-intrusion systems etc. as well as amenities such as furniture, communications equipment, vehicles and office related equipment would also be required.

The Company intends to source the power requirements of the proposed manufacturing plant from a combination of: electricity sourced from the local state electricity board, arrangements with private sector power companies and power generated through in-house diesel generator sets. Furthermore, the Company intends to enter into arrangements with the appropriate industrial infrastructure authority for the supply of other amenities such as water, gas etc.

The total cost of utilities and miscellaneous fixed assets has been estimated at ₹ 165.00 million based on a rate of approximately 12.5% of the total cost of plant and machinery as indicated by local civil and electrical contractors.

Preliminary pre-operative and other miscellaneous expenses

Preliminary pre-operative and miscellaneous expenses include fees to be paid towards technical studies conducted by engineers, legal expenses for fees payable to legal counsels, insurance advisor‘s fees, employee recruitment, training and salaries, consultancy fees, advisors fees, other expenses etc. The total estimated preliminary preoperative and miscellaneous expenses for the project is estimated at ₹ 42.21 million based on a rate of 2% of the basic project cost in accordance with industry standards.

Contingency costs

A provision for contingency of ₹ 107.64 million to cover an increase in the estimated cost for the proposed project has been taken, based on a rate of 5% of the basic project cost (including preliminary pre-operative and miscellaneous expenses) in accordance with industry standards.

Schedule of Implementation

The expected schedule of implementation for the project as per the Project Report is given below:

Milestone/ Activities	Estimated date of completion
Land acquisition	March 2011
Engineering and design	June 2011
Construction	November 2011
Installation of plant and machinery	March 2012
Trail run	June 2012
Commissioning	July 2012

Funds Deployed

As per the certificate of Walker, Chandiok & Co., Chartered Accountants dated September 28, 2010 (signing through Mr. David Jones, membership number 98113), as of July 31, 2010, our Company has not deployed any funds towards the aforementioned object.

2. Enhancement of the 'Micromax' brand through advertising and marketing

We seek to seize upon market opportunities by continuing to allocate significant resources to establish Micromax as India's leading and most innovative mobile handset company. Our branding strategy focuses on the innovative functionalities of our products to project Micromax's reputation for innovation. Our marketing plan comprises advertising in print media, electronic advertising, television campaigns, and endorsement by famous Indian personalities who participate in our marketing campaigns, and sponsorship of prominent sporting and film events in India. We believe that the scale of our business provides us the ability to increasingly focus on branding and promotion to further increase our visibility and market share. We plan to continue to focus on endorsements by leading Indian personalities, and sponsoring Bollywood events and sporting events, with a particular focus on cricket.

Our advertisement and promotion expenses were ₹ 501.38 million and ₹ 55.76 million during fiscal 2010 and 2009, respectively and constituted 3.20% and 1.62% of our sales. Going forward, we intend to continue to invest significant resources to further establish the 'Micromax' brand through adverting and marketing activities. Accordingly, we plan to utilise a total of ₹ 1,250.00 million from the Net Proceeds during fiscal 2012 and 2013 for funding our advertising and marketing expenses.

3. *Investment in acquisitions and other strategic initiatives*

In pursuit of our strategy to expand our product and service offerings, we continue to evaluate inorganic opportunities and seek to identify acquisition targets and/or joint venture partners whose resources, capabilities, technologies and strategies are complementary to and are likely to enhance our product offering and business operations. To create better products, we will also pursue strategic alliances and relationships with businesses whose products or services can be incorporated into our handset designs. In particular, we are exploring opportunities to partner with or acquire companies that design mobile handsets or would complement or expand the value-added services we intend to provide. In addition, we may selectively explore the opportunity to expand our international operations through acquisitions or forming new relationships.

We intend to utilize ₹ 750.00 million from the Net Proceeds towards making such acquisitions and strategic initiatives. As of the date of this Draft Red Herring Prospectus, we have not yet entered into any definitive commitment for any such acquisition or strategic initiatives.

The above amount is based on the management's current estimates of the amounts to be utilized towards acquisitions and strategic initiatives. The actual deployment of funds would depend on a number of factors, including the timing of acquisitions, number of acquisitions and size of the target. The proceeds allocated towards acquisition may not be the total value of the acquisition, but may provide us with leverage to enter into binding agreements. In the event there is a shortfall of the funds required for the acquisitions, such shortfall shall be met out of the amounts allocated for general corporate purposes and/or through internal accruals, additional equity infusions, debt and/ or other means of finance. In the event, there is a surplus amount which has not been invested in acquisition and other strategic initiatives, such portion of the Net Proceeds would then be utilized towards general corporate purposes at the sole discretion of our management.

4. *Funding expenditure for general corporate purposes*

We intend to use a part of the Net Proceeds, approximately ₹ [●] million, towards general corporate purposes including but not restricted to corporate overheads, general administrative costs and meeting exigencies which we may face in the ordinary course. Our management, in accordance with the policies of the Board, will have the flexibility in utilizing the sum earmarked for general corporate purposes and any surplus amounts from the Net Proceeds.

Deployment of Funds and Expenditure Schedule

The amount deployed by our Company as on July 31, 2010 and year-wise break-up of the balance expenditure proposed to be incurred on the objects of the Issue is set forth below:

(₹in million)

S.No.	Activity	Amount incurred as of July 31, 2010[1]	Year-wise break-up of Expenditure Proposed to be Incurred		
			Remaining Fiscal 2011	Fiscal 2012	Fiscal 2013
1.	Establishment of a new handset manufacturing plant	-	377.04	1,475.18	408.17
2.	Enhancement of the 'Micromax' brand through advertising and marketing	-	-	750.00	500.00
3.	Investment in acquisitions and other strategic initiatives	-	225.00	525.00	-
4.	General corporate purposes *	-	[●]	[●]	[●]

** To be finalized upon determination of Issue Price.*

[(1)] *As per the certificate of Walker, Chandiok & Co., Chartered Accountants dated September 28, 2010 (signing through Mr. David Jones, membership number 98113), as of July 31, 2010, our Company has not deployed any funds towards the aforementioned object.*

Issue Related Expenses

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

S. No.	Activity Expense	Amount (₹ in millions)	Percentage of Total Issue Expenses	Percentage of Total Issue Size
1.	Lead management fees*	[●]	[●]	[●]
2.	Underwriting and selling commission*(including commission to SCSBs for ASBA Applications *)	[●]	[●]	[●]
3.	Registrar's fees*	[●]	[●]	[●]
4.	Advertisement and marketing expenses*	[●]	[●]	[●]
5.	Printing and distribution expenses*	[●]	[●]	[●]
6.	IPO Grading expenses*	[●]	[●]	[●]
7.	Advisors*	[●]	[●]	[●]
8.	Bankers to the Issue*	[●]	[●]	[●]
9.	Others (SEBI filing fees, bidding software expenses, depository charges, listing fees, etc.) *	[●]	[●]	[●]

** To be finalized upon determination of the Issue Price.*

Working Capital Requirement

The Net Proceeds will not be used to meet our working capital requirements as we expect to have internal accruals, avail debt and/or draw down from our existing or new lines of credit to meet our existing working capital requirements.

Interim use of funds

Our management, in accordance with the policies established by our Board from time to time, will have flexibility in deploying the Net Proceeds. The particular composition, timing and schedule of deployment of the Net Proceeds of the Issue will be determined by our Company. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest and dividend bearing liquid instruments including investments in mutual funds, deposits with banks and other investment grade interest bearing securities.

Appraisal

None of the objects for which the Net Proceeds will be utilized have been financially appraised.

Monitoring Utilization of Funds

Our Board will monitor the utilization of the Net Proceeds. We will disclose the utilization of the Net Proceeds under a separate head providing details of any portion of the Net Proceeds that have not been utilized. We will indicate investments, if any, of the unutilized portion of the Net Proceeds in our balance sheet for the relevant financial years subsequent to the Issue. Pursuant to clause 49 of the Equity Listing Agreement, we will on a quarterly basis disclose to our Audit Committee the uses and applications of the Net Proceeds. On an annual basis, we will prepare a statement of funds utilized for purposes other than those stated in this Draft Red Herring Prospectus and place it before the Audit Committee. Such disclosure will be made only until such time that the entire Net Proceeds have been utilized in full. The statement will be certified by our Auditors which will be placed before our Audit Committee, so as to enable our Audit Committee to make appropriate recommendations to our Board.

We will be required to inform material deviations in the utilization of the Net Proceeds to the Stock Exchanges and will also be required to simultaneously disclose the material deviations or adverse comments of our Audit Committee through advertisement in newspapers.

Other Confirmations

No part of the Net Proceeds will be paid by us as consideration to our Promoters, Promoter Group, our Directors, Group Entities or key managerial personnel, except in the normal course of our business.

BASIS FOR ISSUE PRICE

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

Qualitative Factors

We believe the following are our primary strengths:

- We have established ourselves as a leader in the Indian mobile handset market with a growing market share;
- We combine technical expertise with our understanding of the Indian consumer behavior;
- We have strong product development capabilities;
- We have established efficient and speedy execution capability;
- We have an extensive nationwide distribution network;
- We have a nationwide after sales support network of more than 370 strategically located ASCs and five modular (component) service centers;
- We have a scalable asset-light business model with strong cashflow generation;
- Our business is diversified across products, distributors and geographies; and
- We have a strong promoter background and highly qualified, motivated and energetic workforce.

For details, please see the sections titled, "***Our Business***" and "***Risk Factors***" on pages 69 and xii, respectively.

Quantitative Factors

The information presented below relating to the Company is based on the restated standalone financial information of the Company for Fiscals 2010, 2009 and 2008. For details, see "***Financial Statements - Auditor's Report on Standalone Restated Financial Statements"*** on page 123.

1. Earnings per Share ("EPS")

Year ended	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2010	11.83	11.58	3
March 31, 2009	1.41	1.41	2
March 31, 2008	0.89	0.89	1
Weighted Average	**6.53**	**6.41**	

Notes:

1. Basic/ Diluted EPS calculated in accordance with Accounting Standard 20 "Earnings per Share" issued by the Institute of Chartered Accountants of India.

2. Price/Earning (P/E) ratio in relation to the Price Band

a) P/E based on the Basic EPS

Particulars	P/E at the lower end of the Price Band (no. of times)	P/E at the higher end of the Price Band (no. of times)
P/E based on the Basic EPS for the year ended March 31, 2010 of ₹ 11.83	[●]	[●]
P/E based on weighted average Basic EPS of ₹ 6.53	[●]	[●]

b) P/E based on the Diluted EPS

Particulars	P/E at the lower end of the Price Band (no. of times)	P/E at the higher end of the Price Band (no. of times)
P/E based on the Diluted EPS for the year ended March 31, 2010 of ₹ 11.58	[●]	[●]

Particulars	P/E at the lower end of the Price Band (no. of times)	P/E at the higher end of the Price Band (no. of times)
P/E based on weighted average Diluted EPS of ₹ 6.41	[●]	[●]

c) Industry P/E

N/A as the Company has only one publicly listed Industry peer in the same market space in India, i.e., Spice Mobility. Please refer to "-***Comparison with Industry Peers***" on page 45 herein below for selected financial information relating to Spice Mobility.

3. Return on Net Worth ("RoNW")

Year ended	RoNW (%)	Weight
March 31, 2010	100.71	3
March 31, 2009	52.54	2
March 31, 2008	67.01	1
Weighted Average	**79.04**	

Notes:

1. RoNW has been computed by dividing the restated net profit after tax for equity shareholders by the net worth at the end of the year.

4. Minimum Return on Total Net Worth after the Issue needed to maintain Pre-Issue EPS for the year ended March 31, 2010:

a) At the lower end of the Price Band: [●]%
b) At the higher end of the Price Band: [●]%

5. Net Asset Value per Equity Share

a) Net Asset Value per Equity Share as of March 31, 2010: ₹ 11.75
b) Net Asset Value per Equity Share after the Issue: ₹ [●] *
c) Issue Price: ₹ [●] *

* Issue Price will be determined on conclusion of book building process.

Notes:

1. Net asset value per Equity Share has been computed by dividing the net worth at the end of the year by the restated weighted average number of outstanding Equity Shares.

6. Comparison with Industry Peers

	Face Value (₹)	EPS (₹)	Book Value per Share (₹)	Return on Net Worth (%)	P/E Multiple (no. of times)
Micromax Informatics Limited (1)	10	11.83	11.75	100.71	[●] (2)
Peer Group (3)					
Spice Mobility	3	9.4	18.0	1.1	7.7

(1) Basic EPS, Book Value per Equity Share and Return on Net Worth of the Company are based on the restated standalone financial information of the Company for the year ended March 31, 2010.
(2) Based on the Issue Price to be determined on conclusion of book building process and the Diluted EPS of the Company.
(3) All figures for the Peer Group are from "Capital Market" magazine Vol. XXV/15 dated September 20 – October 3, 2010.

The Issue Price of ₹ [•] has been determined by our Company in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares by way of the Book Building Process and is justified in view of the above qualitative and quantitative parameters. Investors should read the above mentioned information along with "***Risk Factors***" and "***Financial Statements***" on pages xii and 123, respectively, to have a more informed view.

STATEMENT OF TAX BENEFITS

To
The Board of Directors
Micromax Informatics Limited
Block A, Plot No. 21/14
Naraina Industrial Area Phase II
New Delhi 110028

Dear Sirs

Subject: Statement of Possible Tax Benefits available to the Company and its Shareholders

We hereby certify that the enclosed annexure states the possible tax benefits available to Micromax Informatics Limited ("the Company") and to the Shareholders of the Company under the provisions of the Income-tax Act, 1961 and Wealth Tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its Shareholders to derive tax benefits is dependent upon fulfilling such conditions.

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. A shareholder is advised to consult his/ her/ their own tax consultant with respect to the tax implications arising out of their participation in the proposed Initial Public Offer of Equity Shares of the Company particularly in view of ever changing tax laws in India.

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

a) The Company or its shareholders will continue to obtain these benefits in future; or

b) The conditions prescribed for availing the benefits have been / would be met.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the provisions of the Income- Tax Act, 1961 and Wealth Tax Act, 1957 as of date.

This report is intended solely for your information and for the inclusion in the Offer Document in connection with the proposed Initial Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Walker, Chandiok & Co
Chartered Accountants
Firm Registration No. 001076N

per Deepak Joshi
Partner
Membership No. 504581
Date September 28, 2010

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible tax benefits available to the Company and the Equity Shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares, under the current tax laws presently in force in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

Levy of Income Tax

As per the provisions of the Income Tax Act, 1961 (“Act”) taxation of a person is dependant on its tax residential status. The Indian tax year runs from April 1 to March 31.

In general, in the case of a person who is "resident" in India in a tax year, its global income is subject to tax in India. In the case of a person who is "non-resident" in India, only the income that is received or deemed to be received or that accrues or is deemed to accrue or arise to such person in India is subject to tax in India. In the instant case, the income from the Equity Shares of the Company would be considered to accrue or arise in India, and would be taxable in the hands of all persons irrespective of residential status. However, relief may be available under applicable Double Taxation Avoidance Agreement (“DTAA”) to certain non-residents.

An **individual** is considered to be a **resident** of India during any financial year if he or she is in India in that year for:

- A period or periods amounting to 182 days or more; or
- 60 days or more if within the four preceding years, he/she has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India or a person of Indian origin living abroad who visits India; or
- 182 days or more, in the case of a citizen of India who leaves India for the purposes of employment outside India in any previous year.

A **Hindu undivided Family (HUF), firm or other association of persons (AOP)** is resident in India except where the control and management of its affairs is situated wholly outside India.

A company is “resident” in India if it is formed and registered in accordance with the Indian Companies Act or if the control and management of its affairs is situated wholly in India in a tax year.

A “firm” or “association of persons” is resident in India except where the control and management of its affairs is situated wholly outside India.

A “**Non-Resident**” means a person who is not a resident in India.

A person is said to be **not ordinarily resident** in India in any previous year if such person is:

- a non-resident in India in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for a period of, or periods amounting in all to, 729 or less; or
- a Hindu undivided family whose manager has been a non-resident in India in nine out of the ten previous years preceding that year, or has during the seven previous years preceding that year been in India for a period of, or periods amounting in all to, 729 or less.

As per the taxation laws in force, the tax benefits / consequences, as applicable, to Micromax Informatics Limited (henceforth referred to as the “Company”) and its Equity Shareholders investing in the Equity Shares are summarized below:

SPECIAL TAX BENFITS

There are no special tax benefits available under the act to the Company or it's shareholders.

GENERAL TAX BENEFITS

1 BENEFITS AVAILABLE TO THE COMPANY - UNDER THE INCOME-TAX ACT, 1961 ("the Act")

1.1 **Dividends exempt under Section 10(34) of the Act**

Under Section 10(34) of the Act, income by way of "dividends" received on the shares of the any domestic company is exempt from income tax in the hands of shareholders. However, no deduction is permitted in respect of expenditure incurred in relation to income which is not chargeable to tax. The expenditure relatable to "exempt income" need to be determined in accordance with the provisions specified in Section 14A of the Act read with Rule 8D of the Income Tax Rules, 1962 ("Rules").

However, the Company will be liable to pay Dividend Distribution Tax (''DDT") at 16.60875% (tax rate of 15% plus surcharge of 7.5% and education cess of 3%) on the total amount distributed as dividends. In calculating the amount of dividend on which DDT is payable, the same shall be reduced by dividend, if any, received by the Company during the FY, where:

- such dividend is received from subsidiary of the Company (A company shall be a subsidiary of another company, if such other company, holds more than half in nominal value of the equity share capital of the company);
- such subsidiary has paid tax under this section on such dividend; and
- the Company is not a subsidiary of any other company.

1.2 Under Section 10(35) of the Act, any income received in respect of the units of a Mutual Fund specified in Section 10(23D) of the Act; or units from the Administrator of the specified undertaking; or units from the specified company, as defined in Explanation to Section 10(35) of the Act, is exempt from tax.

1.3 Under Section 32(1) 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 defined to include patent, trademark, copyright, know-how, licenses, franchises or any other business or commercial rights of similar nature, if such intangible assets are acquired after 31st March 1998.

1.4 Under Section 32(2) of the Act, where full effect cannot be given to any depreciation allowance under Section 32(1) of the Act in any FY, owing to there being no profits or gains chargeable for that FY, or owing to the profits or gains chargeable being less than depreciation allowance, then, subject to the provisions of Section 72(2) of the Act, depreciation allowance or the part of depreciation allowance to which effect has not been given, as the case may be, shall be added to the amount of the depreciation allowance for the following FY and deemed to be part of that depreciation allowance, or if there is no such depreciation allowance for that FY, be deemed to be the depreciation allowance for that FY, and so on for the succeeding FYs.

1.5 **Capital Gains**

1.5.1 Capital assets may be categorised into short-term capital assets and long-term capital assets, based on the period of holding. Shares in a company, listed securities or units or zero coupon bonds will be considered as long-term capital assets if they are held for a period exceeding 12 months.

1.5.2 Under Section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of shares in the company or units of an equity oriented fund are exempt from tax, where the sale transaction has been entered into on a recognized stock exchange of India and Securities Transaction Tax ("STT") has been paid on the same. However, profits on transfer of above referred long term capital assets shall not be reduced in computing the "book profits" for the purposes of computation of MAT under Section 115 JB of the Act.

1.5.3 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset from the sale consideration to arrive at the amount of capital gains. However, second proviso to Section 48 of the Act permits substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, thereby adjusting the cost of acquisition / improvement by a cost inflation index, as prescribed.

1.5.4 Under Section 112 of the Act, long term capital gains, [other than those exempt under Section 10(38) of the Act] arising on transfer of listed equity shares in the company, would be subject to tax at a rate of 20% (plus applicable surcharge and education cess) after indexation or 10% (plus applicable surcharge and education cess) without indexation, whichever is lower.

1.5.5 Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of equity shares of the company would be exempt from tax if such capital gains is invested within six months after the date of such transfer in specified assets, being bonds issued by:

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;
b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any financial year cannot exceed ₹5,000,000.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

Since long term capital gains arising under Section 10(38) of the Act are not taxable, there is no requirement for making investment under Section 54EC of the Act in such cases.

1.5.6 Under Section 111A of the Act short-term capital gains arising on transfer of equity share in the company would be taxable at 15% (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and STT has been paid on the same. Short-term capital gains arising from transfer of shares in the Company, other than those covered by Section 111A of the Act, would be subject to tax under the normal provisions of the Act

1.6 **Credit for MAT**

Under section 115JAA(2A) of the Act tax credit shall be allowed in respect of MAT paid under section 115JB of the Act for any FY commencing on or after April 1, 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond ten years immediately succeeding the year in which the MAT credit initially arose.

1.7 Under Section 72(1) of the Act, where for any FY, the net result of the computation under the head "Profits and Gains of Business or Profession" is a loss to the Company (not being a loss sustained in a speculation business), then to the extent to which such loss cannot be set off against income from any other head of income for the same year, it shall be eligible to be carried forward and available for set off only against income from business under head "Profits and Gains of Business or Profession" for subsequent years. As per Section 72(3) of the Act, the loss so carried forward can be set off subject to a limit of eight FYs immediately succeeding the FY for which the loss was first computed. However, as per Section 80 of the Act, only a loss which has been determined in pursuance of a return filed within the due date in accordance with the provisions of Section 139(3) of the Act shall be carried forward and set off under Section 72(1) of the Act.

2 BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS UNDER THE ACT

2.1. Dividends exempt under Section 10(34) of the Act

Under Section 10(34) of the Act, income by way of "dividends" received on the Equity Shares of the Company is exempt from income tax in the hands of shareholders. However, the Company will be liable to pay DDT at 16.60875% (tax rate of 15% plus surcharge of 7.5% and education cess of 3%) on the total amount distributed as dividends. As a result, no taxability arises in the hands of the shareholders in respect of dividends received from the Indian Company. No deduction is permitted in respect of expenditure incurred by any person in relation to income which is not chargeable to tax. The expenditure relatable to “exempt income” need to be determined in accordance with the provisions specified in Section 14A of the Act read with Rule 8D of the Rules.

2.2. **Capital gains**

2.2.1. Capital assets may be categorized into short term capital assets and long term capital assets, based on the period of holding. Equity Shares held in the Company will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of such assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of said assets held for 12 months or less are considered as "short term capital gains".

2.2.2. Section 48 of the Act, prescribes the mode of computation of capital gains, and provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset from the sale consideration to arrive at the amount of capital gains. However, second proviso to Section 48 of the Act permits substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, thereby adjusting the cost of acquisition / improvement by a cost inflation index, as prescribed.

2.2.3. Under Section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of Equity Shares in the Company **or a unit of an equity oriented fund** are exempt from tax, where the sale transaction has been entered into on a recognized stock exchange of India and STT has been paid on the same. However, in case of shareholder being a company, profits on transfer of above referred long term capital asset shall not be reduced in computing the “book profits” for the purposes of computation of MAT under Section 115 JB of the Act.

2.2.4. Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of Equity Shares of the Company would be exempt from tax if such capital gains is invested in **certain notified bonds** within six months after the date of such transfer in specified assets, being bonds issued by:

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;
b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.
c) The investment made in such bonds during any financial year cannot exceed ₹5,000,000.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

Since long term capital gains arising under Section 10(38) of the Act are not taxable, there is no requirement for making investment under Section 54EC of the Act in such cases.

2.2.5. Under section 54F of the Act and subject to the conditions specified therein, long-term capital gains [other than those exempt from tax under Section 10(38) of the Act] arising to an individual or a Hindu Undivided Family (“HUF”) on transfer of Equity Shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of such transfer.

Since long term capital gains arising under Section 10(38) of the Act are not taxable, there is no requirement for making investment under Section 54F of the Act in such cases.

2.2.6. Under Section 112 of the Act, long term capital gains, [other than those exempt under Section 10(38) of the Act] arising on transfer of listed Equity Shares in the Company, would be subject to tax at a rate of 20%

(plus applicable surcharge and education cess) after indexation or 10% (plus applicable surcharge and education cess) without indexation, whichever is lower.

2.2.7. Under Section 111A of the Act, short-term capital gains arising on transfer of Equity Share in the Company would be taxable at 15% (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and STT has been paid on the same. Short-term capital gains arising from transfer of Equity Shares in the Company, other than those covered by Section 111A of the Act, would be subject to tax under the normal provisions of the Act.

2.3. **Business Profits**

2.3.1. Where the Equity Shares form part of stock-in-trade, any income realized from disposition of the equity shares will be chargeable under the head "Profit and gains of business or profession" as per the provisions of the Act.

2.3.2. Please note that the characterization of the gains/losses, arising from sale of Equity Shares, as capital gains or business income would depend on the nature of holding in the hands of the shareholder and various factors connected with the facts of the same.

2.3.3. As per Section 36(xv) of the Act, an amount equal to the STT paid by the assessee in respect of the taxable securities transactions entered into in the course of his business during the previous year will be allowable as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

2.4. Any Income received by any person for or an behalf of the New Pension System Trust established on 27/02/2008, under the Indian Trust Act, 1882 (2 of 1882) is exempt from tax and is also not subject to DDT.

3 <u>BENEFITS AVAILABLE TO NON-RESIDENTS (OTHER THAN FOREIGN INSTITUTIONAL INVESTORS) UNDER THE ACT</u>

3.1. **Dividends exempt under Section 10(34) of the Act**

3.1.1. Under Section 10(34) of the Act, income by way of "dividends" received on the Equity Shares of the Company is exempt from income tax in the hands of shareholders. However, the Company will be liable to pay DDT at 16.60875% (tax rate of 15% plus surcharge of 7.5% and education cess of 3%) on the total amount distributed as dividends. As a result, no taxability arises in the hands of the shareholders in respect of dividends received from the Indian Company. No deduction is permitted in respect of expenditure incurred by any person in relation to income which is not chargeable to tax. The expenditure relatable to "exempt income" need to be determined in accordance with the provisions specified in Section 14A of the Act read with Rule 8D of the Rules.

3.2. **Capital gains**

3.2.1. Capital assets may be categorized into short term capital assets and long term capital assets, based on the period of holding. Equity Shares held in the Company will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of such assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of said assets held for 12 months or less are considered as "short term capital gains".

3.2.2. Under Section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of Equity Shares in the Company are exempt from tax, where the sale transaction has been entered into on a recognized stock exchange of India and STT has been paid on the same. However, in case of shareholder being a company, profits on transfer of above referred long term capital asset shall not be reduced in computing the "book profits" for the purposes of computation of MAT under Section 115 JB of the Act.

3.2.3. Under the first proviso to Section 48 of the Act, in computing the capital gains arising from transfer of Equity Shares of the Company acquired in convertible foreign exchange, protection is provided to a non resident shareholder 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. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the Equity Shares.

3.2.4. Under Section 112 of the Act, long term capital gains, [other than those exempt under Section 10(38) of the Act] arising on transfer of listed Equity Shares in the Company, would be subject to tax at a rate of 20% (plus applicable surcharge and education cess) after indexation or 10% (plus applicable surcharge and education cess) without indexation, whichever is lower. However, there are divergent views given by the Indian judicial authorities in this regard.

3.2.5. Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of Equity Shares of the Company would be exempt from tax if such capital gains is invested within six months after the date of such transfer in specified assets, being bonds issued by (to the extent permitted under prevalent laws):

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;
b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any financial year cannot exceed ₹5,000,000.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

Since long term capital gains arising under Section 10(38) of the Act are not taxable, there is no requirement for making investment under Section 54EC of the Act in such cases.

3.2.6. Under section 54F of the Act and subject to the conditions specified therein, long-term capital gains [other than those exempt from tax under Section 10(38) of the Act] arising to an individual or a HUF on transfer of Equity Shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of such transfer.

Since long term capital gains arising under Section 10(38) of the Act are not taxable, there is no requirement for making investment under Section 54F of the Act in such cases.

3.2.7. Under Section 111A of the Act, short-term capital gains arising on transfer of Equity Share in the Company would be taxable at 15% (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and STT has been paid on the same. Short-term capital gains arising from transfer of Equity Shares in the Company, other than those covered by Section 111A of the Act, would be subject to tax under the normal provisions of the Act

3.3. **Business Profits**

3.3.1. Where the Equity Shares form part of stock-in-trade, any income realized from disposition of the equity shares will be chargeable under the head “Profit and gains of business or profession” as per the provisions of the Act.

3.3.2. Please note that the characterization of the gains/losses, arising from sale of Equity Shares, as capital gains or business income would depend on the nature of holding in the hands of the shareholder and various factors connected with the facts of the same.

3.3.3. As per Section 36(xv) of the Act, an amount equal to the STT paid by the assessee in respect of the taxable securities transactions entered into in the course of his business during the previous year will be allowable as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head “Profits and gains of business or profession”.

3.4. As per Section 90(2) of the Act, provisions of the DTAA between India and the country of residence of the non-resident would prevail over the provisions of the Act, to the extent they are more beneficial to the non-resident.

3.5. **Special benefit available to Non-resident Indian Shareholders**

Where Equity Shares of the Company have been subscribed by Non-Resident Indians ("NRI") i.e. an individual being a citizen of India or person of Indian origin who is not a resident, in convertible foreign exchange, they have the option of being governed by the provisions of Chapter XIIA of the Act, which *inter alia* entitles them to the following benefits:

3.5.1. Under Section 115E of the Act, where the total income of a NRI includes capital gains arising from the transfer of long term capital asset, being Equity Shares in the Company subscribed in convertible foreign exchange, such capital gains shall be taxed at a concessional rate of 10% (plus applicable surcharge and education cess). The benefit of indexation of cost would not be available.

3.5.2. Under provisions of Section 115F of the Act, any long term capital gains arising from the transfer of a foreign exchange asset arising to a NRI shall be exempt from tax if the entire net consideration is reinvested in specified assets within six months of the date of the transfer. If only a part of the net consideration is reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax as "capital gains" subsequently, if the specified assets are transferred or converted into money within three years from the date of their of acquisition. The taxability shall arise in the year in which the transfer or conversion, as the case may be, takes place.

3.5.3. Under the provisions of Section 115G of the Act, NRI's are not required to file a return of income under section 139(1) of the Act, if the income chargeable under the Act consists of only investment income or capital gains arising from the transfer of specified long term capital asset or both; arising out of assets acquired, purchased or subscribed in convertible foreign exchange and provided tax deductible at source has been deducted there from as per the provisions of Chapter XVII-B of the Act.

4 BENEFITS AVAILABLE TO A FOREIGN INSTITUTIONAL INVESTOR ("FII") UNDER THE ACT

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

Under Section 10(34) of the Act, income by way of "dividends" received on the Equity Shares of the Company is exempt from income tax in the hands of shareholders. However, the Company will be liable to pay DDT at 16.60875% (tax rate of 15% plus surcharge of 7.5% and education cess of 3%) on the total amount distributed as dividends. As a result, no taxability arises in the hands of the shareholders in respect of dividends received from the Indian Company. No deduction is permitted in respect of expenditure incurred by any person in relation to income which is not chargeable to tax. The expenditure relatable to "exempt income" need to be determined in accordance with the provisions specified in Section 14A of the Act read with Rule 8D of the Rules.

4.2. **Capital gains**

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4.2.1. Under Section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of Equity Shares in the Company are exempt from tax, where the sale transaction has been entered into on a recognized stock exchange of India and STT has been paid on the same. However, in case of companies, long term capital gain so earned may be required to be taken into account in computing the book profit for the purpose of computation of MAT under Section 115JB of the Act.

4.2.2. Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of Equity Shares of the Company would be exempt from tax if such capital gains is invested within six months after the date of such transfer in specified assets, being bonds issued by (to the extent permitted under prevalent laws):

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;

b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any financial year cannot exceed ₹5,000,000.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

Since long term capital gains arising under Section 10(38) of the Act are not taxable, there is no requirement for making investment under Section 54EC of the Act in such cases.

4.2.3. Under Section 115AD(1)(ii) of the Act short term capital gains on transfer of Equity Shares shall be chargeable at 30% or 15% (where such transaction of sale is entered on a recognized stock exchange in India and STT has been paid on the same), as the case may be. The above rates are to be increased by applicable surcharge and education cess.

Under Section 115AD(1)(iii) of the Act, long term capital gains arising from the transfer of Equity Shares (in cases not covered under Section 10(38) of the Act) of a Company shall be taxable at 10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation and foreign currency fluctuations are not available to FIIs.

However, where the Equity Shares form a part of stock-in-trade, any income realised in the disposition of such Equity Shares may be treated as business profits, taxable in accordance with the DTAA between India and the country of tax residence of the FII. The nature of the Equity Shares held by the FII is usually determined on the basis of the substantial nature of the transactions, the manner of maintaining books of account, the magnitude of purchases, sales and the ratio between purchases and sales and the holding etc. If the income realised from the disposition of Equity Shares is chargeable to tax in India as business income, FIIs could claim deduction under section 36(xv) of the Act with respect to STT paid on purchase/sale of Equity Shares while computing taxable income. Business profits may be subject to tax at the rate of 30%/ 40% (depending on the type of FII) plus applicable surcharge and education cess.

4.2.4. As per Section 90(2) of the Act, provisions of the DTAA between India and the country of residence of the FII would prevail over the provisions of the Act to the extent they are more beneficial to the FII. Where FII treat the income realized from disposition of Equity Shares as business profits and it does not have permanent establishment in India, such income of FII may not be subject to tax in India.

4.3. Tax Deduction At Source

Generally, in case of non residents, tax, (including surcharge and education cess) on the capital gains, if any, is withheld at the source by the buyer in accordance with the relevant provisions of the Act. However, no deduction of tax is required to be made from any income by way of capital gains arising from the transfer of securities (referred to in Section 115AD of the Act) payable to FIIs

5 BENEFITS AVAILABLE TO MUTUAL FUNDS UNDER THE ACT

As per the provisions of Section 10(23D) of the Act, Mutual Funds registered under the Securities and Exchange Board of India or Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein, would be eligible for exemption from income tax on their income.

6 SECURITIES TRANSACTION TAX ('STT')

All transactions entered into on a recognised stock exchange in India will be subject to STT levied on the transaction value at applicable rates. In case of purchase / sale of Equity Shares is settled by way of actual delivery or transfer of the Equity Shares, STT will be levied at 0.125% on both the buyer and seller of the Equity Shares. For sale of Equity Shares settled otherwise than by way actual delivery or transfer of the Equity Share, STT will be levied at 0.025% on the seller of the Equity Share. The STT can be claimed as deduction while computing taxable business income as per the provisions of the Act, provided the gains on the transactions are offered to tax as business income and not as capital gains.

7 CAPITAL LOSS

In general terms, loss arising from transfer of a capital asset in India can only be set off against capital gains. Long term capital loss arising on sale of Equity Shares not subjected to STT during a year is allowed to be set-off only against long term capital gains. A short term capital loss can be set off against capital gains whether short term or long term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for a period of eight years immediately succeeding the year for which the loss was first determined and may be set off against the capital gains assessable for such subsequent years. In order to set off a capital loss as above, the investor (resident/ non resident) is required to file appropriate and timely returns in India.

8 DTAA BENEFITS

An investor has an option to be governed by the provisions of the Act or the provisions of DTAA that India has entered into with the country of residence of the investor, whichever is more beneficial.

9 BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957

Assets as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

10 BENEFITS AVAILABLE UNDER THE GIFT-TAX ACT, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

11 IMPLICATIONS OF GIFT UNDER THE ACT

11.1. As per Section 56(2)(vii) of the Act, any property (including Equity Shares of the Company) which is in nature of capital asset of the recipient, other than immovable property is received by an individual/ HUF:

a. without consideration, where the aggregate fair market value of such property exceeds ₹50,000, then such aggregate fair market value; or

b. for a consideration which is less than the aggregate fair market value of such property by more than ₹50,000, then such difference between the fair market value and the actual consideration received.

would be taxable as income from other sources. However, this is not applicable where shares are received from certain specific persons (such as relatives etc.) and/ or in specified circumstances (on occasion of marriage etc.) as mentioned in Section 56(2)(vii) of the Act.

Notes:

- *The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares;*
- *The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws (i.e. Act as amended by the Finance Act 2010 and and Wealth Tax Act, 1957) presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws;*
- *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, the changing tax laws, each investor is advised to consult his or her/ its own tax consultant with respect to the specific tax implications arising out of their participation in the issue;*
- *In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the DTAA, if any, between India and the country in which the non-resident has fiscal domicile; and*

- *The stated benefits will be available only to the sole/first named holder in case the shares are held by joint shareholders*
- *Please note that we have not considered the provisions of Draft Direct Taxes Code for the purpose of this Statement.*

SECTION IV – ABOUT THE COMPANY

INDUSTRY OVERVIEW

*The information in this section is obtained from industry publications, data on websites maintained by private and public entities, data appearing in reports by market research firms and other publicly available information. These resources generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. In this section, bracketed numbers indicate losses / negative figures. See also, "***Presentation of Financial, Industry and Market Data***" and "***Forward Looking Statements***" on pages viii and xi, respectively.*

Growth of the Indian Economy

Over the last few years, India has shown strong economic growth. In Fiscal 2010 the growth rate for India's gross domestic product ("GDP") is estimated to have been 7.44%, and in Fiscal 2009 and 2008, GDP growth is estimated to have been 6.72% and 9.22%, respectively, according to the Central Statistical Organisation ("CSO").

The following table sets forth the GDP growth rates of the Indian economy:

(Annual percentage change)

	Fiscal 2010	Fiscal 2009	Fiscal 2008
GDP growth [(1)]	7.44%	6.72%	9.22%

1) GDP at Factor Cost (Constant Prices).
Source: CSO

Moreover, economic growth is expected to continue into the immediate future with the International Monetary Fund ("IMF") estimating India's real GDP growth at 9.4% in 2010 and 8.4% in 2011 *(Source: IMF World Economic Outlook, July 2010)*. The McKinsey Global Institute estimates that India's real GDP will grow at a combined annual growth rate ("CAGR") of 7.3% from 2005 to 2025.

Indian Consumer Market and Drivers for Growth

As India's economy has grown, so too has the spending power of its citizens. Real average household disposable income has roughly doubled since 1985 and a new Indian middle class has emerged, according to *The 'Bird of Gold': The Rise of India's Consumer Market*, a May 2007 report of the McKinsey Global Institute (the "McKinsey Report").

The McKinsey Report posits that if India continues on its current high growth path, the Indian consumer market will undergo a major transformation during the period from 2005 to 2025:

- income levels will almost triple, with annual real income growth per household accelerating from 3.6% over the last two decades to 5.3% over the next two;
- the shape of India's income pyramid will change dramatically:
  - over 291 million people will move from poverty to a more sustainable life;
  - India's middle class will swell by over ten times from its 2007 size of 50 million to 583 million people; and
- India will climb from its 2007 position as the 12th largest consumer market to become the world's 5th largest consumer market by 2025;
- spending patterns will evolve, with basic necessities declining in relative importance, and categories such as communications growing rapidly.

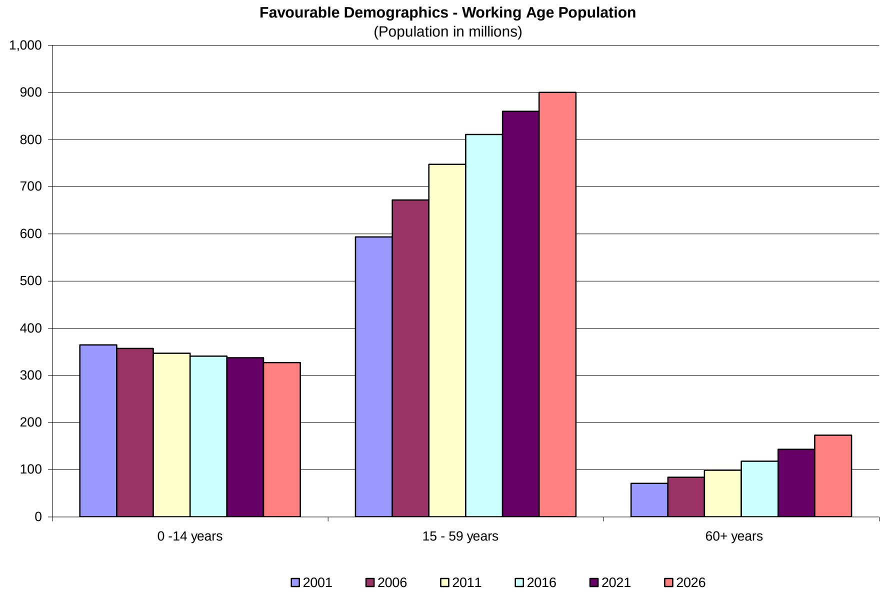
Some of the key reasons relating to the growth of India's customer markets are summarised below:

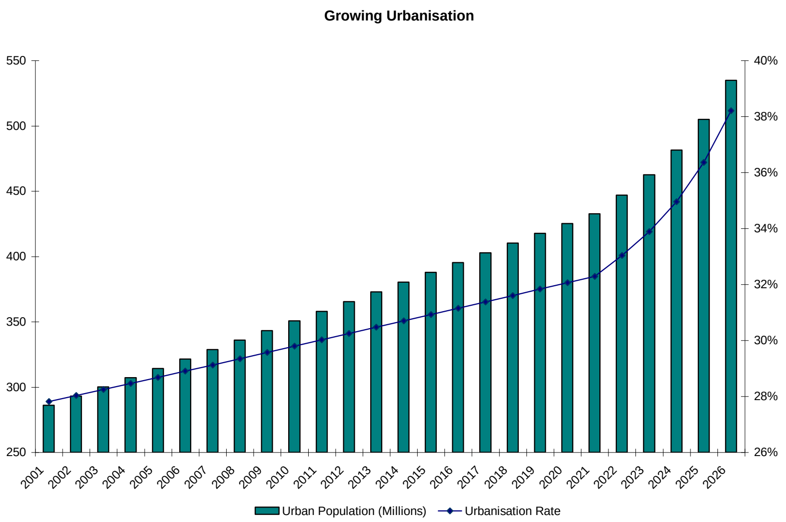
Population Growth

At the time of India's last official census in 2001, its population was approximately 1.03 billion. By 2026, the population is expected to reach 1.40 billion, an increase of 36%, according to a May 2006 report of the National Commission on Population, an agency of the GoI (the "Report of the National Commission on Population, May 2006").

Favourable Demographics

India's demographic distribution appears to be favourable for economic growth. According to the Report of the National Commission on Population (May 2006), the population of India is expected to continue to consist mostly of working age people between the ages of 15-59 with urbanization levels reaching approximately 31% by 2015 and 38% by 2026.





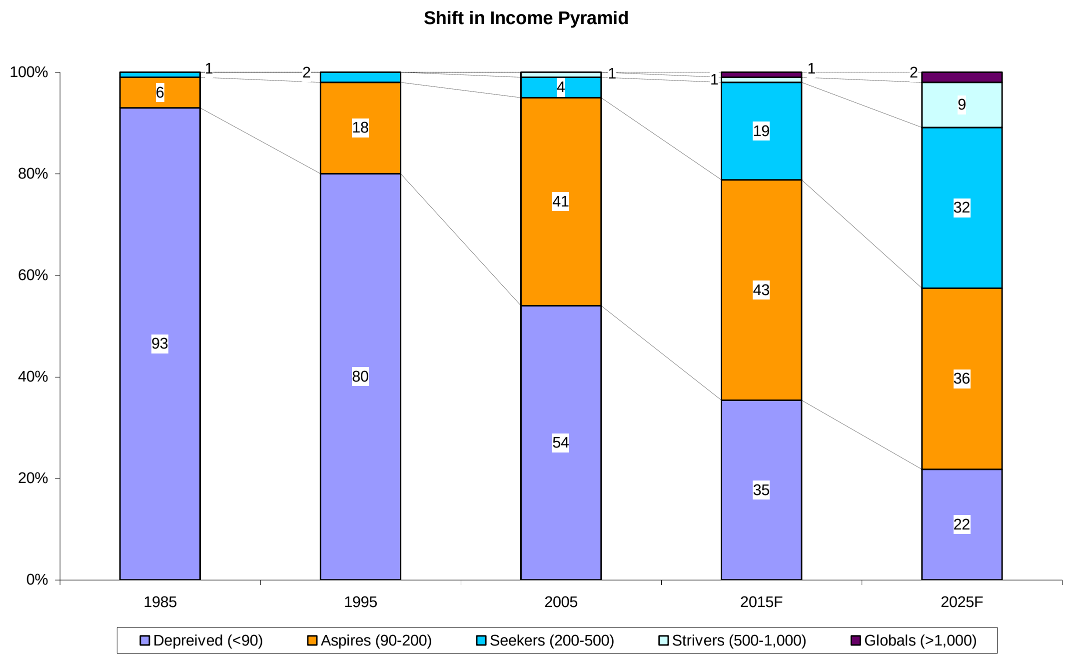
Source: Report of the National Commission on Population (May 2006)

Rising Income Levels

According to the McKinsey Report, India's real disposable income has risen from ₹ 56,470 in 1985 to ₹ 113,744 in 2005 at a CAGR of 3.6%. The McKinsey Report estimates that average real household disposable income will grow from ₹ 113,744 in 2005 to ₹ 318,896 by 2025, a CAGR of 5.3%, and that urban and rural average real household income will have CAGRs of 5.8% and 3.6%, respectively.

Dramatic Shift to Income Pyramid

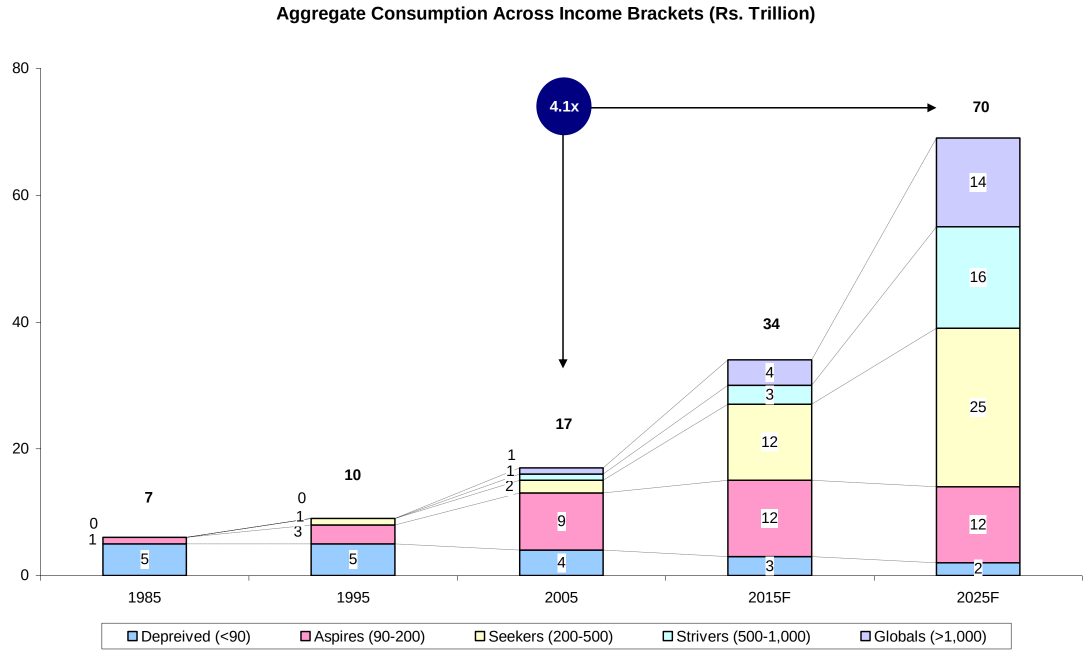
India's rising real incomes is also likely to significantly increase the size of India's middle class. The Mckinsey Report forecasts that India's middle class, consisting of "seekers" with annual household incomes between ₹ 200,000 and 500,000 and "strivers" with annual household incomes between ₹ 500,000 to ₹ 1,000,000, is expected to grow from 5% of the population in 2005 to 41% of the population in 2025. In addition, "globals," or persons with household annual incomes of greater than ₹ 1,000,000, are expected to comprise approximately 2% of the population.



Source: McKinsey Report

Increasing Consumption

The combination of rapidly rising household incomes and a robustly growing population will lead to a significant increase in overall consumer spending. The McKinsey Report forecasts that aggregate consumption in India will grow in real terms from ₹ 17 trillion in 2007 to ₹ 34 trillion by 2015 and ₹ 70 trillion by 2025, a fourfold increase.



Source: McKinsey Report

This growth in consumption will vault India into a position among the world's top consumer markets. In 2007, India's consumer market ranked 12th. By 2015, it will almost be as large as Italy's market. By 2025, India's market will be the fifth largest in the world, surpassing the size of Germany's consumer market. *(Source: The McKinsey Report).*

The McKinsey Report found that income growth will be the largest driver of increasing consumption, far outweighing population growth or any change in savings behaviour, estimating that 80% of consumption growth will come from rising income, while 16% of the increase will be due to growth in the number of households and only 4% will come from changes in India's household savings rate.

As incomes grow, the class structure of consumption will change significantly as well according to the McKinsey Report. Recent consumption has been dominated by the deprived and aspirer income segments, which together controlled 75% of spending in 2007. By 2025, however, the global segment will wield 20% of total spending and the new middle class will come to dominate, controlling 59% of India's consumption power.

Increased Discretionary Spending – Communications Spending to Grow Fast

The largest categories of Indian spending were food, beverages and tobacco ("FB&T"), transportation and housing. By 2025, FB&T will still be the largest category, although its share of average household consumption is expected to drop from 42% to 25%.

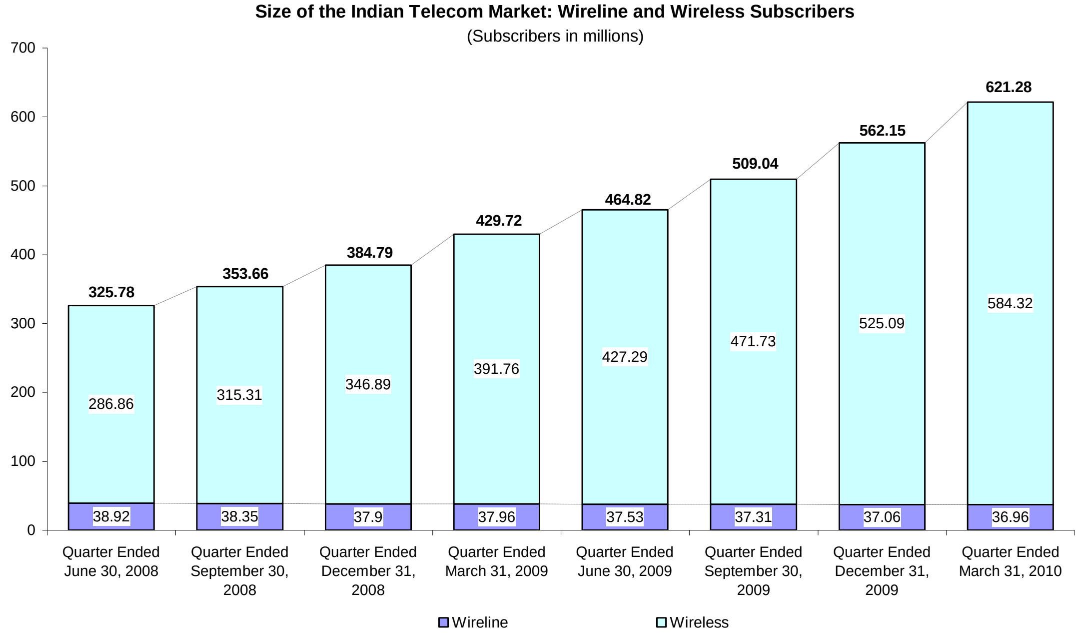
Communications, which accounted for only 2% of average household consumption in 2005 with a market size of ₹ 344 billion, will be one of the fastest expanding categories with growth of over 13% per year taking the market size to ₹ 4,288 billion by 2025.

(Source: The McKinsey Report)

Indian Telecommunications Services Market

India is the second largest and the fastest growing telecom market in the world in terms of number of wireless connections, according to the Telecom Regulatory Authority of India (the "TRAI").

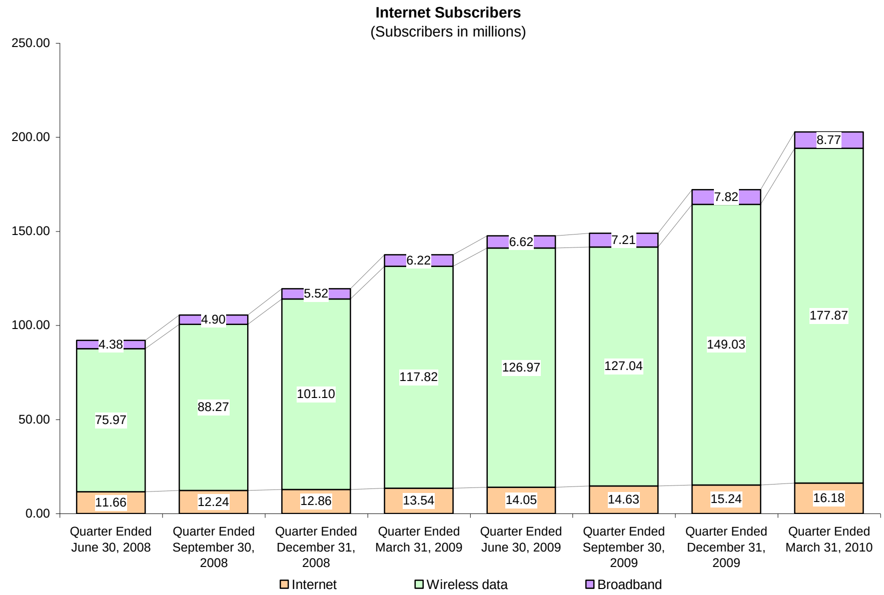
The Indian telecom industry can be divided into basic, mobile and internet services. In addition there are also smaller segments such as radio paging services, Very Small Aperture Terminals (VSATs), Public Mobile Radio Trunked Services (PMRTS) and Global Mobile Personal Communications by Satellite (GMPCS) *(Source: IBEF, www.ibef.org).*



Source: TRAI

Basic services encompass fixed wire line and Wireless in Local Loop (WLL-fixed) services. Though private players, such as Bharti and Reliance, have registered notable growth, the GoI-owned BSNL dominates the segment in terms of subscriber base.

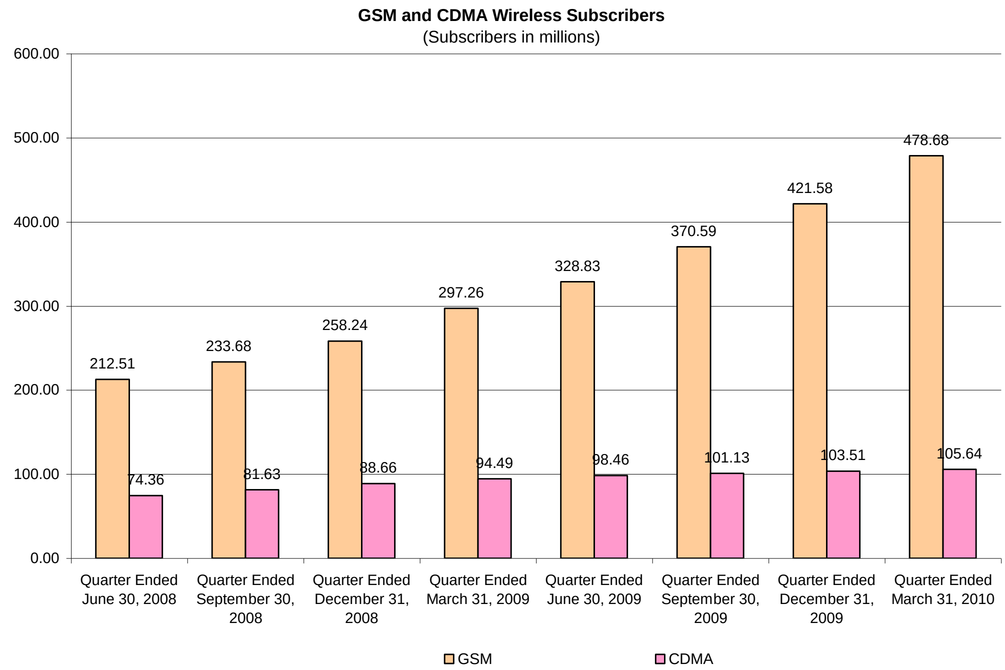
Internet services in India are being offered by approximately 400 Internet Service Providers (ISPs) and despite a slow penetration rate, this segment offers strong growth potential in India *(Source: IBEF, www.ibef.org)*. Wireless internet access tends to dominate the market space with the number of wireless subscribers increasing from 75.97 million as of June 30, 2008 to 177.87 million as of March 31, 2010. With the implementation of the GoI's Broadband Policy in 2004, the number of broadband connections has increased to 8.77 million subscribers as of March 31, 2010, and according to TRAI, the President of India has set a target of 100 million connections by 2014.



Source: TRAI

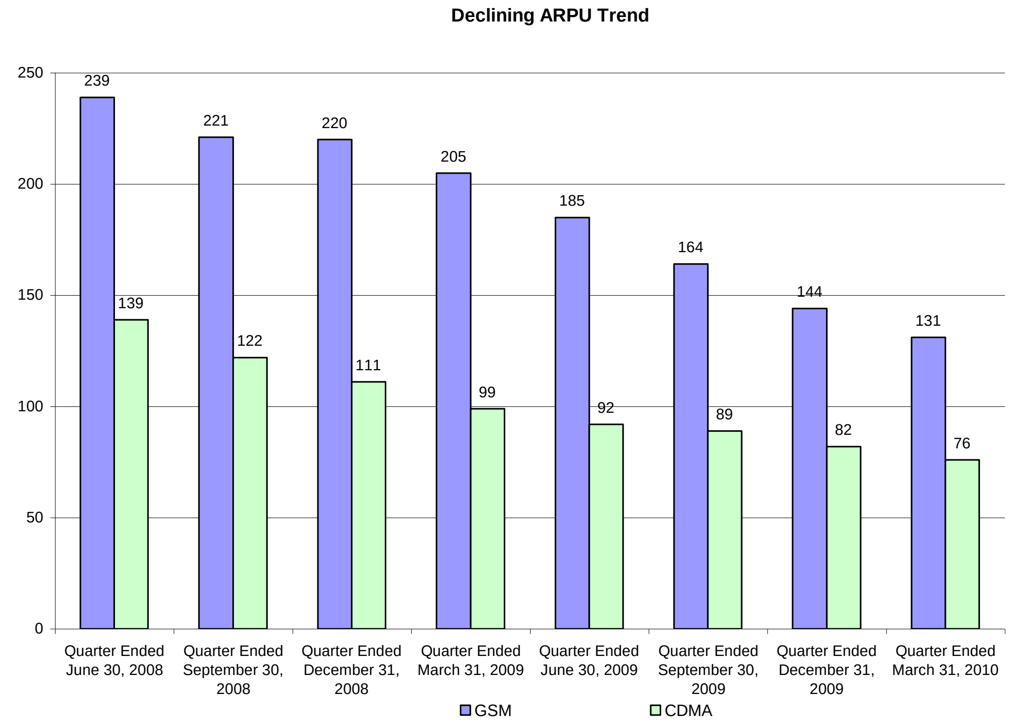
Mobile wireless services have led the growth of the Indian telecom industry. Currently, at least 15 players are active in this segment with Bharti, Reliance and Vodafone each having in excess of 100 million subscribers. The market size has increase by 103.70% from 286.86 million subscribers as of June 30, 2008 to 584.32 million subscribers as of March 31, 2010. TRAI estimates that the number of wireless subscribers will be over 1.00 billion subscribers by March 2014.

Mobile wireless service providers typically provide voice services, value added and data services such as short message service ("SMS"), mobile internet service, email, chatting, conferencing and GPRS service. GSM continues to dominate this segment by a large margin as compared to CDMA, which has a share of approximately 18% the market as of March 31, 2010 *(Source: TRAI)*. India is one of the few countries in the world to have more GSM subscribers than fixed line subscribers *(Source: IBEF, www.ibef.org)*.



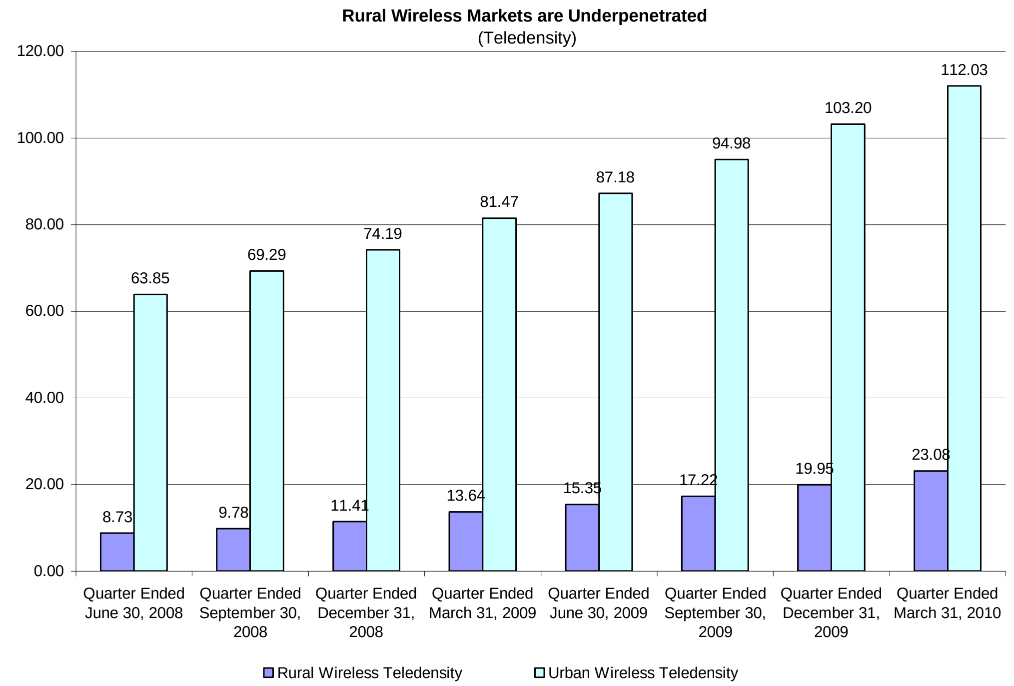
Source: TRAI

Mobile wireless service providers in India have steadily reduced tariffs, which in turn has led to a reduction in the average revenue per user ("ARPU"). We believe that the declining ARPU implies that service providers are accessing the large market of lower income Indians by reducing tariffs, particularly in smaller and medium size cities as well as rural areas, thereby enhancing affordability. However, though the ARPU is declining gradually, overall revenue remains well supported by the increase in subscriber base. Furthermore, the ARPU for GSM service in India is much higher than that for CDMA service.



Source: TRAI

Wireless teledensity, which is the number of wireless subscriptions expressed as a percentage to the population, has increased in both urban and rural areas. While wireless penetration is urban areas has increased significantly over the last few years, rural and semi-urban areas continue to be under-penetrated.



Source: TRAI

The overall wireless teledensity in India has increased from 24.95% for the quarter ended June 30, 2008 to 49.60% for the quarter ended March 31, 2010 *(source TRAI).* TRAI estimates that urban mobile teledensity will reach 125% by March 2014, with urban mobile subscribers reaching 572 million, and that the rural mobile teledensity will reach 60% by March 2014, with rural mobile subscribers reaching 468 million.

Select International Telecommunication Services Markets

The following table sets forth the approximate number of fixed line and mobile cellular telephones in use in countries that we have expanded into or plan to expand into, as well as the number of internet users of these countries.

Country	Population	Telephones – main lines in use (millions)	Telephones – mobile cellular (millions)	Internet users (millions)	Mobile Teledensity [4]
Bangladesh	156.05 [1]	1.39 [3]	45.75 [3]	0.56 [2]	29%
Brazil	198.74 [1]	41.14 [2]	150.64 [2]	64.95 [2]	76%
Ghana	23.89 [1]	0.14 [2]	11.57 [2]	1.00 [2]	48%
Nepal	28.56 [1]	0.81 [2]	4.20 [2]	0.50 [2]	15%
Nigeria	149.23 [1]	1.31 [2]	62.99 [2]	11.00 [2]	42%
Sri Lanka	21.32 [1]	3.45 [2]	11.08 [2]	1.16 [2]	52%
United Arab Emirates	4.80 [1]	1.51 [2]	9.36 [2]	2.92 [2]	195%

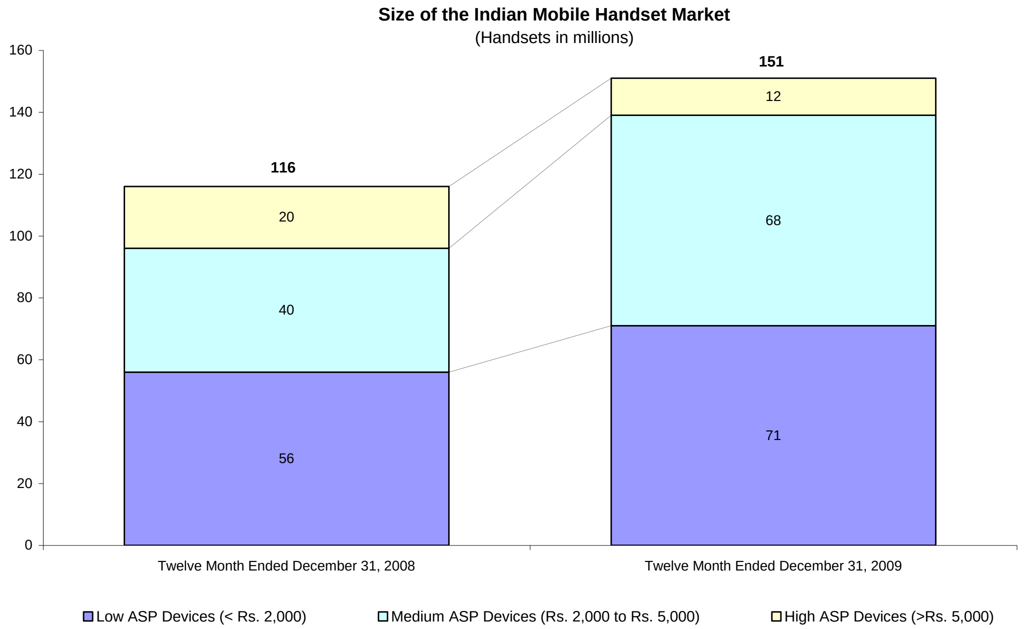
Source: The CIA World Factbook

Notes:

1. July 2010 estimated.
2. 2008 figure.
3. 2009 figure.
4. The number of mobile cellular telephones expressed as a percentage to the population.

The India Mobile Handsets Market

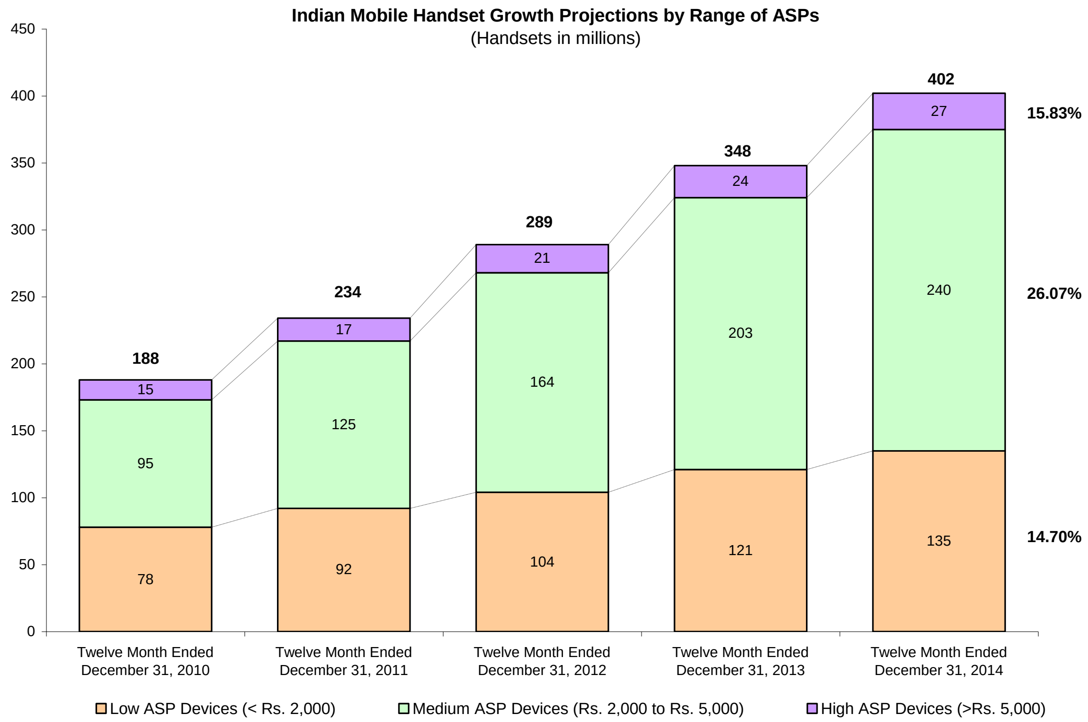
The Indian mobile handset market has grown by 30.17% from 116 million handsets for the twelve month period ended December 31, 2008 to 151 million handsets for the twelve month period ended December 31, 2009. The growth has been driven by the growth in "medium" ASP devices (devices with a price in the range of ₹ 2,000 to ₹ 5,000). The contribution of medium ASP devices has increased from 34.48% for the twelve month period ended December 31, 2008 to 45.03% for the twelve month period ended December 31, 2009. *(Source: Analysys Mason)*



Source: Analysys Mason

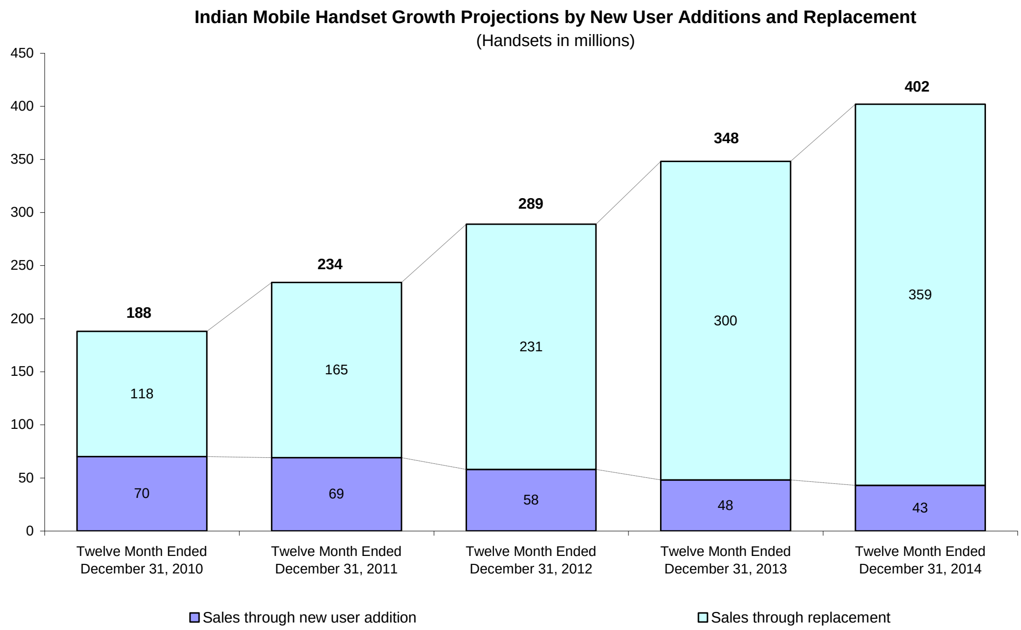
According to Analysys Mason, the Indian mobile handset market is expected to grow from a total of 151 million handsets for the twelve month period ended December 31, 2009 to 402 million handsets for the twelve month period ended December 31, 2014. The medium ASP segment is likely to be the fastest growing with volumes increasing from 68 million handsets for the twelve month period ended December 31, 2009 to 240 million handsets for the twelve month period ended December 31, 2014 and overall contribution increasing from

45.03% to 59.85% of total mobile handset market in India. The medium ASP segment is expected to grow at a CAGR of 26.07% between the twelve month period ended December 31, 2010 and the twelve month period ended December 31, 2014 with the overall Indian Mobile Handset market registering a CAGR of 20.93%.



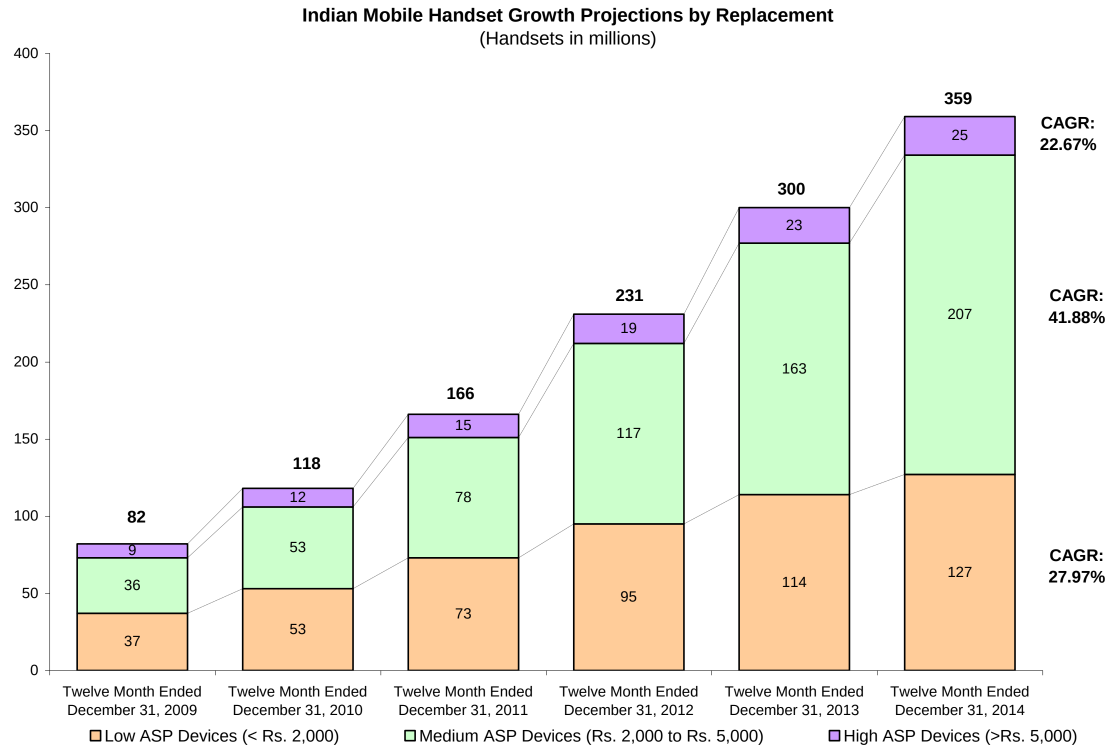
Source: Analysys Mason

The growth in the Indian mobile handset market is likely to be driven by the replacement handset market rather than new user additions. The replacement market is expected to grow from 118 million handsets for the twelve month period ended December 31, 2010, constituting 62.77% of overall Indian mobile handset market, to 359 million handsets for the twelve month period ended December 31, 2014, constituting 89.30% of overall Indian mobile handset market. *(Source: Analysys Mason)*



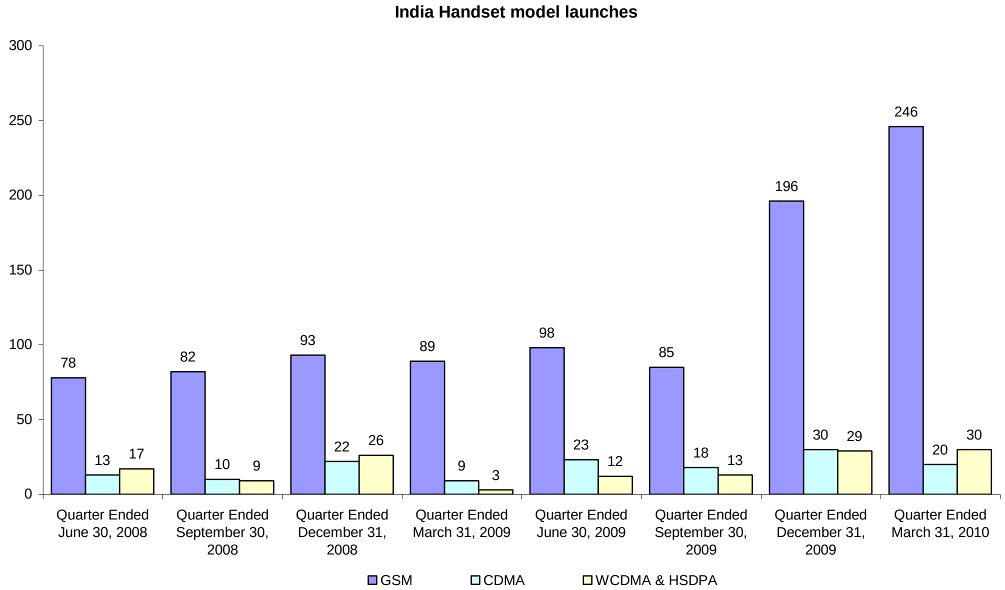
Source: Analysys Mason

Within the replacement handset market, the medium ASP device market is likely to grow the fastest from 36 million handsets for the twelve month period ended December 31, 2009 to 207 million handsets for the twelve month period ended December 31, 2014 representing a CAGR of 41.88%. The contribution of the medium ASP device market to the total replacement market will increase from 43.90% for the twelve month period ended December 31, 2009 to 57.66% for the twelve month period ended December 31, 2014. *(Source: Analysys Mason)*



Source: Analysys Mason

New model launches in the GSM space more than doubled in the quarter ended March 31, 2010 compared to the quarter ended March 31, 2009, with 246 GSM models being introduced in the quarter ended March 31, 2010 compared to 89 GSM models during the quarter ended March 31, 2009.

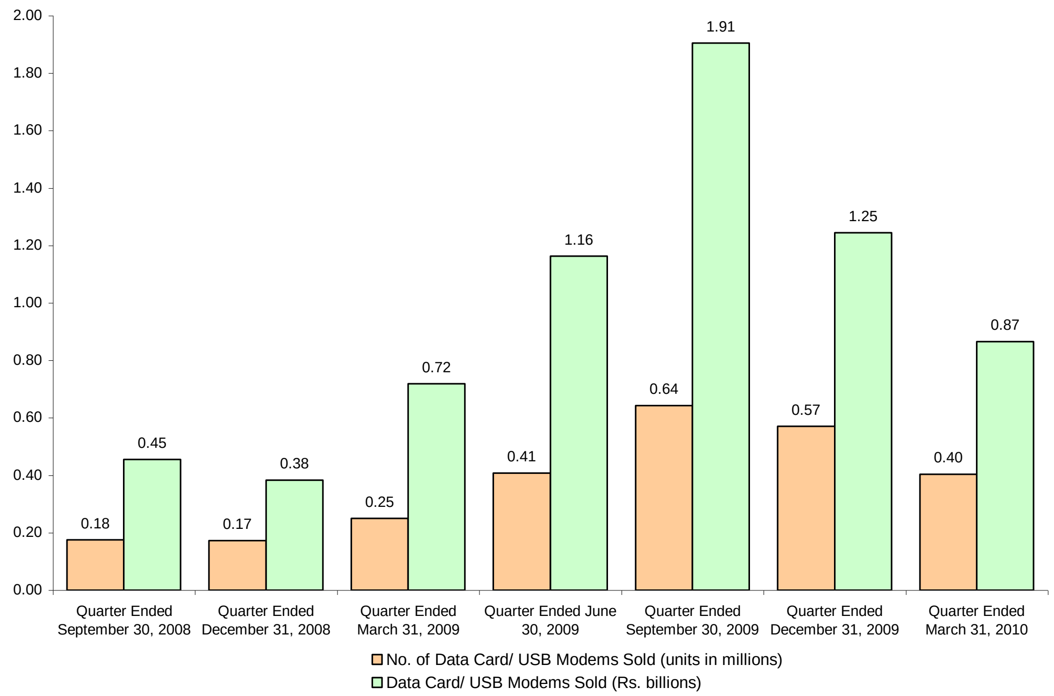


Source: IDC India, 2010

The India Data Card and USB Modem Market

The Indian mobile data card and USB modem market stood at 2.02 million units in volume terms and ₹ 5,179.72 million in value terms for the twelve month period ended March 31, 2010. The quarterly Indian data card and USB modem shipments and market revenues are given below:

Quarterly Indian Data Card and USB Modem Shipments and Market Revenues



Source: IDC India, 2010

For the quarter ended March 31, 2010, the Indian data card and USB market was dominated by Huawei with a market share of approximately 83%. For the same period, Micromax had a market share of approximately 5% *(Source: IDC's Quarterly Update on the India Data Card and USB Modem Market, 1Q 2009, July 2010 release).*

Key Growth Drivers for the Indian Telecom and Handset Market

We believe a number of factors have contributed to and will continue to drive growth in the Indian telecom and handset market, including the following:

- India's economic growth has helped increase household incomes and consequently consumption, especially among young Indians who are increasingly investing in various entertainment and communication services. India's favourable demographics in the coming years will continue to add impetus to the growth of the telecom and handset markets.

- The growing need of high mobility and connectivity at affordable prices.

- In order to curtail their network deployment costs, many service providers are considering sharing both passive and active infrastructure with each other. Common infrastructure will improve coverage, reduce costs and enable operators to expand telecom services at affordable prices to customers.

- Low overall mobile penetration indicates a latent potential for growth in India. This is especially true for expansion opportunities in the rural and semi-rural markets, which currently have low teledensity. GoI telecom policies have emphasized the need for expanding telecom coverage to include rural areas and empowering rural Indians through access to mobile telephony.

- Besides the presence of major telecom handset manufacturers, including Nokia, Samsung, LG and Motorola, and leading global telecom service companies and infrastructure majors, such as Vodafone, Singapore Telecom, AT&T, Ericsson, Alcatel and Siemens, there is strong competition from growing domestic handset companies and Indian mobile operators. Furthermore, increased competition among service providers created as a result of India allowing an unlimited number of service providers in each service area has contributed to and will continue to drive the growth of the telecom sector in India.

- The growth in the Indian mobile handset market is likely to be driven by the replacement handset market rather than new user additions. The replacement market is expected to grow from 118 million handsets for the twelve month period ended December 31, 2010, constituting 62.77% of overall Indian mobile handset market, to 359 million handsets for the twelve month period ended December 31, 2014, constituting 89.30% of overall Indian mobile handset market. Furthermore, within the replacement handset market, the medium ASP device market is likely to grow the fastest. *(Source: Analysys Mason)*

- The delivery of value added services (“VAS”) has so far been based on SMS, Interactive Voice Response ("IVR") and Wireless Application Protocol ("WAP") platforms, delivering a range of applications across areas such as advertising, gaming, entertainment, travel, news and providing various support services. Going forward, the demand for more sophisticated and innovative e-mail and multimedia based services, as well as gaming and music related offerings is likely to fuel growth in VAS. We believe the advent of 3G will also add impetus to the growth of the VAS market due to 3G's faster network capabilities. Consequently, we believe mobile devices will also need to become more sophisticated.

- We believe that as wireless teledensity increases, particularly among lower income Indians, the ARPU will continue to decline. As ARPUs decline and voice gets commoditized, both handset manufacturers and operators will need to develop VAS so as to create high yielding revenue streams, and attract as well as retain customers by creating a basis for differentiation. The growth in VAS is likely to impact the growth of the telecom and handset markets.

- In 2008, India entered into 3G arena with the launch of 3G enabled mobile and data services by BSNL, subsequent to which MTNL launched its 3G services in Mumbai and Delhi. A nation wide auction of the 3G wireless spectrum was conducted by the TRAI in April 2010. The winning bids for 3G spectrum totalled ₹ 677.10 billion, against the government's original expectation of ₹ 350.00 billion.

  Compared to the 2G and 2.5G standards, a 3G system allows simultaneous use of speech and data services, and provides peak data rates of at least 200 kbit/s. Application services include wide-area wireless voice telephone, mobile Internet access, video calls and mobile TV, all in a mobile environment. The bandwidth and location information available to 3G devices gives rise to applications not previously available to mobile phone users including:

  - Mobile TV, whereby a provider redirects a TV channel directly to the subscriber's phone where it can be watched.
  - Video on demand, whereby a provider sends a movie to the subscriber's phone.
  - Video conferencing, whereby subscribers can see as well as talk to each other.
  - Tele-medicine, whereby a medical provider monitors or provides advice to the potentially isolated subscriber.
  - Location-based services, whereby a provider sends localized weather or traffic conditions to the phone, or the phone allows the subscriber to find nearby businesses or friends.

  The advent of 3G has stimulated the introduction of 3G compatible mobile devices, and expanded offerings of applications, which can take advantage of the superior speed and data transfer capabilities of 3G, from the providers of hosting, billing and network management services and content providers.

OUR BUSINESS

Company Overview

We are the largest Indian domestic mobile handsets company in terms of units shipped during the quarter ended March 31, 2010 and the third largest mobile handset seller in India as at March 31, 2010. We were the fastest growing among India's top five mobile brands during the twelve month period ended March 31, 2010 compared to the twelve month period ended March 31, 2009 in terms of the number of shipments *(Source: IDC's India Quarterly Mobile Handsets Tracker, 1Q 2010, June 2010 release)*. We sold 7.05 million mobile handsets in fiscal 2010. Our handset sales have grown by 132.43% from 1.11 million units in the quarter ended June 30, 2009 to 2.58 million units in the quarter ended March 31, 2010. We also sell mobile data cards for computers under our own brand to service providers in India.

All of our Promoters have a background in engineering and an average of more than 10 years' experience each in the information technology and telecommunications industry.

In 2009, TA Associates, a private equity firm based in the United States, through its associate, Wagner, acquired a stake in our Company and currently holds 15.00% of the pre-Issue capital of our Company. Furthermore, Sequoia Capital, Sandstone and Madison, through their affiliates, acquired 5.77% of the current pre-Issue capital of our Company in September 2010. For further details see "***Capital Structure***" and "***History and Certain Corporate Matters***" on pages 24 and 96, respectively.

Our earnings before interest, taxation, depreciation and amortization (**"EBITDA"**) of ₹ 3,377.07 million in fiscal 2010 represented growth of 539.37% against ₹ 528.19 million in fiscal 2009, which in turn represented growth of 164.15% compared to EBITDA of ₹ 199.96 million in fiscal 2008. In fiscal 2010, we had total income of ₹ 16,017.58 million, a 358.44% increase compared to total revenues of ₹ 3,493.95 million in fiscal 2009, which in turn represented a 168.46% increase compared to total revenues of ₹ 1,301.50 million in fiscal 2008.

Market Overview

We believe a number of factors have contributed to and will continue to drive growth in the Indian telecom and handset market, including the following:

- *Macroeconomic growth, rising incomes and increasing consumer spending.* India's real GDP is expected to grow at a combined annual growth rate ("CAGR") of 7.3% from 2005 to 2025. During the same period, income levels will almost triple and India's middle class is expected to increase over ten times to 583 million people in 2025. This is expected to lead to changing consumer preferences in both urban and rural markets with consumer spending on communications expected to be one of the fastest expanding categories of spending with growth of over 13.4% per year taking the market size to ₹ 4,2888 billion by 2025 *(Source: The McKinsey Report)*.

- *Favourable demographics.* While India's economic growth unfolds, the population of India is expected to continue to consist mostly of working age people between the ages of 15-59 with urbanization levels reaching approximately 31% by 2015 and 38% by 2026 *(Source: Report of the National Commission on Population (May 2006))*.

- *Wireless penetration.* Low overall mobile penetration indicates a latent potential for growth in India. TRAI estimates that urban mobile teledensity will reach 125% by March 2014, with urban mobile subscribers reaching 572 million, and that rural mobile teledensity will reach 60% by March 2014, with rural mobile subscribers reaching 468 million.

- *Replacement cycle*. The growth in the Indian mobile handset market is likely to be driven by the replacement handset market rather than new user additions. The replacement market is expected to grow from 118 million handsets for the twelve month period ended December 31, 2010, constituting 62.77% of overall Indian mobile handset market, to 359 million handsets for the twelve month period ended December 31, 2014, constituting 89.30% of overall Indian mobile handset market. Furthermore, within the replacement handset market, the medium ASP device market is likely to grow the fastest *(Source: Analysys Mason)*.

- *3G business.* 3G service is an emerging technology in India and certain other markets where we distribute our products. 3G technology provides growth opportunities through multiple avenues including upgradation to 3G compatible mobile handsets and mobile data cards.

- *Value added services ("VAS").* Going forward, the demand for more sophisticated and innovative e-mail and multimedia based services, as well as gaming, music and video related offerings is likely to fuel growth in VAS. We believe the advent of 3G will also add impetus to the growth of the VAS market due to 3G's faster network capabilities. These trends are likely to increase the demand for more sophisticated mobile devices.

We believe we are well positioned to capitalize on the opportunities presented by our market. For further information, refer to the section titled "***Industry Overview***" on page 57.

Product Overview

We believe that consumers in India have unique preferences with respect to mobile handsets such as long battery life, dual GSM capability, low-cost QWERTY phones, universal remote control and gaming phones. Our strategy focuses on innovating, designing and using the latest technologies to develop products at affordable prices. In addition, we also focus on developing higher value premium products targeted at urban populations.

We believe that we differentiate ourselves from our competitors through innovation and design, use of advanced technologies and in-depth understanding of rapidly changing consumer preferences in India, which have enabled us to develop several new product categories that address unique customer needs. We believe that our product development capabilities have enabled us to establish ourselves as an innovative Indian mobile handset company. Our marketing strategy focuses on the unique functionalities of our products to further develop our reputation for innovation. Since our entry into the Indian mobile handset market in India in January 2008, we have introduced more than 40 distinct mobile handset models, and as of August 31, 2010, we sell more than 30 distinct mobile handset models. Our key mobile handset product categories include:

- Long life battery mobile phones. We offer marathon battery mobile phones that have a 30-day battery life in standby mode;

- Dual reception mode handsets. We currently offer GC400 and GC275 handset models that are GSM-CDMA combination phones and can function using either technology;

- QWERTY keypad mobile phones. We currently offer eight handset models in this category;

- Utility phones. Our handsets in this product category have an LED flashlight, FM radio and color screen. We currently offer six models in this category;

- Multimedia mobile phones. Our multimedia mobile phones provide superior sound quality with powerful speakers and also have an in-built motion sensor, camera and wireless FM antenna. We currently offer six handset models in this category;

- Universal remote control mobile phone. Our X235 phone is programmable as a universal remote control for televisions, air conditioners, DVD and VCD players;

- Gaming mobile phone. Our Gameolution phone also functions as a wireless, motion-sensing controller for computer games and is capable of converting a computer into a gaming device;

- Smart phones. Our W900 phone is a Microsoft Windows compatible mobile phone, with voice assisted GPS navigation capability and maps provided by "Map my India";

- 3G mobile phones. We were the first mobile handset company to provide operator branded 3G mobile handsets in India *(Source: MTNL)*;

- Gravity phones. Our handsets in this product category are gravity sensor enabled and enable the user to change mobile networks by rotating the handset. We offer two models in this category.

Our competitive strengths

Market leadership and growing market share in a fast growing telecom market.
We are the largest Indian domestic mobile handsets company in terms of units shipped during the quarter ended March 31, 2010 and the third largest mobile handset seller in India as at March 31, 2010. We were the fastest growing among India's top five mobile brands during the twelve month period ended March 31, 2010 compared to the twelve month period ended March 31, 2009 in terms of the number of shipments *(Source: IDC's India Quarterly Mobile Handsets Tracker, 1Q 2010, June 2010 release)*. We sold 7.05 million mobile handsets in fiscal 2010. Our handset sales have grown by 132.43% from 1.11 million units in the quarter ended June 30, 2009 to 2.58 million units in the quarter ended March 31, 2010. We also sell mobile data cards for computers under our own brand to service providers in India.

We believe our significant scale, distribution and after sales service networks, together with our technical and innovative expertise, are key differentiating factors in the Indian handset market. We believe our market leadership position inspires customer confidence, allows us to negotiate favourable terms with our lenders, distributors and suppliers and offers an attractive proposition to other service providers to partner with us to offer their services. For example, we have successfully partnered with MTV to launch mobile phones which have pre-loaded music provided by MTV.

Further, we compete in a highly attractive market. According to TRAI, India's mobile wireless services market has increased by 103.70% from 286.86 million subscribers as of June 30, 2008 to 584.32 million subscribers as of March 31, 2010. TRAI estimates that the number of wireless subscribers will be over 1.00 billion by March 2014. According to Analysys Mason, the Indian mobile handset market is expected to grow from a total of 151 million handsets for the twelve month period ended December 31, 2009 to 402 million handsets for the twelve month period ended December 31, 2014.

Combination of technical expertise and understanding of Indian consumer behaviour.

We believe that the Micromax brand has built a reputation of introducing innovative products that appeal to Indian customers. We combine our technical expertise with an understanding of the Indian mobile handset consumer developed through consumer feedback and extensive interaction with our distributors and telecommunications service providers.

Through these efforts, we seek to be the first to introduce innovative products in the market with unique functionalities that create new demand and give us the flexibility to price these products such that we are able to offer attractive margins to our sales channel partners and also offer an attractive price to our end customers. For example, in June 2009, we launched our line of QWERTY phones with an attractive price to value proposition for Indian consumers that desired a QWERTY handset at a competitive price. Other innovative product introductions have included our long life battery phones that are ideal for customers living in remote areas for whom battery charging is not always accessible, our "Bling" phones, an exclusive woman's range of mobile phone, which are an attractive white or pink square handset studded with Swarovski elements, our wide range of dual SIM card phones, our gravity enabled phones, dual reception mode (GSM & CDMA) mobile handsets, and a universal remote control phone.

Strong product development capabilities.

We have devoted significant resources to product development and design. We have set up a research and development facility in Gurgaon, India, and intend to continue to emphasize new product development going forward in order to respond quickly to changing and unmet consumer preferences. We have an in-house product development team comprising 24 technical personnel as of August 31, 2010 all of whom are qualified engineers. We operate a multi-sourcing strategy for our chipsets that is designed to increase the efficiency of our product development efforts by working with the best partner in a specific chipset development area. Our product development team works in conjunction with chipset manufacturers to assess the technical feasibility of our new product ideas. They also work closely with our design, branding and marketing teams throughout the product development cycle.

Efficient and speedy execution capability.

Our management team has a strong track record for executing new market launches with speed and efficiency. From time to time, we conduct market surveys and channel the survey results back to our management and research and development teams, enabling us to create products that respond to consumer requirements. Our time to market varies from three to six months, which we believe is a competitive product development cycle. For example, we launched the long battery life phone within six months from its conceptualization.

Since our entry into the Indian mobile handset market in January 2008, we have introduced over 40 distinct mobile handset models.

Extensive nationwide distribution network.

We have a three tier distribution network in India comprising more than 60 state and regional distributors across 23 states in India. Our state and regional distributors sell our products, in unique territories assigned by us, to more than 800 local distributors, who in turn distribute our products to several retail outlets that sell to consumers. In addition, we also operate one, third party owned, Micromax exclusive retail outlet. We have also partnered with a national distributor that targets organized retail outlets and helps us build our brand name and sales through such channels. We focus on building long term relationships with our distributors and have grown the depth and breadth of our distribution network rapidly, in both Tier 2 and Tier 3 cities as well as in India's largest cities. In each of Nepal, Sri Lanka and Bangladesh, we currently partner with one national level distributor. Our policy is to offer attractive margins to our channel partners to incentivize and motivate them with respect to the distribution of our products versus the products of our competitors. Our in-house team of 33 service coordinators manages our distribution network.

Nationwide after sales support.

We believe access to authorized after sales service centers ("ASCs") providing high-quality customer service with a quick turn around time is a key differentiator. All of our ASCs are owned and operated by third parties with whom we contract. This has been a core area of focus for us and we have built an after sales service network in India comprising more than 370 strategically located ASCs and five modular (component) service centers carefully selected based on our stringent standards. We also have one ASC in each of Nepal and Sri Lanka.

The ASCs provide basic services such as cleaning, software upgrades, battery replacement, replacement of cosmetic components and replacement of electro-mechanical components such as speakers, antenna, LCDs and microphones. In addition we swap or service our mobile data cards at select ASCs across our network. In addition to our ASCs, we also have third party owned, state-of-the art modular (component) service centers which are exclusive to Micromax and provide a full suite of after sales services excluding chipset and Printed Circuit Board ("PCB") replacement. We have established a service factory in New Delhi, which provides a comprehensive range of services, including chipset and PCB replacement services. Our service factory supports our modular (component) service centers and ASCs by supplying the necessary inventory and supporting their technical teams in order to reduce turnaround time.

In order to ensure the quality of service, we provide technical and process orientation training to all of our ASCs. We also have in-house technical regional service coordinators who regularly monitor our ASCs.

Scalable asset-light business model with strong cashflow generation.

Our business model combines quick payment by our distributors with attractive credit policies from our OEMs, which results in strong cashflow generation and efficient working capital management. Under our distribution model, we offer marginal short-term credit or no credit to our distributors and also maintain only 10 days of inventory. To manage an appropriate level of inventory for each of our products, we receive daily inventory and sales reports from our state and regional distributors detailing the location and models sold, and have fully implemented Microsoft's Navision enterprise resource planning software to connect and manage information from the manufacturing, distribution and financial management areas of our business. This provides us with real-time, synthesized data that helps us to quickly and accurately manage our supply chain and predict product demand. In addition, we currently contract with OEM partners to manufacture our products, which has enabled us to increase our sales volumes rapidly without incurring significant capital expenditure. We also negotiate favorable credit policies with our OEM partners, who generally provide us with up to 60 days to make payment from the date of shipment.

Our business is diversified across products, geographies and distributors.

Diversification by product: We offer a variety of mobile handsets that target various consumer segments. As of August 31, 2010, we were offering more than 30 distinct mobile handsets. No one mobile handset model accounted for more than 20% of our revenues in fiscal 2010. We also sell mobile data cards for computers under our own brand to service providers in India. For further information on sales of mobile handsets by product category during each quarter of fiscal 2010, see "-***Our Products - Product Sales***" on page 84.

Diversification by geography: In fiscal 2010, no single Indian state accounted for more than 10% of our annual sales volume. We expanded our business in international markets and launched our mobile handsets in Nepal in January 2010, Sri Lanka in June 2010 and Bangladesh in July 2010. We also intend to further expand our sales to Nigeria, Ghana and the United Arab Emirates ("UAE").

Diversification by distributors: Our 10 largest distributors together accounted for less than 56% of our sales volume during fiscal 2010, with only one distributor accounting for more than 10% of our sales by volume.

Strong Promoter background and highly qualified, motivated and energetic workforce.

All of our Promoters have a background in engineering and an average of more than 10 years' experience each in the information technology and telecommunications industry. Through their knowledge and expertise in engineering, research and development, international business, and bringing new products and technologies to market in India, our Promoters have driven our growth since inception and were the catalysts for our entry into the mobile handset industry. Further, members of our management team have a deep understanding of both the technology used in the mobile handset industry as well as the functioning of the telecommunications industry. We believe that the experience of our management team and its understanding of the industry in which we operate have enabled us to manage our growth effectively.

We believe successful technology companies thrive through the efforts of highly qualified, youthful employees. As of July 31 30, 2010, of our 377 employees, 37 have post-graduate degrees, 197 have graduate degrees and the remaining 68 have undergraduate degrees. 264 of our employees are under the age of 35. The skills and energy of our employees give us the ability to respond to the most important challenge in our competitive market, the need to quickly understand and adapt to rapidly changing consumer demands.

We are dedicated to the development of the expertise and know-how of our employees. Our personnel policies are aimed towards recruiting talented employees, facilitating their integration and encouraging the development of their skills.

Our Strategies

Continue to build "Micromax" as an innovation focused brand.

We seek to seize upon market opportunities by continuing to allocate significant resources to establish Micromax as India's leading and most innovative mobile handset company. Our branding strategy focuses on the innovative functionalities of our products to project Micromax's reputation for innovation. Our marketing plan comprises advertising in print media, electronic advertising, television campaigns, and endorsement by famous Indian personalities who participate in our marketing campaigns, and sponsorship of prominent sporting and film events in India. We believe that the scale of our business provides us the ability to increasingly focus on branding and promotion to further increase our visibility and market share. For example, our recent television commercials have highlighted features of our universal remote control, gaming and long life battery devices; in March 2010, we signed up Akshay Kumar and Twinkle Khanna, famous Bollywood personalities, as our brand ambassadors; we were the title sponsor for the International Indian Film Academy Awards in 2010 and co-sponsored the Apsara Awards in 2009; and we have been the title sponsor for several cricket matches. We plan to continue to focus on endorsements by leading Indian personalities, and sponsoring Bollywood events and sporting events, with a particular focus on cricket. We propose to utilise ₹ 1,250.00 million from the Net Proceeds of the Issue towards enhancement of the 'Micromax' brand through advertising and marketing in fiscal 2012 and fiscal 2013. For further information, refer to the section titled "***Objects of the Issue***" on page 36.

In addition to our marketing events and endorsements, we plan to continue to familiarise retailers and distributers with our product line and help them to more effectively sell our products to end customers, including through in-shop marketing activities such as creating branded display counters at retail stores, which we believe improve our brand awareness and profile. For further information on our branding and marketing, see section titled "-***Marketing and Branding***" on page 81.

We believe that highlighting our innovative technologies, as well as associating our brand with famous Indians and popular film and sporting events, will help us to establish the 'Micromax' brand in the Indian consumer marketplace as an innovation leader.

Continue to expand our product portfolio and invest in product development.

Our markets present a diverse consumer base and we intend to develop mobile handsets and mobile data cards that target specific consumer segments. We intend to capitalize on our market leadership position in the middle range of the overall Indian mobile handset market to increase our presence and market share in higher range mobile handsets.

To meet consumer needs, we offer and plan to continue to offer a variety of commercially appealing mobile handsets with attractive aesthetics, design and a combination of innovative features that are easy to use and are suited for the local requirements and preferences of different consumer groups. We plan to target segments in which we are currently not present, such as "Android" and "Touch" phones, and grow our portfolio of CDMA and 3G products to capitalize on the growth opportunities presented by these categories. We have entered into an exclusive distribution and joint branding agreement with Modu Limited ("Modu"), an Israel based mobile handset company, which has developed modular mobile phones that enable users to personalize their mobile experience in a simple and affordable way. We will distribute jointly branded Modu-Terimnals, Modu-Mates and other ancillary accessories and services in India, Nepal, Bangladesh and Sri Lanka until December 31, 2012. We intend on distributing these handsets through our existing distribution network.

In addition, we plan to invest in our research and development capabilities, both through strategic recruitment and the acquisition of technology.

Expand distribution network and after sales services networks.

We established our mobile handset business by initially targeting rural and semi-urban India, where electricity is often scarce, through our “Marathon Battery” line of phones that have a 30-day battery life in standby mode. Rural markets tend to be under-penetrated in India compared to urban markets and we believe that we can increase our growth by continuing to target such consumers. We initiated distribution into major urban markets subsequently and we believe this market presents significant opportunities for us going forward. We believe our branding efforts will fuel our growth in these markets and in order to cater to the higher anticipated demand for our products, we plan to continue to expand the density as well as the geographic reach of our existing distribution network. Additionally, after-sales services, such as technical support and repair, are essential in order to maintain consumer satisfaction with our products and create positive brand reputation. Accordingly, we plan to continue to grow the number of authorized service providers at all levels and increase the number of field-based technical engineers and service coordinators.

Target high growth avenues for the mobile handset business.

We intend to target specific market segments where we believe there is potential for growth and where we enjoy competitive advantages. We believe there are numerous attractive growth avenues in the mobile handset markets that we can effectively target:

- Operator linked businesses. Mobile communication companies often bundle their service plans with mobile handsets. We intend to expand and seek new arrangements with operators to bundle our handsets with their services.

- International markets. We have recently expanded into Nepal, Sri Lanka, and Bangladesh, and intend to expand into the UAE, Brazil, Nigeria and Ghana. We plan to target countries where we can leverage our track record and experience in India to compete effectively and expand our revenue base. We believe that the demographics of significant consumer segments in Nepal, Sri Lanka, Bangladesh, Brazil, the UAE, Ghana and Nigeria are similar in many ways to consumer segments in India with which we have had success. We intend to grow our business there through sales of our long battery life handsets as well as other devices within our product portfolio that have succeeded in analogous markets in India. We presently expect to launch sales of our mobile handsets in the UAE in October 2010 and have already entered into agreements with a national level distributor there.
- 3G business. 3G service is an emerging technology in India and the other markets where we distribute our products. 3G technology provides growth opportunities through multiple avenues including

upgradation to 3G compatible mobile handsets and data cards. We believe we are well positioned to capitalize on this trend. Two of our currently offered GSM mobile handsets and mobile data card models are 3G compatible.

Developing subscription based applications for providing value added services

We intend to develop a library of revenue or subscription based applications to bundle with our JAVA/BREW based handsets that provide value added services and help us derive additional revenue. For example, we are in the process of developing an application that would allow our customers to receive emails on SMS, targeting mobile subscribers who do not have access to GPRS services or data connectivity. We are also developing a 'phonebook backup' application, wherein our customers will have an option of using our server to store details of their phonebook, for a fee, which would be retrievable on an as-needed basis. We have also developed an application, yet to be launched, called the 'buddy tracker' that will enable subscribers using Micromax handsets to track the location of friends and contacts also using Micromax handsets through a paid SMS service. We are also proposing to provide push mail services to our customers, and are developing other music, gaming and content subscription based applications.

We have entered into an agreement with Facebook to develop mobile applications which are compatible with the applicable platform guidelines and extended application programming interface guidelines of Facebook. We have also been granted a limited, non-exclusive and non-sublicensable license to use the Facebook brand features within the applications which we develop. We intend to launch these applications based on revenue sharing arrangements with mobile communication operators. Finally, we also intend to access the value added services market for applications and content as and when we are close to launching our Android devices.

Pursue strategic acquisitions and investments in India and abroad.

In order to expand, we seek to identify acquisition targets and/or joint venture partners whose resources, capabilities, technologies and strategies are complementary to and are likely to enhance our product offering and business operations. To create better products, we will also pursue strategic alliances and relationships with businesses whose products or services can be incorporated into our handset designs. In particular, we are exploring opportunities to partner with or acquire companies that design mobile handsets or would complement or expand the value-added services we intend to provide. In addition, we may selectively explore the opportunity to expand our international operations through acquisitions or forming new relationships.

Establish our own manufacturing facility in India.

To date, we have relied on our OEM partners to manufacture our products, however, in the long-term, we intend to acquire or build manufacturing facilities in India to diversify our manufacturing base. We believe we have achieved the economies of scale to benefit from a manufacturing facility in India and also work with our suppliers to provide us with the necessary services in India. We believe that developing manufacturing capabilities in India will help us better manage our operations, control costs, manage quality and minimize any risks of operations being adversely impacted by trade policies or regulations in China, Taiwan or India.

We propose to utilize ₹ 2,260.39 million from the Net Proceeds for establishing a mobile handset manufacturing facility in India. The manufacturing plant will comprise of a range of contemporary equipments, including Surface Mount Technology ("SMT") and testing line equipments, which will allow us to mount components directly onto the surface of PCBs, solder the components, annealing, assemble the various other components of the handset to the surface mounted PCB and finally test/ run quality control diagnostics on the product at various stages in the manufacturing process, before packing and distribution. The manufacturing facility will have the capability of producing basic handset models as well as models with smart phone features. The proposed manufacturing facility will enable us to manufacture up to 2.0 million handsets per month based on two, 10 hour shifts per day on an aggregate of nine SMT lines and a box-build assembly.

For further information, refer to the section titled "***Objects of the Issue***" on page 36.

Corporate Structure

We are organized under the laws of India as a public limited company. We have one wholly-owned subsidiary, Micromax Informatics FZE, which is organized under the laws of the UAE.

Our Products

We principally sell mobile handsets. We also sell mobile data cards for computers under our own brand and to service providers in India.

Mobile Handsets

We entered the mobile handset market in India in January 2008. We initially identified the market demand for long battery life and dual SIM card handsets and developed and successfully launched such handsets in India. These products were subsequently followed by the introduction of multimedia, QWERTY and touch screen mobile handsets in 2008, 2009 and 2010, respectively. Over these periods, we introduced a range of mobile handsets of various specifications and distinct functionalities. In fiscal 2009, we introduced mobile handsets that can function as a universal remote control for televisions, air conditioners, DVD and VCD players and wireless gaming controls, as well our first product in our ladies line, a Swarovski element studded handset in pink and white colours.

We sell mobile handsets that access networks on CDMA and GSM formats. In addition to different network access formats, our mobile handsets reflect various combinations of distinct features and functionalities, including weight, dimension, memory type and capacity, battery type, battery life and display type, as well as camera, video, GPS, WiFi, 2G or 3G capability, sound, music, radio, Bluetooth and messaging capabilities.

The following table sets forth certain information relating to our current mobile handset categories and products as of August 31, 2010:

Product category	Handset models	Month and year of launch	Key features
Gravity	X600	July 2010	Gravity sensor enabled handsets - networks can be changed by rotating the handset.
Universal Remote	X235	March 2010	Universal remote control for televisions, air conditioners, DVD and VCD players
Gaming	G4	March 2010	Action sensor gaming phone. The action sensor technology enables the handset to be used as a wireless remote (using the motion sensor technology); the handset can be synchronised with a laptop/PC through Bluetooth to play games.
3G	H360	November 2009	3G enabled, live TV, video calls
Marathon Battery	X250	May 2009	Marathon Battery Phone - Offers talk time of up to 10 hours and standby time of up to 30 days
	C2i	August 2009	
	X260	October 2009	
	X1i+	November 2009	
	X2i+	February 2010	
Multimedia	X500	September 2009	Superior sound quality with powerful speakers, in-built motion sensor camera and a wireless FM antenna
	X360	November 2009	
	C350	March 2010	
	X330	May 2010	
	X550	August 2010	
	X510	August 2010	
QWERTY	Q3	June 2009	QWERTY keyboard with a keypad track ball navigation
	Q2	December 2009	
	Q5	January 2010	
	Q1	February 2010	
	Q55	February 2010	
	Q7	May 2010	
	Q6	July 2010	
	Q5C	July 2010	

Product category	Handset models	Month and year of launch	Key features
	Q2+	July 2010	
	Q75	August 2010	
Smart Phone	W900	March 2010	Microsoft Windows mobile, voice assisted GPS navigation and maps by Map My India
Dual Reception Mode	GC275	May 2010	GSM-CDMA combination phones.
	GC400	June 2010	
	GC360	August 2010	
Utility phones	X220	January 2010	Colour screen, FM radio and a LED Torch
	X215	January 2010	
	X118	February 2010	
	X111	April 2010	
	X100	April 2010	

Mobile Data Cards

We also commenced the sale of mobile data cards in fiscal 2008. We currently have three product categories for mobile data cards:

- *EDGE based mobile data cards.* We have one model in this category. The data card has tri-band connectivity and a phonebook.

- *3G based mobile data cards.* We have two models in this category. These data cards have high speed modems, which offer quicker connectivity. The data cards have features such as plug and play, auto install software, automatic network selection, tri-band connectivity and flash memory.

- *CDMA based mobile data cards.* We have three models in this category. These data cards offer high speed connectivity, have large memory capacity and other features such as phonebook and message storage.

We have also integrated our mobile data cards with the SIM/RUIM of mobile communication operators such as MTNL, BSNL, MTS and Aircel in order to offer benefits such as free limited data subscription packages on the purchase of our data cards.
The following table sets forth certain information relating to our mobile data card product categories and products as of August 31, 2010:

Product Category	Model	Month and year of launch	Key features
EDGE	MMX 200G	February 2010	EDGE/GPRS Modem CDMA 1X Modem USB 2.0 Supported on Windows 2000/ XP/VISTA Operating System Phonebook enabled
3G	MMX 310G	May 2010	HSPDA/UMTS/EDGE/GPRS Modem USB 2.0 (Full speed) Supported on Windows 2000/ XP/VISTA Operating System Phonebook enabled SMS facility available
	MMX 350G	May 2010	HSPDA/UMTS/EDGE/GPRS Modem USB 2.0 Supported on Windows 2000/ XP/VISTA Operating System Phonebook enabled

Product Category	Model	Month and year of launch	Key features
			SMS facility available
CDMA	MMX 200C	October 2009	CDMA 1X Modem USB 2.0 Supported on Windows 2000/ XP/VISTA Operating System Phonebook enabled
	MMX 300C	February 2010	CDMA1XEVDO Rev A Modem USB 2.0 compatible Phonebook enabled, SMS facility and Micro SD card slot Supported on Windows 2000 sp4/ XP sp2/ VISTA sp1/ 7 Operating systems supported by Mac OS X 10.4.9 or higher (only support INTEL platform) up to 10.6.0
	MMX 250C	July 2010	We sell this particular data card through forward bundling with the mobile operator MTS CDMA1X Modem USB 2.0 (Full speed) Supported on Windows 2000/ XP/VISTA Operating System Simultaneous operation of SMS, data service and phonebook

Our Operations

Our operations broadly involve the following:

- *Product Development.* We focus on the development of innovative products through a combination of strong in-house technology and design capabilities and comprehensive knowledge about our target market segments and consumer preferences based on consumer feedback as well as feedback from distribution channels.

- *Manufacturing.* We currently outsource our manufacturing operations. However, we intend to diversify our manufacturing base by establishing manufacturing facilities in India to balance our dependence on our OEM partners, better manage our operations, control costs, manage quality and minimize risks of operations being adversely affected by trade policies or regulations that affect us or the OEM partners who currently supply our products.;

- *Marketing and branding.* We seek to establish Micromax as India's leading and most innovative mobile handset company.

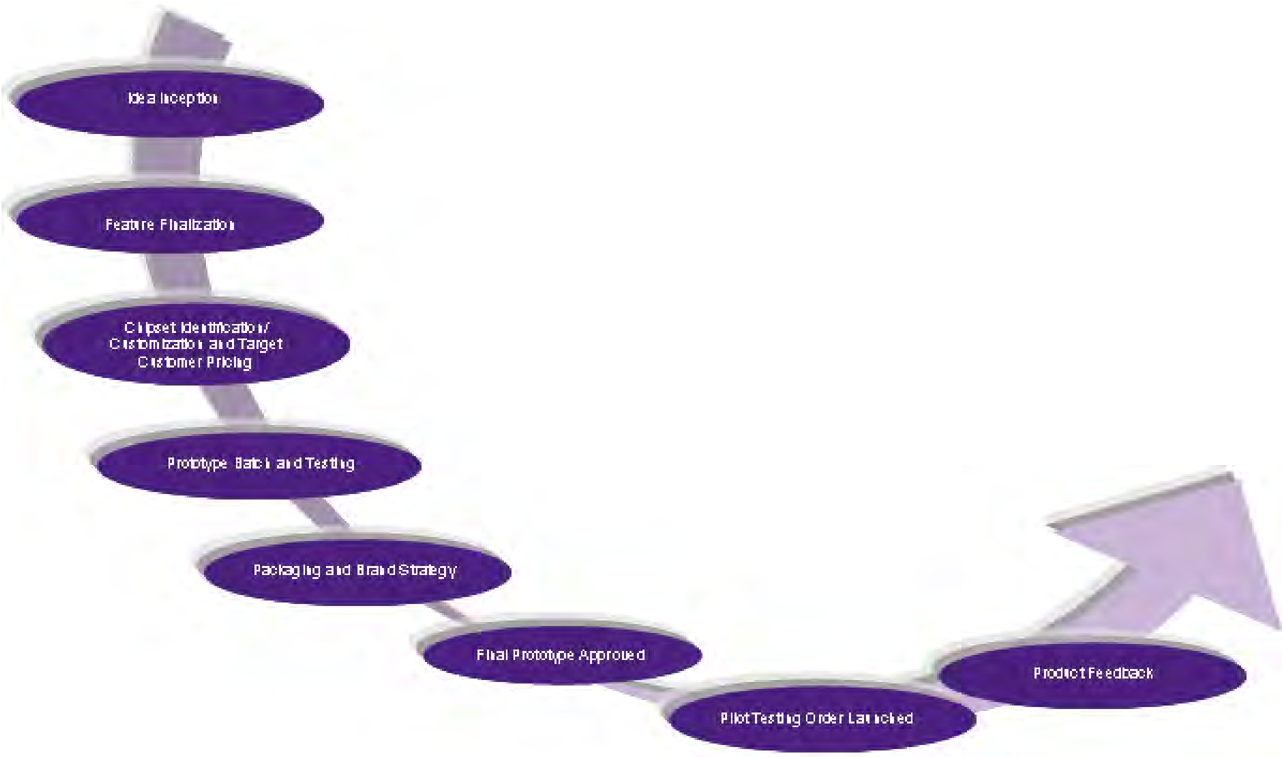
- *Selling and Distribution.* We outsource distribution through arrangements that enable us to quickly recognize revenue; and

- *After sales service.* We have a network of after sales service centers to provide our customers with a high quality service with a quick turn-around time.

Product Development

Our product development cycle

The following diagram depicts our product development process:



Through extensive interactions with technology providers, we have developed an expertise in the technology that underlies our products. We combine this expertise with a deep understanding of the Indian consumer through both customer feedback and our extensive interaction with state and regional level distributors, local distributors and telecommunications service providers. Further, as a part of our product development process, we host regular product development team meetings with our state and regional distributors at which we form product strategies that target the Indian consumer.

Once we have identified the core features for a particular product, our product development engineers who have significant experience with chipset hardware, identify the most suitable chipset for the product category we are developing. For example, we have used Yamaha chipsets that are built to enhance audio output for our music phones, and have used chipsets with efficient power consumption for our long battery life products. Our chipset manufacturers have dedicated personnel who collaborate with our product development team on a regular basis to customize and integrate chipsets with the unique functionalities conceptualized by our product design team. After the technical specifications have been determined on a preliminary basis, our management together with our financial team meet to discuss target end-customer pricing.

We subsequently finalize other basic features, and provide detailed specifications to an OEM partner with the requisite technical capability to produce a prototype batch, which is tested by both the OEM partner and our in-house testing team. Simultaneously, our in-house brand and marketing team work together with our marketing consultants to create packaging and a branding strategy for the product. Once the final prototype is approved, we place a pilot testing order with our OEM partner which is launched in the market. We continue to further refine the product based on market feedback.

Research and development

We established research and development facility at our corporate office in Gurgaon, India in 2008 which supports our product development and design function. We have an in-house research and development team comprising 24 technical personnel as of August 31, 2010, all of whom are qualified engineers. We operate a multi-sourcing strategy for our chipsets that is designed to increase the efficiency of our research and development efforts by working with the best partner in a specific chipset development area.

Our product development team focuses on the following areas:

Hardware

Our hardware team focuses on experimentation and development of prototypes, which includes the development and testing of hardware ID, PCB design, circuit design, simulations, high speed board design, layouts, signal integrity, board bring up and testing coordination. Once the referral design board from the chipset manufacturer is received our hardware team tests the design and adds product specific features to the design, such as the infra red sensor in our remote control mobile handsets. Our hardware team works closely with our OEM partners to document the design of our products and assist in the selection of vendors for the supply of components. Once the prototype is ready, the hardware team tests, debugs, and troubleshoots prototypes using state of the art testing equipment such as Digital storage Oscilloscope, Spectrum Analyzer, RF signal Generator and Willtek 3100 mobile fault finder, to establish the technical viability of a prototype. Based on the trial results, our hardware team establishes the parameters for the commercial development of the prototype. The hardware team also develops power and battery management systems, which help improve the efficiency of our mobile handsets.

Software

Software refers to both the platforms that enable the implementation of radio technologies and applications in mobile handsets and the applications or services that run on a mobile handsets. We deploy different software operating systems to allow us to balance usability, features and cost in a flexible manner. We provide mobile handsets for a wide range of market segments, price points and user groups, and by having different software operating systems we are able to choose the right one for each handset. Our software team has also developed software "patches" to integrate modules and improve the adaptability of chipsets to handsets with multiple features. For instance, we developed a software patch which enabled us to use a chipset, typically used in a single SIM mobile handset, in a dual SIM mobile handset, thereby reducing the cost of developing a new chipset for a dual SIM mobile handset.

Our software team also focuses on developing a library of revenue or subscription based applications which can be bundled with our JAVA/BREW based handsets to provide value added services and help us derive additional revenue. For example, we are in the process of developing an application that would allow our customers to receive emails on SMS, targeting mobile subscribers who do not have access to GPRS services or data connectivity. We are also developing a "phonebook backup" application that allows our customers the option of using our server to store details of their phonebook, for a fee, and which is retrievable on an as-needed basis. We have also developed an application, yet to be launched, called the "buddy tracker" that will enable subscribers using Micromax handsets to track the location of friends and contacts also using Micromax handsets through a paid SMS service. We are also developing other music, gaming and content subscription based applications. We intend on launching these applications based on revenue sharing arrangements with mobile communication operators.

Testing and quality assurance

We believe that effective quality control is a key to consumer satisfaction with our products.

We have an in-house testing team which comprises 15 engineers as of August 31, 2010. We work with our OEM partners to implement quality control procedures at every critical manufacturing stage with the aim of identifying, analyzing and solving problems at the earliest stage of the production process. Our testing team comprises an application testing team and a protocol stack and field testing team. Our application testing team focuses on testing features such as SMS, MMS, Wi-fi and other user interface features and our protocol stack and field testing team conducts tests on the performance of the software which implements the protocols (referred to as stack) and also conducts field tests covering the analysis of the issues found in the stack.

Our team also tests our mobile handsets using different mobile communication networks, covering network features such as camping time, low signal areas, roaming area and cell boundaries. Mobile communication network related features such as call clarity, SMS, and GPRS in moving and static state are also covered to confirm the network stability on the mobile handset. We use the latest equipment to test our equipment such as the CMU200, which simulates mobile communication networks and allows us to conduct simulated tests on any network, and switch between networks to cross check results, and gives highly accurate measurements. Our mobile handsets also go through vibration, drop, humidity and temperature change tests.

We intend to continue to emphasize new product development going forward in order to quickly respond to changing and unmet consumer demands.

Manufacturing

While we design our products internally, we contract with reliable OEM partners based in China and Taiwan to manufacture our products. Typically our OEM partners help manufacture our products based only on the design and technical specifications we provide. The technical specifications we provide include a detailed description of the components to ensure quality, overall technical compatibility, consistency with design and pricing of the handset.

We choose our OEM partners based on internal parameters such as assurance on the security of confidential proprietary information, model exclusivity (i.e. the OEM partner is not allowed to manufacture the same mobile handset for any third party), quality, manufacturing capacity, ability to scale manufacturing with minimum lead time, technical capability to implement designs, testing capabilities, reputation and relationship with component manufacturers.

During fiscal 2010, we worked with a select group of OEM partners, some of whom have been working with us since the commencement of our mobile handset and data card business. We have entered into agreements with four OEMs and have relationships with an additional six OEMs. We have categorized our selected OEM partners based on their product expertise and follow a model specific allocation process to ensure product continuity and quality. We generally provide our OEM partners with a two month roadmap of demand per handset model in order to allow our OEM partners to plan their production and capacity utilization.

Marketing and Branding

We intend to seize upon opportunities presented by digital convergence by allocating significant resources to establish Micromax as India's leading and most innovative handset company. Our branding strategy focuses on the innovative functionalities of our products to project Micromax's reputation for innovation. Our marketing plan comprises advertising in print media, electronic advertising, television campaigns, sales promotions and endorsement by famous Indian personalities who participate in our marketing campaigns, and sponsorship of prominent sporting and film events in India. For example, our recent television commercials have highlighted features of our universal remote control, gaming and long life battery devices; in March 2010, we signed up Akshay Kumar and Twinkle Khanna, famous Bollywood personalities, as our brand ambassadors; we were the title sponsor for the International Indian Film Academy Awards in 2010 and co-sponsored the Bollywood Apsara Awards in 2009; and have sponsored various sporting events. We plan to continue to focus on endorsements by leading Indian personalities, and sponsoring in Bollywood events and sporting events, with a particular focus on cricket.

The table below sets out details of our sponsorship for sporting events in 2010.

Event	Description	Period	Sponsorship details
Micromax Cup	Seven one day international cricket matches played between India, Sri Lanka and Zimbabwe	May 28 - June 7, 2010	Title Sponsor (On Ground) + Co presenting Sponsors (On Air)
Micromax Cup	Two T20 cricket matches played between India and Zimbabwe	Week commencing June 7, 2010	Title Sponsor (On Ground) + Co presenting Sponsors (On Air)
Micromax Asia Cup	Seven day and night one day international cricket matches played between India, Bangladesh, Pakistan and Sri Lanka	June 15 - June 25, 2010	Title Sponsor (On Ground) + Co presenting Sponsors (On Air)

Event	Description	Period	Sponsorship details
One Day International Series	Four one day international cricket matches between India and South Africa	January – February 2010	Title Sponsor (On Ground)
Test Matches	Two test matches between India and South Africa	January – February 2010	Associate sponsor (On Ground)
One Day International Series	Seven one day international cricket matches between India, New Zealand and Sri Lanka	August 10, 2010 - August 28, 2010	Co-Presenting Sponsor (OnGround + On Air)
Micromax Cup	Three test matches to be played between India and Sri Lanka	July 18, 2010 - August 7, 2010	On-Ground Title Sponsorship + Co-presenting Sponsors (On Air)
One day international cricket series	Five one day international cricket matches to be played between England and Australia	June 22, 2010 - July, 2010	Co-presenting television sponsorship
One day international cricket series	Four test matches, to be played between England and Pakistan	July 29, 2010 - August 30, 2010;	Co-presenting television sponsorship
	Two T20 cricket matches to be played between England and Pakistan	September 5, 2010 - September 7, 2010	
	Five one day international cricket matches to be played between England and Pakistan	September 10, 2010 - September 22, 2010	
One day international cricket series	Five test matches to be played between England and Australia	November 25, 2010 – January 7, 2011	Co-presenting television sponsorship
	One T20 cricket match to be played between England and Australia	January 12, 2011 - January 14, 2011	
	Five one day international cricket matches to be played between England and Australia	January 16, 2011 - January 30, 2011	
Tennis	French Open	May 23, 2010 to June 6, 2010	Associate sponsorship + commercial time
Soccer	Barclays Premier League	August 14 October 12 2010	On air commercial time sponsorship
Football	FIFA 2010	June 11, 2010 - July 11, 2010	On air commercial time sponsorship

We believe that highlighting our innovative technologies, as well as associating our brand with famous Indians and popular film and sporting events, will help us to establish our reputation in the Indian consumer marketplace as an innovation leader, and that occupying such a position will drive future sales. We have also entered into marketing arrangements with BSNL, MTNL, Aircel, MTS, Tata Indicom and Reliance Infocomm for our products.

Brand positioning

Our brand positions is driven by the following concepts:

- Innovative - We are an innovative mobile handset company targeting customers across all socio-economic segments.
- Youthful - We have mobile handsets for all age groups, but our packing and marketing emphasize a youthful image.
- Real - We focus on the consumer benefit of our mobile handsets and market them in our advertisements through real life scenarios.
- Aspirational - We aspire to deliver high value products to consumers at any given price point.

In-house marketing and branding team

Our in-house marketing and branding team comprises ten professionals, and is responsible for our outbound marketing activities, with the aim of developing and enhancing the Micromax brand and increasing traffic to our sales points. Our marketing and branding team is organised into sub-units along different marketing functions we have created internally to allow us to focus on different activities. The sub-units focus on the following key activities:

Public relations - We focus on opportunities to raise our brand awareness through non-paid publicity activities such as articles, features and reviews.

Advertising - We work in conjunction with an external agency to buy advertisement slots in electronic and print media based on a marketing plan for each of our products.

Creative content - We typically work with external creative agencies to help create the creative content and also specify the parameters within which advertisement campaigns can be developed.

Training and in-shop demonstrators - We have an in-house professional who focuses on providing in-shop demonstration training to our sales coordinators through classroom and on-field training. We also propose to engage external agencies to train our channel partners and in-shop demonstrators about our products, by developing training content and specifying training parameters for these external agencies.

External displays - Our team creates posters, banners and other point of sale material for promotional activities.

Exclusive retail outlets - We focus on creating in-shop signage and branding material for our third party owned exclusive branded retail brand outlet.

We have aggressively expanded our branding efforts in order to establish consumer awareness of our products as well as a reputation for our Company as an innovation leader. In addition to our high profile marketing events and endorsements, we plan to continue making significant efforts to familiarise retailers and distributors with our product line and make them more effective at selling our products to end customers. Our product development team also proactively engages with our brand team to integrate and customize our products with our marketing initiatives such as the IIFA music, videos, skins and wallpapers for Micromax phones and the Bling handset.

During fiscal 2009 and 2010, we spent ₹ 55.76 million and ₹ 501.38 million, respectively, on advertising and branding. We plan to utilise ₹ 1,250.00 million from the Net Proceeds of the Issue towards enhancement of the 'Micromax' brand through advertising and marketing in fiscal 2012 and fiscal 2013. For further information, refer to the section titled "***Objects of the Issue***" on page 36.

Selling and Distribution

We have a three tier distribution network in India comprising more than 60 state and regional distributors across 23 states in India. Our state and regional distributors sell our products, in unique territories assigned by us, to more than 800 local distributors, who in turn distribute our products to several retail outlets that sell to consumers. In addition, we also operate one, third party owned, Micromax exclusive retail outlet. We have also partnered with a national distributor that targets organised retail outlets and helps us to build our brand name and sales through such channels. We have grown the depth and breadth of our distribution network rapidly, in both Tier 2 and Tier 3 cities as well as in India's largest cities. In each of Nepal, Sri Lanka and Bangladesh, we currently partner with one national level distributor.

Our policy is to offer attractive margins to our channel partners to incentivize and motivate our sales channel participants with respect to the distribution of our products. As of August 31, 2010, we had an in-house team of 33 service coordinators who manage our distributors.

Our business model also combines quick payment by our distributors with attractive credit policies from our OEMs, which results in strong cashflow generation and efficient working capital management. Under our distribution model, we offer marginal short-term credit or no credit to our distributors and also maintain only ten days of inventory. To manage an appropriate level of inventory for each of our products, we receive daily inventory and sales reports from our state and regional distributors detailing the location and models sold and have fully implemented Microsoft's Navision enterprise resource planning software to connect and manage information from the manufacturing, distribution and financial management areas of our business. This provides us with real-time, synthesized data that helps us to quickly and accurately manage our supply chain and predict product demand.

As of August 31 2010 we have entered into a total of agreements with 26 distributors and have relationships with an additional 42 distributors. The state wise break-up of our state and regional distributors is given below:

S.No.	State /Union territories	Number of Distributors
1.	Uttarakhand	2
2.	Bihar	3
3.	Jharkhand	3
4.	Maharashtra	9
5.	Madhya Pradesh	6
6.	Tamil Nadu	4
7.	Kerala	2
8.	Gujarat	4
9.	Rajasthan	5
10.	Jammu & Kashmir	1
11.	Haryana	1
12.	West Bengal	6
13.	Chhattisgarh	3
14.	Orissa	2
15.	Himachal Pradesh	3
16.	Uttar Pradesh	5
17.	Chandigarh	1
18.	Punjab	3
19.	Assam	1
20.	New Delhi	1
21.	Karnataka	1
22.	Goa	1
23.	Andhra Pradesh	1
Total		**68**

Supply chain management

We have an in-house logistics department which works in conjunction with our sales team and appointed third party agencies to coordinate the delivery of our products from our OEM partners to our state and regional distributors. We use Delhi as our distribution hub in India use Dubai as our distribution hub for our international operations.

We take delivery of our products from our OEM partners in China on a free on board basis, through appointed freight forwarders who arrange for the consignment to be transported by air to the appropriate distribution hub. On the arrival of our consignment at its distribution hub, an appointed customs house agent processes the consignment and arranges for the consignment to be transported to our warehouse situated in the distribution hub.

On arrival the consignment is checked, unpacked and packaged for onward distribution. Products from our warehouses in Delhi and Dubai are transported to our state and regional distributors and international distributors respectively through appointed third party transporters, who use a combination of air transport and road transport to deliver the products.

Our logistics team also tracks and monitors the delivery of our products on a real-time basis to ensure our products are delivered on a timely basis.

Product Sales

Mobile handsets

Our sales have significantly grown during the past two fiscal years. During fiscal 2010, we sold 7.05 million mobile handsets, a 360.78% increase compared to our sales of 1.53 million mobile handsets in fiscal 2009.

The following table sets forth our quarterly sales volumes by product category during fiscal 2010:

(units in millions)

Product category	Quarter ended March 31,2010	Quarter ended December 31,2009	Quarter ended September 30,2009	Quarter ended June 31,2009
Universal Remote	0.02	-	-	-
Gaming	0.02	-	-	-
3G	*	*	-	-
Marathon Battery	1.19	1.08	0.41	0.10
Multimedia	0.24	0.03	*	-
QWERTY	0.50	0.19	0.11	0.01
Smart Phone	*	-	-	-
Utility phones	0.28	-	-	-
Discontinued Models**	0.31	0.61	0.93	1.00
Export Sales	0.02	-	-	-
Total	**2.58**	**1.91**	**1.45**	**1.11**

** Less than 0.01 million*
*** Models not currently being manufactured by the Company's OEMs.*

During fiscal 2010, 97% and 3% of our sales by volume were sales of GSM and CDMA mobile handsets, respectively.

We sell our products in more than 20 states in India and the table below sets out the geographic break up of the number of mobile handsets sold in fiscal 2010.

(in millions)

State Category	Number of Handsets Sold
Category A(1)	2.72
Category B(2)	2.94
Category C(3)	1.39
Total	**7.05**

(1) Category A includes Delhi, Maharashtra, Gujarat, Andhra Pradesh, Karnataka and Tamil Nadu;
(2) Category B includes Kerala, Punjab, Haryana, Uttar Pradesh, Rajasthan, Madhya Pradesh, West Bengal and Chandigarh;
(3)Category C includes Himachal Pradesh, Bihar, Odisha, Uttarakhand, Jammu & Kashmir, Chattisgarh and Jharkhand.

Market Share

We are the largest Indian domestic mobile handsets company in terms of units shipped during the quarter ended March 31, 2010 and the third largest mobile handset seller in India during the same period. Our overall market share stood at 6.24% for the quarter ended March 31, 2010 *(Source: IDC's India Quarterly Mobile Handsets Tracker, 1Q 2010, June 2010 release).* For further details see "***Industry Overview***" on page 57.

Product Pricing

We work with our distributors to price our products to compete effectively with various products of our competitors and to target consumers across income segments.

The average selling price for our mobile handsets increased during fiscal 2010 due to greater sales of our QWERTY phones, smart phones and multimedia phones. The following chart shows the average selling price ("ASP") of our mobile handsets during the periods indicated.

(in ₹)

Particulars	Quarter ended March 31, 2010	Quarter ended December 31, 2009	Quarter ended September 30, 2009	Quarter ended June 30, 2009
Average Selling Price*	2 , 275.98	2 , 258.96	2 , 187.68	2 , 056.05

** Calculated by dividing total sales by total units sold*

Mobile data cards

The following table sets forth our quarterly sales volumes by data card type during fiscal 2010:

(units in thousands)

Product category	Quarter ended March 31,2010	Quarter ended December 31,2009	Quarter ended September 30,2009	Quarter ended June 31,2009
3G Data Card	23.48	17.88	16.84	2.84
EDGE	13.60	16.05	0.21	-
CDMA	12.41	0.01	-	-
Others	0.70	0.31	2.35	10.98
Total	50.19	34.25	19.40	13.82

Product Pricing

The following chart shows the ASP of our mobile data cards during the periods indicated.

(in ₹)

Particulars	Quarter ended March 31, 2010	Quarter ended December 31, 2009	Quarter ended September 30, 2009	Quarter ended June 30, 2009
Average Selling Price*	2,705.69	2,642.99	2,926.41	2678.82

** Calculated by dividing total sales by total units sold.*

In-house sales team

As of August 31, 2010, our in-house sales team comprises over 100 personnel spread across India. The team is structured as follows:

National Sales Head. Our National Sales Head is responsible for our overall sales and reports to senior management.

Zonal Sales Managers. Our Zonal Sales Managers are responsible for driving sales in conjunction with Area Sales Managers and Sales Officers in their allocated territory. The Zonal Sales Manager is responsible for reporting sales, the collection of payment, coordinating with logistics and the recruitment and training of sales executives.

Areas Sales Managers. The key role of our Area Sales Managers is to assess and understand the market of their allocated territory and to monitor Sales Officers and ensure proper communication to all our distributors and retailers about product related information.

Sales Officers. Our Sales Officers are responsible for effecting sales in their respectively territories and also helping plan sales targets. Our Sales Offices are also responsible for overseeing sales promotion campaigns and for the distribution of counter display promotional material in their allocated territory.

After-Sales Service

We have built a after sales service network in India comprising more than 370 strategically located ASCs, which are operated by third parties, and five modular (component) service centers carefully selected based on our stringent standards. We also have one ASC in each of Nepal and Sri Lanka.

We have stringent criteria based on which we select the third parties who operate our after ASCs, such as experience, availability of infrastructure, technical capability and market feedback. We execute non-disclosure agreements with the third parties operating ASCs to protect our confidential proprietary information.

The ASCs provide basic services such as cleaning, software upgrades, battery replacement, replacement of cosmetic components and replacement of electro-mechanical components such as speakers, antenna, LCDs and microphones. In addition we swap or service our mobile data cards at select ASCs across our network.

In addition to our ASCs, we also have third party owned, state-of-the art modular (component) service centers which are exclusive to Micromax and provide a full suite of after sales services excluding chipset and PCB replacement. The modular (component) service centers are large facilities designed and branded by us, staffed with trained customer support executives and technical engineers selected by us and provide services on a state or regional level to our ASCs in addition to addressing all service concerns of our walk-in customers.

We have established a service factory in New Delhi, which provide a comprehensive range of services, including chipset and PCB replacement services. Our service factory supports our modular (component) service centers and ASCs by supplying necessary inventory and supporting their technical teams in order to reduce turnaround time.

In order to ensure the quality of service, we provide technical and process orientation training to all our ASCs and modular (component) service centers. We have a monthly training calendar wherein we target two states each month to give technical, process and customer management training across all ASCs or modular (component) service centers in those states at a centralised location. In addition, we also provide our ASCs and modular (component) service centers with technical bulletins and process documentation online through a secured Internet platform. Further, we also update our ASCs and modular (component) service centers at regular intervals on the technical specifications and other relevant information for new products to ensure that they are adequately equipped in time to be able to service all queries pertaining to our new products.

We also have in-house technical regional service coordinators who regularly audit ASCs in their respective states and seek market feedback from our customers and distributors on after sales support being provided.

As of August 31, 2010 we had the following ASCs and modular/component service centers in India:

State/Region	ASCs	Modular/ Component service centers
Andhra Pradesh	28	-
Bihar	15	-
Chhattisgarh	9	-
Delhi NCR	14	-
Goa	2	-
Gujarat	13	-
Haryana	22	-
Himachal Pradesh	8	-
Jammu & Kashmir	6	-
Jharkhand	5	-
Karnataka	23	-
Kerala	5	-
Madhya Pradesh	30	-
Maharashtra	37	1
Nepal	1	1
NESA	10	1
Orissa	15	-
Punjab	23	1
Rajasthan	21	-
Tamil Nadu	13	-
Uttar Pradesh-E	19	-
Uttar Pradesh-W	28	1
Uttarakhand	7	-
West Bengal	23	-
Total	**373**	**5**

Warranties

We have designed our warranty policy to ensure customer satisfaction. We provide our distributors with a 15 month warranty from the date of sale and consumers with a 12 months warranty from the date of sale, during which period we provide free repairs and replacement parts at our ASCs and modular (component) service centers.

International Business

We have expanded our sales network internationally in Nepal, Sri Lanka and Bangladesh and intend to further expand to the UAE, Brazil, Nigeria and Ghana.

We launched our handsets in Nepal in January 2010, Sri Lanka in June 2010 and Bangladesh in July 2010, and we intend to expand our sales into UAE, Brazil, Nigeria and Ghana. We believe we can expand rapidly in these markets: for example, since launching sales in Nepal in January 2010, we have sold more than 30,000 mobile handsets and more than 10,000 mobile handsets in Sri Lanka since our launch in June 2010. We plan to identify countries where we can leverage our track record and experience in India to compete effectively and expand our revenue base. We believe that the demographics of significant consumer segments in Nepal, Sri Lanka, Bangladesh, Brazil and the UAE, Ghana and Nigeria are similar in many ways to consumer segments in India with which we have had success. We intend to grow our business there through sales of our long battery life devices as well as other devices within our product portfolio that have succeeded in analogous markets in India.

International revenues in Fiscal 2010 were ₹ 34.98 million, which only relate to our sales in Nepal.

Employees

As of July 31, 2010, we had 377 of employees. Of our 355 employees, 37 have post-graduate degrees, 197 have graduate degrees and the remaining 68 have undergraduate degrees. 264 of our employees are under the age of 35.

We are dedicated to the development of the expertise and know-how of our employees. Our personnel policies are aimed towards recruiting talented employees, facilitating their integration and encouraging the development of their skills.

The breakup of our workforce as of July 31, 2010 and at the end of each of the previous three fiscal years by expertise and by managerial position are as follows:

Particulars	Number of Permanent Employees as of			
	July 31, 2010	March 31, 2010	March 31, 2009	March 31, 2008
Technical Staff	24	21	15	22
Non Technical Staff	239	172	98	160
Support Staff	92	80	98	78
Total	**377**	**273**	**211**	**261**

In addition to compensation that includes both salary and allowances, we provide our employees other benefits which include medical reimbursements, yearly leave and retirement benefits. We recruit our employees through empanelled consultants, online employment portals, campus recruitment and through referrals.

Our success depends upon our ability to recruit, train and retain high quality professionals. We are dedicated to the development of the expertise and know-how of our employees. We are currently conducting an internal survey to assess the training needs of our employees and based on the feedback we receive we intend on developing training modules to address those specific needs.

Intellectual Property

We rely on a combination of trademark laws, confidentiality procedures and contractual provisions to protect our intellectual property, including our brand identity. We currently do not have any patents or copyrights. We have filed applications to register our trademarks "Micromax" and "Micromax mobile" in India, Nepal and Bangladesh.

We require our employees, OEMs and ASCs to maintain confidentiality of our proprietary and confidential information. Although we believe that our intellectual property rights do not infringe on the intellectual property rights of any other party, infringement claims may be asserted against us in the future. For further details of litigation in relation to intellectual property see "***Outstanding Litigation and Material Developments***" on page 238.

Competition

The mobile handset markets in which we operate are highly competitive particularly in India as many new competitors have entered the market in the last several years. As the market continues to move towards multimedia devices, this trend may result in even more competition.

The mobile handset market participants compete with each other on the basis of their product, services and solutions portfolio, user experience, design, price, operational and manufacturing efficiency, technical performance, distribution strategy, quality, customer support, brand and marketing. The critical factors that determine the success of a product or service vary by geographical market and product and services segment. In general, mobile device markets are becoming more segmented and diversified, and we face competition from different mobile device manufacturers in different user segments, price points and geographic markets.

The competition in the market for our products, services and solutions continues to be intense from our competitors in the mobile device industry such as Nokia, Samsung and LG. In India, we also face competition from domestic mobile handset companies such as Spice and Videocon. Some of our competitors have used, and we expect will continue to use, more aggressive pricing strategies, different design approaches and alternative technologies. The mobile device industry may continue to attract new entrants.

Due to the intensity, complexity and diversity of the competition overall, the competitive landscape in our industry or in specific industry segments can change very rapidly. As the parameters of competition are less firmly established than in other industries where the competitive landscape does not change greatly from year to year, it is difficult to predict how the competitive landscape of the mobile device industry will develop in the future. General competitive factors in the market include: overall quality of user experience, design, time-to-market, brand awareness, technology offered, price, product features, performance, quality, delivery and warranty, the quality and availability of after sales service and relationships with our distributors.

Insurance

We maintain insurance policies with independent third parties in respect of buildings, equipment and certain inventories covering losses due to fire and a wide range of natural disasters and burglary. We also maintain policies in respect of marine, air and inland transit risks for exports and imports and within India.

In addition, we maintain product liability insurance, including claims arising from the production and sale of mobile handsets and mobile data cards. We also maintain Directors and Officers liability insurance for our Promoters and accident insurance and health insurance for our employees.

Information technology

We have invested in software security systems to protect our data, control network access and manage user interaction with our systems. Users are provided unique identifying accounts and their access of files and folders is continuously monitored in order to prevent unauthorized data access. We backup critical data as per a schedule based on the importance of the data, with backup disks stored at a separate physical location. We have a dedicated in-house IT team, which manages and monitors our IT infrastructure to ensure business continuity. We also have implemented IT Policies based on industry best practices to safeguard our systems.

Properties

We own our corporate office and a warehouse located in Gurgaon aggregating to a land area of 573.5 square meters. We established research and development facility at our corporate office in Gurgaon, India in 2008. Further we own land measuring 1,996 square meters in Solan, Himachal Pradesh and have acquired land measuring 57,303.54 square meters in Faridabad, Haryana. We have also received an allotment letter from the Haryana State Industrial and Infrastructure Development Corporation Limited ("**HSIIDC**") towards allotment of an industrial plot measuring 2,763 square meters in Gurgaon, possession of which shall be made upon execution of a formal agreement with HSIIDC and payment of installment amounts in accordance with the terms of the allotment letter, which is pending. We are yet to acquire land to meet the requirements of our proposed handset manufacturing facility and have identified Sriperumbudur in Tamil Nadu as a possible location for setting-up our manufacturing facility. For further details refer to the section titled "***Objects of the Issue***" on page 36. Our registered office in New Delhi has been leased to us for a period of eleven months through a rent agreement dated April 22, 2010 with Silicon Televentures Private Limited, a member of our Promoter Group. We have entered into warehousing service agreements with OM Logistics Limited and UTL Warehouse Management Private Limited for various locations through out India. In addition we have entered into lease agreements with third parties for our distribution offices.

We believe our properties are sufficient for us to conduct our business in its present form.

REGULATIONS AND POLICIES IN INDIA

The following description is a summary of the relevant regulations and policies as prescribed by the GoI and other regulatory bodies that are applicable to our business. The information detailed below has been obtained from the various legislations, including rules and regulations promulgated by regulatory bodies, and the bye-laws of the respective local authorities that are available in the public domain. The regulations set out below may not be exhaustive and are merely intended to provide general information to the Bidders and are neither designed nor intended to substitute for professional legal advice.

Importer Exporter Code

Under Section 7 of the Foreign Trade (Development and Regulation) Act, 1992 (the "**Foreign Trade Act**"), no person is permitted to make any import or export except under an importer-exporter code (an "**IEC**") number granted by the Director General of Foreign Trade (the "**DGFT**"). Section 8(1)(a) of the Foreign Trade Act provides that any contravention of any law relating to central excise, customs, foreign exchange or other economic laws as may be notified by the Central Government is ground for the suspension/cancellation of the IEC number.

New Telecom Policy, 1999

The Department of Telecommunications, Ministry of Communications and Information Technology, GoI, formulated the National Telecom Policy, 1999, for creating an enabling framework for development of the telecom industry. In this regard, the National Telecom Policy, 1999, prescribes that with a view to promote indigenous telecom equipment manufacture for both domestic use and export, the GoI, would provide the necessary support and encouragement to the sector, including suitable incentives to the service providers utilizing such indigenous equipment. In furtherance of the same, the GoI, by way of the CENVAT Credit Rules, 2004, has allowed service providers to take CENVAT credit for utilizing indigenous equipment.

The Indian Telegraph Act, 1885 ("Telegraph Act")

The Telegraph Act governs all forms of the usage of 'telegraph' which expression has been defined to mean any appliance, instrument, material or apparatus used or capable of use for transmission or reception of signs, signals, writing, images, and sounds or intelligence of any nature, by wire, visual or other electro-magnetic emissions, radio waves or hertzian waves, galvanic, electric or magnetic means. Under Section 7, the Central Government has the power to make rules for conduct of all telegraphs established, maintained or worked by the Government or by persons licensed under the Act including but not limited to governing the conditions and restrictions subject to which any telegraph line, appliance or apparatus for telegraphic communication shall be established, maintained, worked, repaired, transferred, shifted , withdrawn or disconnected. Further, the rules prescribed by the Central Government may prescribe the fines for any breach of such rules, provided that the fines so prescribed shall not ₹ 250 and in the case of a continuing breach a further fine of ₹ 50 for every day after the first day during the whole or part of which the breach continues.

The Indian Wireless Telegraphy Act, 1933 ("Telegraphy Act")

The Telegraphy Act regulates the possession of 'wireless telegraphy apparatus' in India. Under the Telegraphy Act, 'wireless telegraphy apparatus' has been defined to mean any apparatus, appliance, instrument, used or capable of being used in wireless communication, but does not include any such apparatus, appliance, instrument or material commonly used for other electrical purposes, unless it has been specially designed or adapted for wireless communication or forms part of some apparatus, instrument or material specially so designed or adapted. Under Section 10 of the Act, the Central Government has the power to make rules with respect to the maintenance of records containing details of the acquisition and disposal by sale or otherwise of wireless telegraphy apparatus possessed by dealers and the power to make provisions for penalty of breach of such rules.

International Mobile Equipment Identity and Electronic Serial Number

The Groupe Speciale Mobile Association (the "**GSM Association**") is an association which focuses on ensuring mobile services work globally, thereby enhancing their value to individual users and national economies. Membership to this association is voluntary and upon payment of a stipulated amount of fee. Majority of the countries which use GSM technology are a member of this association. In this regard, the GSM Association issued a non-binding IMEI Allocation and Approval Guidelines dated October 1, 2009, whereby it laid down guidelines for members part of the GSM Association with respect to allocation of a unique international mobile equipment identity (the "**IMEI**") identifying an individual mobile station in a GSM network. The IMEI code consists of a number of fields totaling 15 digits. All digits have the range of zero to nine coded as a binary coded decimal. The GSM Association maintains a unique system known as the IMEI database which is global central database containing basic information on the IMEI ranges of GSM devices that are in use across the GSM networks of the world. This IMEI database is also activated and updated every 15 days in the equipment identity register ("**EIR**") of telecom service providers.

Similarly, for mobile phones which implement CDMA technology, the Telecommunications Industry Association manages and co-ordinates manufacturer codes for cellular phones which is the electronic serial number (the "**ESN**"). ESN is a 32 bit binary value which is unique to each cellular phone where eight high order bits are used to identify the manufacturer and low order 24 bits are used to identify the unit. In this regard, the Telecommunications Industry Association issued the Electronic Serial Number Manufacturer's Code, Assignment Guidelines and Procedures dated December 2009, laying down guidelines for assignment and allocation of the ESN code.

The Department of Telecommunications, Ministry of Communications and Information Technology, GoI, issued a directive (No. 20-40/2006-BS-III(Pt.)/(Vol. I) dated October 6, 2008, in the interest of national security to all access service providers to make provision for an EIR so that all cellular phones without IMEI or ESN or invalid IMEI or ESN are not processed and rejected.

Labour and Environmental Regulations

Depending upon the nature of the activity undertaken by us, applicable environmental and labour laws and regulations include the following:

- The Contract Labour (Regulation and Abolition) Act, 1970;
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- The Employees' State Insurance Act, 1948;
- The Factories Act, 1948;
- The Industrial Disputes Act, 1947;
- The Payment of Wages Act, 1936;
- The Workmen's Compensation Act, 1923;
- The Minimum Wages Act, 1948;
- The Payment of Bonus Act, 1965;
- The Payment of Gratuity Act, 1972;
- The Environment (Protection) Act, 1986;
- The Environment Impact Assessment Notification S.O. 1533(E), 2006;
- The Forest (Conservation) Act, 1980 and The Forest (Conservation) Rules, 2003;
- The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008;
- The Water (Prevention and Control of Pollution) Act, 1974;
- The Water (Prevention and Control of Pollution) Cess Act, 1977; and
- The Air (Prevention and Control of Pollution) Act, 1981.

Labour Laws

The Factories Act, 1948, as amended (the "Factories Act")

The Factories Act defines a 'factory' to be any premise which employs or employed on any day in the previous 12 months, ten or more workers and in which a manufacturing process is being carried on with the aid of power or any premises where there are or were in the previous twelve months, at least 20 workers working even though there is no manufacturing process being carried on with the aid of power. State Governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the 'occupier' of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions.

If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment for a term up to two years or with a fine up to ₹ 100, 000 or with both, and in case of contravention continuing after conviction, with a fine of up to ₹ 1,000 per day of contravention. In case of a contravention which results in an accident causing death or serious bodily injury, the fine shall not be less than ₹ 25, 000 in the case of an accident causing death, and ₹ 5,000 in the case of an accident causing serious bodily injury.

Environmental Laws

Our business is subject to environment laws and regulations. The applicability of these laws and regulations varies from operation to operation and is also dependent on the jurisdiction in which we operate. Compliance with relevant environmental laws is the responsibility of the occupier or operator of the facilities.
Our operations require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions. Major environmental laws applicable to our operations include:

The Environment (Protection) Act, 1986 (the "EPA")

The EPA is an umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the GoI with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. This includes rules for *inter alia*, laying down the quality of environment, standards for emission of discharge of environment pollutants from various sources, inspection of any premises, plant, equipment, machinery, examination of manufacturing processes and materials likely to cause pollution. Penalties for violation of the EPA include fines up to ₹ 100, 000 or imprisonment of up to five years, or both.

There are provisions with respect to certain compliances by persons handling hazardous substances, furnishing of information to the authorities in certain cases, establishment of environment laboratories and appointment of Government analysts.

The Environment Impact Assessment Notification S.O. 1533(E), 2006 (the "EIA Notification")

The EIA Notification issued under the EPA and the Environment (Protection) Rules, 1986, as amended, provides that the prior approval of the MoEF, GoI, or State Environment Impact Assessment Authority, as the case may be, is required for the establishment of any new project and for the expansion or modernisation of existing projects specified in the EIA Notification. The EIA Notification states that obtaining of prior environmental clearance includes a maximum of four stages, i.e., screening, scoping, public consultation and appraisal.

An application for environmental clearance is made after the identification of prospective site(s) for the project and/or activities to which the application relates but before commencing any construction activity, or preparation of land, at the site by the applicant. Certain projects which require approval from the State Environment Impact Assessment Authority may not require an Environment Impact Assessment Report. For projects that require preparation of an Environment Impact Assessment Report public consultation involving both public hearing and written response is conducted by the State Pollution Control Board. The appropriate authority makes an appraisal of the project only after a Final EIA Report is submitted addressing the questions raised in the public consultation process.

The prior environmental clearance granted for a project or activity is valid for a period of ten years in the case of river valley projects, project life as estimated by Expert Appraisal Committee or State Level Expert Appraisal Committee subject to a maximum of 30 years for mining projects and five years in the case of all other projects and activities. This period of validity may be extended by the regulatory authority concerned by a maximum period of five years.

The Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008 (the "Hazardous Wastes Rules")

The Hazardous Wastes Rules aim to regulate the proper collection, reception, treatment, storage and disposal of hazardous waste by imposing an obligation on every occupier and operator of a facility generating hazardous waste to dispose such waste without adverse effect on the environment, including through the proper collection, treatment, storage and disposal of such waste. Every occupier and operator of a facility generating hazardous waste must obtain an approval from the Pollution Control Board. The occupier, the transporter and the operator are liable for damages caused to the environment resulting from the improper handling and disposal of hazardous waste. The operator and the occupier of a facility are liable for any fine that may be levied by the respective State Pollution Control Boards. Penalty for the contravention of the provisions of the Hazardous Waste Rules includes imprisonment up to five years and imposition of fines as may be specified in the EPA or both.

The Water (Prevention and Control of Pollution) Act, 1974 (the "Water Act")

The Water Act aims to prevent and control water pollution as well as restore water quality by establishing and empowering the Central Pollution Control Board and the State Pollution Control Boards. Under the Water Act, any person establishing any industry, operation or process, any treatment or disposal system, use of any new or altered outlet for the discharge of sewage or new discharge of sewage, must obtain the consent of the relevant State Pollution Control Board, which is empowered to establish standards and conditions that are required to be complied with. In certain cases the State Pollution Control Board may cause the local Magistrates to restrain the activities of such person who is likely to cause pollution. Penalty for the contravention of the provisions of the Water Act include imposition of fines or imprisonment or both.

The Central Pollution Control Board has powers, *inter alia*, to specify and modify standards for streams and wells, while the State Pollution Control Boards have powers, *inter alia*, to inspect any sewage or trade effluents, and to review plans, specifications or other data relating to plants set up for treatment of water, to evolve efficient methods of disposal of sewage and trade effluents on land, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry likely to pollute a stream or a well, to specify standards for treatment of sewage and trade effluents, to specify effluent standards to be complied with by persons while causing discharge of sewage, to obtain information from any industry and to take emergency measures in case of pollution of any stream or well.

A central water laboratory and a state water laboratory have been established under the Water Act.

The Water (Prevention and Control of Pollution) Cess Act, 1977 (the "Water Cess Act")

The Water Cess Act provides for levy and collection of a cess on water consumed by industries with a view to augment the resources of the Central and State Pollution Control Boards constituted under the Water Act. Under this statute, every person carrying on any industry is required to pay a cess calculated on the basis of the amount of water consumed for any of the purposes specified under the Water Cess Act at such rate not exceeding the rate specified under the Water Cess Act. A rebate of up to 25% on the cess payable is available to those persons who install any plant for the treatment of sewage or trade effluent, provided that they consume water within the quantity prescribed for that category of industries and also comply with the provision relating to restrictions on new outlets and discharges under the Water Act or any standards laid down under the EPA. For the purpose of recording the water consumption, every industry is required to affix meters as prescribed. Penalties for non-compliance with the obligation to furnish a return and evasion of cess include imprisonment of any person for a period up to six months or a fine of ₹ 1,000 or both and penalty for non payment of cess within a specified time includes an amount not exceeding the amount of cess which is in arrears.

The Air (Prevention and Control of Pollution) Act, 1981 (the "Air Act")

Pursuant to the provisions of the Air Act, any person, establishing or operating any industrial plant within an air pollution control area, must obtain the consent of the relevant State Pollution Control Board prior to establishing or operating such industrial plant. The State Pollution Control Board is required to grant consent within a period of four months of receipt of an application, but may impose conditions relating to pollution control equipment to be installed at the facilities. No person operating any industrial plant in any air pollution control area is permitted to discharge the emission of any air pollutant in excess of the standards laid down by the State Pollution Control Board. The penalties for the failure to comply with the provisions of the Air Act include imprisonment of up to six years and the payment of a fine as may be deemed appropriate. If an area is declared by the State Government to be an air pollution control area, then, no industrial plant may be operated in that area without the prior consent of the State Pollution Control Board.

Under the Air Act, the Central Pollution Control Board has powers, *inter alia*, to specify standards for quality of air, while the State Pollution Control Boards have powers, *inter alia,* to inspect any control equipment, industrial plant or manufacturing process, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry and to obtain information from any industry.

Other Legislations:

Intellectual Property Laws

Trademarks A trademark is used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor or user to use the mark. A 'mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style and so forth. The Trademarks Act, 1999 (the "**Trademarks Act**") governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of 10 years but can be renewed in accordance with the specified procedure.
Currently, a person desirous of obtaining registration of his trademark in other countries has to make separate applications in different languages and disburse different fees in the respective countries. However, the Madrid Protocol, administered by the International Bureau of the World Intellectual Property Organization ("**WIPO**"), of which India is a member country, aims to facilitate global registration of trademarks by enabling nationals of member countries to secure protection of trademarks by filing a single application with one fee and in one language in their country of origin. This in turn is transmitted to the other designated countries through the International Bureau of the WIPO. The Trademarks (Amendment) Bill 2009 was recently tabled before the Lok Sabha, to amend the Trademarks Act to enable Indian nationals as well as foreign nationals to secure simultaneous protection of trademarks in other countries, and to empower the Registrar of Trademarks accordingly, as well as to simplify the law relating to transfer of ownership of trademarks by assignment or transmission and to bring the law generally in line with international practice.

Copyrights A copyright is an exclusive right to do or authorization to do certain acts in relation to literary, dramatic, musical and artistic works, cinematographic films and sound recordings. The Copyright Act, 1957 (the "**Copyright Act**") provides for registration of copyrights, transfer of ownership and licensing of copyrights, and infringement of copyrights and remedies available in that respect. Depending upon the subject, copyright is granted for a certain period of time, usually for a period of 60 years, subsequent to which the work falls in the public domain and any act of reproduction of the work by any person other than the author would not amount to infringement. Software, both in source and object code, constitutes a literary work under Indian law and is afforded copyright protection. Following the issuance of the International Copyright Order, 1999, subject to certain conditions and exceptions, the provisions of the Copyright Act apply to nationals of all member states of the World Trade Organization, the Berne Convention and the Universal Copyright Convention.

While intellectual property registration is not a prerequisite for acquiring or enforcing such rights, registration creates a presumption favouring the ownership of the right by the registered owner. Registration may expedite infringement proceedings and reduce delay caused due to evidentiary considerations. The registration of certain types of intellectual property is prohibited, including where the property sought to be registered is not distinctive. The remedies available in the event of infringement under the Copyright Act and the Trademarks Act include civil proceedings for damages, account of profits, injunction and the delivery of the infringing materials to the owner of the right, as well as criminal remedies including imprisonment of the accused and the imposition of fines and seizure of infringing materials.

Miscellaneous

The Shops and Establishments Act

Under the provisions of local shops and establishments legislations applicable in the states in which establishments are set up, establishments are required to be registered. Such legislations regulate the working and employment conditions of the workers employed in shops and establishments including commercial establishments and provide for fixation of working hours, rest intervals, overtime, holidays, leave, termination of service, maintenance of shops and establishments and other rights and obligations of the employers and employees. Our stores have to be registered under the Shops and Establishments legislations of the state where they are located.

Consumer Protection Act, 1986

The Consumer Protection Act, 1986 ("**COPRA**") aims at providing better protection to the interests of consumers and for that purpose makes provisions for the establishment of authorities for the settlement of consumer disputes. The COPRA provides a mechanism for the consumer to file a complaint against a trader or service provider in cases of unfair trade practices, restrictive trade practices, defects in goods, deficiency in services, price charged being unlawful and goods being hazardous to life and safety when used. The COPRA provides for a three tier consumer grievance redressal mechanism at the national, state and district levels. Non compliance of the orders of these authorities attracts criminal penalties.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated as 'Micromax Informatics Private Limited' on March 29, 2000 under the Companies Act with the RoC. Subsequently, our Company became a public limited company pursuant to a shareholders' resolution dated June 26, 2000 and the name of our Company was changed to 'Micromax Informatics Limited' pursuant to a fresh certificate of incorporation from the RoC on August 3, 2001.

Our Company is engaged in the business of mobile handsets and mobile data cards. We were previously engaged in the business of software and e-commerce development. For details relating to our Company's business activities, operations and growth, technology, competition, major suppliers and customers, see "***Our Business***" on page 69. For details relating to the management of our Company, see "***Our Management***" on page 101.

As on the date of this Draft Red Herring Prospectus, the total number of holders of Equity Shares of our Company is 11.

Our Company is not operating under any injunction or restraining order.

Changes in Registered Office

At the time of incorporation our registered office was situated at E-78, Second Floor, South Extension-1, New Delhi 110 049. Our registered office was shifted to 1/6 Lower Ground Floor, East Patel Nagar, New Delhi 110 008 w.e.f. June 1, 2003 and further our registered office was shifted to 9/52/1 Kirti Nagar Industrial Area, New Delhi 110 015 w.e.f. April 5, 2008. Thereafter, our registered office was shifted to Block A, Plot No. 21/14 Naraina Industrial Area Phase II, New Delhi 110 028 w.e.f. May 31, 2010. The changes in our registered office were for administrative and operational efficiency.

Key Events

Fiscal Year	Key Events
2000	Incorporation of our Company.
2001	Started its software and e-commerce development business.
2003	Started its embedded technology business.
	Developed Digitally Automated Traffic Information System, a proprietary security software for Airport Authority of India.
2005	Started machine to machine ("**M2M**") distribution for Nokia fixed terminals and modules.
2006	Launched self-branded products under the brand name of Micromax.
2007	Started self branded mobile data card business and discontinued our software, e-commerce development and embedded technology business.
2008	Started assembling of fixed phone and terminals wireless.
	Started the mobile handset business.
	Tied up with BSNL for 3G data cards.
	Tie-up with Airtel for launching data cards.
2010	Tied up with ONGC and MTNL for supplying of Data Cards.
	Co-sponsored Apsara awards, the first sponsored event by our Company
	Private equity investment by Wagner
	Title sponsor for IIFA Awards
2011	Purchase of 301,260 Equity Shares by Sequoia Capital, Sandstone and Madison from the Promoters

For details in relation to our borrowings with banks/financial institutions, see "***Financial Indebtedness***" on page 212.

Main Objects

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

1. To design, invent, assemble, manufacture, buy, sell, lease, import, export, conduct research, impart training, develop, maintain, repair, hire, let on hire, alter, design, distribute, provide services including

consultancy or otherwise, dealing computers, computer systems, computer software applications including internet, e-commerce, web designing, computer hardwares and data processing equipments.

2. To promoter, encourage, establish, develop, maintain, organize, train, undertake, manage, operate, conduct and to run in India or abroad the business of software development, testing and other allied activities, for all sorts of services relating to software programs, its maintenance, application and operation for industrial, medical, legal, commercial, domestic, public utility, defence, government, and general customer or other sections of society.
3. To carry on in India or elsewhere the business to develop, manufacture, export, import, buy, sell, distribute, transfer, lease, hire licence, use, dispose off, operate, fabricate, assemble, record, maintain, repair, recondition, work, alter, convert, improve, install, modify and to act as consultant, agent, broker, franchiser, job worker, representative, adviser or otherwise to deal in all kinds of software, programs, systems, spare parts, accessories, devices, applications and all accessories connected with or used in the development, application, maintenance or operation of computer software.
4. To carry on the business of computer education and training programmers. To establish computer institute franchise, to impart computer education and related services. To impart, develop and market computer education programs.
5. To carry on trading, consultancy and solutions in information management, software development, system integrations, value added services, customerisation, network design, supply and maintenance of hardware, computerization, peripherals, paperless propositions, human resources, consultancy, placements, computer training and institute etc. and research & development in the related field.
6. To design, invent, assemble, manufacture, buy, sell, lease, import, export, conduct research, impart training, develop, maintain, repair, hire, let on hire, alter, design, distribute, provide services including consultancy or otherwise deal in telecom hardware & software.

The main objects as contained in the Memorandum of Association enable us to carry on the business that are presently carried out, as well as the businesses we propose to carry out.

For details relating to our business and operations, see "***Our Business***" and "***Financial Statements***" on pages 69 and 123, respectively.

Amendments to our Memorandum of Association

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

Date of Shareholder resolution	Nature of amendment
December 22, 2004	Clause III(A) of the MoA was substituted with the following: "*6. To design, invent, assemble, manufacture, buy, sell, lease, import, export, conduct research, impart training, develop, maintain, repair, hire, let on hire, alter, design, distribute, provide services including consultancy or otherwise deal in telecom hardware & software.*"
February 6, 2006	Clause V of the MoA was substituted with the following: "*The authorized share capital of the Company is Rs. 1,00,00,000 (Rupees one crore) divided into 10,00,000 equity shares of Rs. 10/- each.*"
February 21, 2008	Clause V of the MoA was substituted with the following: "*The authorized share capital of the Company is Rs. 5,00,00,000 (Rupees Five Crore) divided into 50,00,000.00 (Fifty lac) equity shares of Rs. 10.00 each.*"
December 17, 2009	Clause V of the MoA was substituted with the following: "*The authorized share capital of the Company is Rs. 106,23,20,000/- (Rupees hundred and six crores and twenty three lakhs and twenty thousands only) divided into 50,00,000 (fifty lakh) equity shares of Rs. 10 each and 3,60,000 (three lakhs sixty thousand only) participatory, compulsorily convertible, cumulative preference shares of the face value of Rs. 2,812/- (two thousand eight hundred and twelve rupees only) each.*"
August 18, 2010	Clause V of the MoA was substituted with the following: "*The authorised capital of the Company is Rs. 2,50,00,00,000 (Rupees Two Hundred and Fifty Crores) divided into 14,87,68,000 (Fourteen Crores Eighty Seven Lakhs and Sixty Eight Thousand) equity shares of Rs. 10 each and 3,60,000 (Three Lakhs Sixty Thousand Only) participatory, compulsorily convertible, cumulative preference shares of the face value of Rs. 2,812 (Rupees Two Thousand Eight Hundred and Twelve Only) each.*"

Date of Shareholder resolution	Nature of amendment
September 15, 2010	Clause V of the MoA was substituted with the following: "*The authorised capital of the Company is Rs. 2,50,00,00,000 (Rupees Two Hundred and Fifty Crores) divided into 25,00,00,000 (Twenty Five Crores) equity shares of Rs. 10 each.*"

Our Holding Company

We do not have a holding company.

Our Subsidiary

Our Company has one Subsidiary. Our Subsidiary has not made any public or rights issue in the last three years and has not become sick companies under the meaning of SICA and are not under winding up.

Micromax Informatics FZE ("Micromax FZE")

Our Subsidiary, Micromax FZE was incorporated on January 21, 2010 pursuant to the regulations regarding the establishment of a Free Zone Establishment under the laws of the United Arab Emirates, with registration number RAKFTZA-FZE-4003969. Micromax FZE is engaged in the business of, export operations of the products of our Company. The paid up capital of Micromax FZE is AED 100,000 (divided into 100,000 equity shares of AED 1 each). Our Company holds 100,000 equity shares in Micromax FZE, i.e. 100% of the issued and paid up capital of Micromax FZE.

Joint Venture

Our Company does not have any joint ventures.

Shareholders' Agreements

Shareholders' agreement dated September 16, 2010, amongst our Company, Mr. Rajesh Agarwal, Mr. Sumeet Kumar, Mr. Rahul Sharma, Mr. Vikas Jain, Wagner, Sequoia Capital, Sandstone and Madison

Our Company, Wagner and each of the Promoters, had entered into a share subscription and share purchase agreement dated December 18, 2009, pursuant to which our Promoters sold 360,000 Equity Shares to Wagner at ₹ 2,812.50 each and our Company agreed to issue and allot 360,000 fully paid-up PCCPS of our Company of face value of ₹ 2,812.50 each, bearing a preferred dividend of 0.0001%. On the same date, the parties had also entered into a shareholders' agreement which was further amended on June 26, 2010, to determine the rights of Wagner (the "**Wagner SHA**"). Our Company allotted 360,000 PCCPS of face value ₹ 2,812 and premium of ₹ 0.50 each to Wagner pursuant to a shareholders' resolution dated December 19, 2009. Such 360,000 PCCPS were converted into 423,530 Equity Shares pursuant to a shareholders' resolution dated September 15, 2010 at a face value of ₹ 10 and a premium of ₹ 2,830.62. For further details, see "***Capital Structure***" on page 24.

Subsequently, our Company, each of the Promoters, Wagner and the New Investors entered into a share purchase agreement on September 16, 2010, whereby each of the Promoters transferred 35,072 Equity Shares to Sequoia Capital, 35,072 Equity Shares to Sandstone and 5,171 Equity Shares to Madison. On the same date each of the parties to the share purchase agreement also entered into a shareholders' agreement to determine the rights of Wagner, and the New Investors (the "**Investors' SHA**"). Pursuant to and in accordance with the Investors' SHA, the Wagner SHA was superseded and terminated.

In accordance with the terms of the Investors' SHA, each of Wagner, and the New Investors have certain preferential rights including restriction on transfer of shares of each of the Promoters, certain pre-emptive rights in the event the Company proposes to make an issuance any securities, tag along and co-sale rights, rights of first refusal. Further, in the event if the Company does not complete an initial public offering of its Equity Shares within one year from the date of transfer of the Equity Shares to the New Investors, (i) the New Investors shall have the right to require the Company to conduct a public offering providing for the sale of the Equity Shares held by them, (ii) the New Investors shall have the right to require the Promoters to purchase the Equity Shares held by them, (iii) Wagner and the New Investors shall have the right to require the Company to buy-back the Equity Shares held by them, which option if exercised by the New Investors, also then permits Wagner to sell its Equity Shares to the Promoters or (iv) Wagner and the New Investor shall have the right to appoint a merchant banker to identify a third party purchaser for the Equity Shares held by them. Separately, in the event the Company does not complete an initial public offering of its Equity Shares after the completion of the fifth year from December 29, 2009, Wagner shall have the right to (i) require our Company to buy back its Equity Shares, or (ii) to identify a third party purchaser for the Equity Shares held by them.

In addition, the Company shall not without the prior written consent of each of the New Investors and Wagner take any action for, among other things:

- authorization, creation or issuance of any new class of shares or other securities of the Company;
- capital expenditure in excess ₹ 150 million;
- declare or pay any dividends or declare or make any other distribution by whatever name called, directly or indirectly, on account of any Share or other securities of the Company;
- adopt, amend or modify the business plan;
- any change in the Company's capital structure;
- acquisition of shares or other instruments whatsoever in, or assets of, another person or entity;
- any proposal for the voluntary winding-up of the Company, or for putting the Company into receivership or judicial management, or any cessation of any material part of its business;
- any transaction involving the sale of substantially all the assets of the Company or a merger with another company; or
- any change in the business or entering into a new joint venture.

All of these above preferential rights of any of the New Investors or Wagner have the benefit of under this Investors' SHA shall automatically terminate with effect from the date of listing and commencement of trading of our Equity Shares on the Stock Exchanges.

In addition, each of Wagner and the New Investors, have the right to appoint and remove one Director on our Board for so long as each of Wagner and the New Investors, respectively hold any preferential or equity shares of our Company.

Pursuant to a letter agreement dated September 16, 2010, by and among the Promoters and Wagner, Sequoia Capital and Sandstone, the Promoters have undertaken that they shall not, for a period of 18 months from the date of allotment of Equity Shares in the Company's initial public offering (the "Investor Lock-in Period"), (i) directly or indirectly, offer, lend, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer, any Equity Shares held by any of them at any point in time during the Investor Lock-in Period; (ii) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences associated with the ownership of any Equity Shares held by any of them at any point in time during the Investor Lock-in Period; (iii) deposit any Equity Shares held by any of them at any point in time during the Investor Lock-in Period with any depositary in connection with a depositary receipt facility; and/or (iv) publicly announce any intention to enter into any transaction falling within (i) to (iii) above or enter into any transaction having an economic effect similar to that of a sale or deposit of any Equity Shares held by any of them at any point in time during the Investor Lock-in Period in any depositary receipt facility or publicly announce any intention to enter into any transaction falling within (i) to (iii) above.

Material Agreements

Advertising agreement between our Company and Viacom18 Media Private Limited dated November 30, 2009 ("Advertising Agreement")

Our Company entered into the Advertising Agreement with Viacom18 Media Private Limited effective from October 1, 2009 to September 30, 2010, in relation to the launch of '*MTV*' Micromax co-branded mobile phones. The key terms of the Advertising Agreement is as below.

- *'MTV'* would support our Company with the designing of print collaterals, mobile sleeves, covers etc. that would be used by our Company for print and trade campaigns. Further, '*MTV*' shall give exclusive content for 'MTV' Micromax co-branded phones.

- Our Company is required to pay a minimum guarantee fee of ₹ 20.41 million and a royalty of ₹ 20.16 million, payable in four quarters for sale of 20,000 handsets per month. In case the number of handsets exceeds 20,00 per month, royalty would be charged at 2% on the extra number of handsets.

- The Advertising Agreement is terminable by mutual agreement. Either party may terminate the Advertising Agreement with a notice of 15 days to the other party in the event of breach committed by the other party or in the event of force majeure has lasted more than one month.

Collaborations

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

Strategic Partners

Our Company has not entered into any arrangements with any strategic partners as per Clause (VIII) (D) (6) of Part A, Schedule VIII of the SEBI ICDR Regulations.

Financial Partners

Apart from our various arrangements with our lenders and bankers, which we undertake in the ordinary course of our business, our Company does not have any other financial partners as per Clause (VIII) (D) (7) of Part A, Schedule VIII of the SEBI ICDR Regulations.

OUR MANAGEMENT

Our Articles of Association require us to have not less than three and not more than 12 Directors. We presently have 12 Directors which include our four whole-time Directors, two nominee Directors and six independent Directors.

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

Name, Designation, Occupation, Term and DIN	Age (years)	Address	Other Directorships
Rajesh Agarwal **Designation**: Managing Director **Occupation**: Businessman **Term**: November 16, 2009 to November 15, 2014 **DIN**: 00060434	45	B-312, Saraswati Vihar, New Delhi 110 034	**Indian Companies** • Micromax Technologies • Shakun Buildwell Private Limited **Foreign Companies** • Micromax Informatics FZE • Micromax Hong Kong • Micromax Convergence, Inc.
Rahul Sharma **Designation**: Executive Director **Occupation**: Businessman **Term**: April 1, 2007 to March 31, 2012 **DIN**: 00060485	34	A-713 Sushant Lok, Phase I, Gurgaon 122 002	**Indian Companies** Nil **Foreign Companies** • Micromax Informatics FZE • Micromax Hong Kong • Micromax Convergence, Inc.
Sumeet Kumar **Designation**: Director and Chief Technical Officer **Occupation**: Businessman **Term**: April 1, 2007 to March 31, 2012 **DIN**: 00060398	35	A-1/20,Sector-8 Rohini, Delhi 110 085	**Indian Companies** Nil **Foreign Companies** • Micromax Informatics FZE • Micromax Hong Kong • Micromax Convergence, Inc.
Vikas Jain **Designation**: Executive Director **Occupation**: Businessman **Term**: April 1, 2007 to March 31, 2012 **DIN**: 00331624	35	B-1/118 2nd Floor, Paschim Vihar, New Delhi 110063	**Indian Companies** • Centre for Promotion of Trade & Technology Private Limited **Foreign Companies** • Micromax Informatics FZE • Micromax Hong Kong • Micromax Convergence, Inc.
Naveen Wadhera **Designation**: Nominee Director **Occupation**: Professional	33	Flat No. 8, Narendra Bhuvan 51, Bhulabhai Desai Road Breach Candy, Mumbai 400 026	**Indian Companies** • TA Associates Advisory Private Limited • Dr. Lal Path Labs Private Limited

Name, Designation, Occupation, Term and DIN	Age (years)	Address	Other Directorships
Term: Non-retiring **DIN**: 02503164			**Foreign Companies** Nil
Mohit Bhatnagar **Designation**: Nominee Director **Occupation**: Professional **Term**: Non-retiring **DIN**: 00381741	41	A1/19, Shantiniketan, Rao Tula Ram Marg, New Delhi 110 057	**Indian Companies** • Comviva Technologies Limited • Sequoia Capital India Advisors Private Limited • People Infocom Private Limited • Ideacts Innovations Private Limited • Prizm Payment Services Private Limited • Nazara Technologies Private Limited • IMI Mobile Private Limited • Ujjivan Financial Services Private Limited
Mahendra Swarup **Designation**: Independent Director **Occupation**: Professional **Term**: Liable to retire by rotation **DIN**: 01213634	57	C-7, Paschimi Marg, Vasant Vihar, New Delhi 110 057	**Indian Companies** • Smile Multimedia Private Limited • Quasar Media Private Limited • Tyroo Media Private Limited • BBF Limited • S.J Counselling Private Limited • Kangaroo Properties Private Limited • Vis Legis Consult Private Limited • Bhavya Fashionplex Private Limited **Foreign Companies** Nil
Amit Burman **Designation**: Independent Director **Occupation**: Businessman **Term**: Liable to retire by rotation **DIN**: 00042050	41	E-83, Paschimi Marg, Vasant Vihar, New Delhi 110 057	**Indian Companies** • Q H Talbros Limited • Dabur Liberty General Insurance Company Limited • Dabur India Limited • Talbros Automotive Components Limited • H& B Stores Limited • Angel Softech Private Limited • Wrapster Foods Private Limited • Ratna Commercial Enterprises Private Limited • Gyan Enterprises Private Limited • Welltime Gold & Investment Private Limited • Dabur Nepal Private Limited • Azure Infotech Private Limited • Natures Bounty Wines and Allied Products Private Limited • KBC India Private Limited • Sunrise Medicare Private Limited • Consortium Consumercare Private Limited • Lite Eat Out Foods Private Limited • A.B. Propmart Private Limited • Oriental Structural Engineers Private Limited • Lite Bite Foods Private Limited • Dabur Securities Private Limited • Shree Investment Private Limited

Name, Designation, Occupation, Term and DIN	Age (years)	Address	Other Directorships
			Foreign Companies Nil
Vijay Kumar Gupta **Designation**: Independent Director **Occupation**: Service **Term**: Liable to retire by rotation **DIN**: 00023101	62	1048/1, HIG Flats, Sector 39-B, Chandigarh 160 036	**Indian Companies** • Shriram Pistons & Rings Limited • Spanco Limited • Brescoon Corporate Advisors Limited **Foreign Companies** Nil
Ghyanendra Nath Bajpai **Designation**: Independent Director **Occupation**: Consultant **Term**: Liable to retire by rotation **DIN**: 00946138	68	131, Shaan Apartments, Kashinath Dhuru Marg, Prabhadevi, Mumbai 400 028	**Indian Companies** • Future Generali India Life Insurance Company Limited • Future Generali India Insurance Company Limited • Emaar MGF Land Limited • Future Capital Holding Limited • Dhanlaxmi Bank Limited • Mandhana Industries Limited • Future Ventures India Limited • Dalmia Cement (Bharat) Limited • Kingfisher Airlines Limited • New Horizons India Limited • PNB Housing Finance Limited • Usha Martin Limited • Intuit Consulting Private Limited • Invent Asset Securitisation & Reconstruction Company Private Limited • Infomerics Valuation and Rating Private Limited • Apnapaisa Private Limited • Invent ARC Private Limited • IDE India • Nitesh Estates Limited **Foreign Companies** Nil
R. Balakrishnan **Designation**: Independent Director **Occupation**: Film Director/Screenwriter **Term**: Liable to retire by rotation **DIN**: 02217552	46	34/35, Valentina, N. Gamadia Road, Opposite Activity School, Mumbai 400 020	**Indian Companies** • Lintas India Private Limited • Hope Productions Private Limited **Foreign Companies** Nil
Ashish Bhardwaj **Designation**: Independent Director	46	25751 Elena Road, Los Altos Hills, California, USA 94022	**Indian Companies** Nil

Name, Designation, Occupation, Term and DIN	Age (years)	Address	Other Directorships
Occupation: Professional **Term**: Liable to retire by rotation **DIN**: 0084245			**Foreign Companies** • Chrononix, Inc. • SnapStick, Inc. • InfoNam, Inc.

Except for Naveen Wadhera and Ashish Bhardwaj, all our Directors are Indian nationals and none of our Directors is related to each other.

Details of Directors

Rajesh Agarwal is the Managing Director and one of the Promoters of our Company and has been involved with our Company since its inception. He holds a bachelor's degree in electrical engineering from Institute of Engineering, Calcutta. He has over 22 years experience in business restructuring, channel management and information technology. He has previously worked with Pertech Computers Limited as customer support engineer and Universal Computers as customer support engineer.

Rahul Sharma is the Executive Director and one of the Promoters of our Company and has been involved with our Company since its inception. He holds a bachelor's degree in mechanical engineering from Nagpur University. He has over 13 years experience in sales and marketing and started his career in our Company.

Sumeet Kumar is the Director and Chief Technical Officer and one of the Promoters of our Company and has been involved with our Company since its inception. He holds a bachelor's degree in mechanical engineering from Jamia Millia Islamia University. He has over 14 years experience in embedded technology and information technology solution development. He has previously worked with S. R. Batliboi & Co as design engineer (trainee).

Vikas Jain is an Executive Director and one of the Promoters of our Company and has been involved with our Company since its inception. He holds a bachelor's degree in mechanical engineering from Jamia Millia Islamia University. He has over 14 years experience in international business and planning and the information technology sector. He has previously worked with Daewoo Motors engineer (QC approval) and GE Motors as co-op student.

Naveen Wadhera has joined as a nominee of Wagner Limited on our Board on December 24, 2009. He holds a bachelors degree in systems engineering from the University of Pennsylvania and a masters degree in business administration from the Wharton School of Finance. He has over 11 years of experience. He currently heads the Mumbai office of TA Associates Advisory Private Limited. Prior to joining TA Associates' Boston office in 2001, he worked in the Mergers and Acquisitions Group at Broadview International. He also worked as a member of the Asian Special Situations Group at Goldman Sachs & Co and at Accretive LLC.

Mohit Bhatnagar has joined as a nominee of the New Investors on our Board on September 16, 2010. He holds a masters degree in business administration from University of North Carolina, Chapel Hill, USA and a masters degree of science in electrical engineering from Virginia Tech University. He is currently a managing director with Sequoia Capital India. He has previously served as the senior vice president at Bharti Airtel and also co-founded Bright pod, a wireless startup in the USA.

Vijay Kumar Gupta has joined as an independent Director of our Company on September 21, 2010. He holds a masters' of arts degree and a bachelors' of arts degree in English literature from Punjab University, Chandigarh, where he was a gold medalist both at the undergraduate and the post-graduate level. He has over 37 years experience in domestic and international banking and finance, investment banking as also treasury operations. He has previously worked with State Bank of India which he joined as a probationary officer in 1972 and retired as the deputy managing director. Besides being deputy managing director and chief credit officer in State Bank of India, he was also the managing director and chief executive officer of SBI Factors and Commercial Services Private Limited, SBI DFHI Limited and president and chief operating officer, State Bank of India, (California), a California State chartered subsidiary of State Bank of India. He has also been the chairman, Central Office Credit Committee, State Bank of India Corporate Centre, Mumbai, member of the Technical Advisory

Committee, Reserve Bank of India, chairman, Primary Dealers' Association of India, Mumbai, member of the Asset Liability Management Committee, State Bank of India, Corporate Centre, Mumbai and a director of HDFC Venture Capital Fund Limited.

Ghyanendra Nath Bajpai has joined as an independent Director of our Company on September 21, 2010. He holds a master's degree in Commerce from the University of Agra and a bachelor's degree of law from the University of Indore. He was the chairman of the SEBI from September 2000 to February 2002, Life Insurance Corporation of India and the Corporate Governance Task Force of International Organisation of Securities Commission from October 2003 to February 2005 and the Chairperson of the Insurance Institute of India from September 2000 to September 2002. He is on the board of advisors of the Indian Army Group Insurance Fund and the National Insurance Academy (Deemed University). He has served on the governing board of the Indian Institute of Management, Lucknow. He has also been a member of the board of General Insurance Corporation of India, ICICI Bank, Unit Trust of India,(Axis Bank) and Indian Railway Finance Corporation.

Mahendra Swarup has joined as an independent Director of our Company on September 21, 2010. He holds a bachelors' degree in commerce from Aligarh Muslim University and also holds a masters' of business administration from Faculty of Management Studies, University of Delhi. He has over 30 years of experience in operations, sales and distribution, purchasing/procurement, exports and human resources. He started his career at ACC Limited where he was responsible for corporate restructuring as well as design and implementation of comprehensive corporate planning systems. He subsequently worked with Nestle India Limited for 12 years where he was responsible for leading the exports business, logistics, operations and human resources at various periods. He has been an executive director on board of PepsiCo India and subsequently the managing director and chief economic officer of Times Internet Limited. He is also the chairman of Alcumus & Partners LLP. He has been associated with several committees of professional organizations such as the All India Management Association, All India Food Preservatives Association, Northern India Regional Council of Employers Federation of India and PHD Chamber of Commerce. Further, he has also been nominated as a member of the Faculty of Management Studies and is also on the governing council of Western International University, NIILM, JB Business School and Global School of Management and is currently the president of the Delhi Management Association and the Indian Venture Capital Association.

Amit Burman has joined as an independent Director of our Company on September 21, 2010. He holds a bachelors' of science degree in industrial engineering from Lehigh University, Bethlehem, PA, USA and a masters' of science degree in industrial engineering from Columbia University, USA and a masters' of business administration degree from University of Cambridge, U.K. He has been associated with the establishment and promotion Dabur Foods Limited and its foray in the processed foods business. He is a promoter and chairman of Lite Bite Foods Private Limited which manages food courts in malls/multiplexes and the domestic terminals of the Indira Gandhi International Airport, Delhi. He has also promoted Nature's Bounty Wines and Allied Products Private Limited. He has also been involved in corporate social responsibility initiatives like the Table for Two project with World Economic Forum and SUNDESH, an NGO based in Uttar Pradesh. He has been awarded the 'Most Admired Food Professional of the Year' by the Images Retail Group in 2009 and the 'Young Retail Achiever of the Year' by the Asia Retail Congress in 2009 and the 'Columbia SABA Young Leader Award' in 2008. He has also been selected as an honorary member of Who's Who Society in 2007.

R. Balakrishnan (R. Balki) has joined as an independent Director of our Company on September 21, 2010. He holds a bachelor's of science degree from the Bangalore University. He has over 22 years experience in the advertising and branding sector. He has previously worked with Mudra Advertising as creative director and he currently serves as the Chairman & Chief Creative Officer of Lintas India Private Limited, an advertising agency.

Ashish Bhardwaj has joined as an independent Director of our Company on September 21, 2010. Mr. Bhardwaj has a degree in Electrical Engineering from Thapar Institute of Engineering and Technology in India and a master's degree in business administration from the Southeastern Louisiana University, Hammond, Louisiana. He has been the founding chief executive officer of Aricent Inc. from 2004 to 2008 and the president, Aisa Pacific/China of Flextronics International from 1994 to 2001.

Compensation of our Directors

(₹in million)

Name of Directors	Remuneration paid in Fiscal 2010
Rajesh Agarwal	3.60
Rahul Sharma	3.90

Name of Directors	Remuneration paid in Fiscal 2010
Sumeet Kumar	3.90
Vikas Jain	3.90
Ajit Nedungadi	Nil
Naveen Wadhera	Nil
Mohit Bhatnagar	Nil
Amit Burman	Nil
Vijay Kumar Gupta	Nil
Ghyanendra Nath Bajpai	Nil
Mahendra Swarup	Nil
R. Balakrishnan	Nil
Ashish Bhardwaj	Nil

We have not entered into any service contracts with our Directors providing for benefits upon termination of employment.

Non-executive and Independent Directors

We have not entered into any formal arrangements/service contracts with our non-executive and independent Directors. Our Board on September 21, 2010, subject to the approval of the shareholders has recommended the payment of sitting fees of ₹ 20,000 for attending each meeting of the Board and any committee thereof.

Details of terms and conditions of employment of our whole-time Directors

Rajesh Agarwal

Pursuant to a resolution dated July 25, 2009, he is entitled to receive remuneration from our Company, the details of which are set forth below.

Particulars	Amount
Basic salary (per month)	₹ 248,425
House rent allowance (per month)	₹ 124,213
Other allowances including special allowance, driver allowance, medical allowance, leave travel allowance (per month)	₹ 27,362

Further, he is entitled to reimbursement of all actual expenses or charges including travel entertainment or other out-of-pocket expenses incurred by him for and on behalf of our Company, in furtherance of its business and objects.

Rahul Sharma

Pursuant to a resolution of the shareholders of our Company dated July 25, 2009, he is entitled to receive remuneration from our Company, the details of which are set forth below:

Particulars	Amount
Basic salary (per month)	₹ 248,425
House rent allowance (per month)	₹ 124,213
Other allowances including special allowance, driver allowance, medical allowance, leave travel allowance (per month)	₹ 27,362

Further, he is entitled to reimbursement of all actual expenses or charges including travel entertainment or other out-of-pocket expenses incurred by him for and on behalf of our Company, in furtherance of its business and objects.

Sumeet Kumar

Pursuant to a resolution of the shareholders of our Company dated July 25, 2009, he is entitled to receive remuneration from our Company, the details of which are set forth below:

Particulars	Amount

Basic salary (per month)	₹ 248,425
House rent allowance (per month)	₹ 124,213
Other allowances including special allowance, driver allowance, medical allowance, leave travel allowance (per month)	₹ 27,362

Further, he is entitled to reimbursement of all actual expenses or charges including travel entertainment or other out-of-pocket expenses incurred by him for and on behalf of our Company, in furtherance of its business and objects.

Vikas Jain

Pursuant to a resolution of the shareholders of our Company dated July 25, 2009, he is entitled to receive remuneration from our Company, the details of which are set forth below:

Particulars	Amount
Basic salary (per month)	₹ 248,425
House rent allowance (per month)	₹ 124,213
Other allowances including special allowance, driver allowance, medical allowance, leave travel allowance (per month)	₹ 27,362

Further, he is entitled to reimbursement of all actual expenses or charges including travel entertainment or other out-of-pocket expenses incurred by him for and on behalf of our Company, in furtherance of its business and objects.

Borrowing Powers of the Board of Directors of our Company

Our Articles of Association, subject to Sections 58A, 292 and 293 of the Companies Act, authorize our Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of our Company. Pursuant to a resolution passed at the extraordinary general meeting dated February 16, 2010 our shareholders have authorized our Board to borrow from time to time such sums of money even though the money so borrowed together with money already borrowed exceeds in aggregate of the paid-up capital and free reserves of the Company provided however that the total borrowing apart from the temporary loans taken from the Company’s bankers shall not exceed ₹ 6,000 million.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We believe we are in compliance with the requirements of the applicable regulations, including the Listing Agreement with the Stock Exchanges and the SEBI ICDR Regulations, in respect of corporate governance including constitution of the Board and committees thereof. The corporate governance framework is based on an effective independent Board, separation of the Board’s supervisory role from the executive management team and constitution of the Board Committees, as required under law.

We have a Board constituted in compliance with the Companies Act and Listing Agreement with Stock Exchanges. The Board functions either on its own or through various committees constituted to oversee specific operational areas.

The Board has 12 directors, out of which six are independent Directors.

Committees of the Board

Our Company has constituted the following committees for compliance with corporate governance requirements:

a. Audit Committee

The Audit Committee was constituted by our Directors at their Board meeting held on September 21, 2010. The Audit Committee comprises:

1. Ghyanendra Nath Bajpai (Chairman)
2. Vijay Kumar Gupta (Member)
3. Sumeet Kumar (Member)

The scope and function of the Audit Committee is in accordance with Section 292A of the Companies Act and clause 49 of the Listing Agreement and its terms of reference are as follows:

- overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

- recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;

- approving the payment to statutory auditors for any other services rendered by the statutory auditors;

- reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

  (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act;
  (b) Changes, if any, in accounting policies and practices along with reasons for the same;
  (c) Major accounting entries involving estimates based on the exercise of judgment by management;
  (d) Significant adjustments made in the financial statements arising out of audit findings;
  (e) Compliance with listing and other legal requirements relating to financial statements;
  (f) Disclosure of any related party transactions; and
  (g) Qualifications in the draft audit report.

- reviewing, with the management, the quarterly financial statements before submission to the Board for approval;

- reviewing and monitoring, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take steps in this matter;

- reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;

- reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

- discussing with internal auditors any significant findings and follow up thereon;

- reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

- discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

- looking into reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

- reviewing the functioning of the whistle blower mechanism in case the same is existing;

- carrying out any other function as is mentioned in the terms of reference of the Audit Committee or contained in the Listing Agreement as and when amended from time to time; and

- any other activity in accordance with clause 49 of the Listing Agreement as amended from time to time.

b. Shareholders'/Investors' Grievance Committee

The Shareholders/Investors' Grievance Committee was constituted pursuant to the resolution passed by the Board at its meeting held on September 21, 2010. The Shareholders'/Investors' Grievance Committee comprises:

1. Mahendra Swarup (Chairman)
2. Vikas Jain
3. Rajesh Agarwal

The terms of reference of the Shareholder/Investors' Grievance Committee are as under:

- redressal of investors' complaints;

- allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;

- issue of duplicate certificates and new certificates including on split/consolidation/renewal;

- non-receipt of declared dividends, balance sheets of the Company; and

- carrying out any other function contained in the Listing Agreement as and when amended from time to time.

c. Compensation Committee

The Compensation Committee was constituted pursuant to the resolution passed by the Board at its meeting held on September 21, 2010. The Compensation Committee comprises:

1. Amit Burman (Chairman)
2. Mohit Bhatnagar (Member)
3. Mahendra Swarup (Member)

The terms of reference of the Compensation Committee are as under:

- framing suitable policies and systems to ensure that there is no violation, by any employee of any applicable laws in India or overseas, including: (a) the Securities and Exchange Board of India (Insider Trading) Regulations, 1992: or (b) the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 1995;

- determine on behalf of the Board and the shareholders of the Company's policy on specific remuneration packages for executive Directors including pension rights and any compensation payment;

- perform such functions as are required to be performed by the Compensation Committee under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase) Guidelines, 1999 in particular those stated in clause 5 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase) Guidelines, 1999; and

- such other matters as may be required from time to time by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Interests of Directors

All our whole-time Directors may be deemed to be interested to the extent of remuneration paid to them for services rendered as Directors of our Company and reimbursement of expenses payable to them. For details see ***"-Details of terms and conditions of employment of our whole-time Directors"*** above. Further, all our independent Directors are entitled to receive sitting fees for attending the Board/committee meetings within the limits laid down in the Companies Act and as decided by our Board. R. Balakrishnan is interested to the extent of benefits that may accrue to him directly or indirectly, pursuant to an agreement dated January 11, 2010 with Lintas India Private Limited as an advertising agency of our Company for whom he serves as Chairman and Chief Creative Director. Our Company paid Lintas India Private Limited ₹ 1.62 million as retainer fee in fiscal 2010. Except Rajesh Agarwal, Rahul Sharma, Sumeet Kumar and Vikas Jain, none of our Directors are interested in the promotion of our Company. Rajesh Agarwal is also a Promoter of Micromax Technologies, a Group Entity, which is a distributor of our Company's products. For details of see "***Our Promoters and Group Entities***" on page 116.

Further, except for Rajesh Agarwal, Rahul Sharma, Sumeet Kumar and Vikas Jain, none of our Directors hold any Equity Shares in the Company. Our Directors may also be interested to the extent of Equity Shares, if any, held by the entities in which they are associated as promoters, directors, partners, proprietors or trustees or held by their relatives or that may be subscribed by or allotted to the companies, firms, ventures, trusts in which they are interested as promoters, directors, partners, proprietors, members or trustees, pursuant to this Issue. Further, other than our Promoters, all our Directors may also be deemed to be interested to the extent of Equity Shares that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus. Such Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Directors have no interest in any property acquired by our Company within two years of the date of this Draft Red Herring Prospectus or proposed to be acquired by it.

Our Company has entered into an indemnification agreement with Naveen Wadhera and Ajit Nendungadi (an erstwhile Director on our Board) dated December 18, 2009 to hold harmless and indemnify Naveen Wadhera and Ajit Nendungadi to the extent permissible by law in proceedings by reason of his corporate status as a Director, officer, employee, agent or fiduciary of our Company or any other corporation, partnership, joint venture trust, employee benefit plan or other enterprise in which Naveen Wadhera and Ajit Nendungadi is or was serving at the request of our Company; and in the right of our Company. This agreement is valid until the later of (a) 10 years after the date that Naveen Wadhera and Ajit Nendungadi ceases to serve as a Director; and (b) one year after the final termination of any proceeding, including any appeal, then pending in respect of which indemnity has been granted by our Company. Further, in terms of our AoA, our Company shall indemnify our Directors up to the extent permitted under applicable law. Each of the Directors appointed by Wagner and the New Investors shall be indemnified out of the assets and capital of the Company against any liability incurred by such Directors in defending any proceedings, whether civil or criminal, against the Company.

Except as stated in the "***Financial Statements-Standalone Statement of Related Parties and Related Transactions with them-Annexure XXV***" and "***Financial Statements-Consolidated Statement of Related Parties and Related Transactions with them-Annexure XXIV***" on pages 157 and 200, respectively, the Directors do not have any other interest in the business of our Company.

Changes in our Board of Directors during the last three years

The changes in the Board of Directors during the last three years are as follows:

Name of Director	Date of change	Reason
Rajesh Agarwal	November 16, 2009*	Reappointment
Naveen Wadhera	December 24, 2009	Appointment
Ajit Nedungadi	December 24, 2009	Appointment
Ajit Nedungadi	September 16, 2010	Resignation
Mahendra Swarup	September 21, 2010	Appointment
Amit Burman	September 21, 2010	Appointment
Vijay Kumar Gupta	September 21, 2010	Appointment
Ghyanendra Nath Bajpai	September 21, 2010	Appointment
Mohit Bhatnagar	September 16, 2010	Appointment

Name of Director	Date of change	Reason
R. Balakrishnan	September 21, 2010	Appointment
Ashish Bhardwaj	September 21, 2010	Appointment

**Pursuant to a resolution of the shareholders in an EGM on December 16, 2009.*

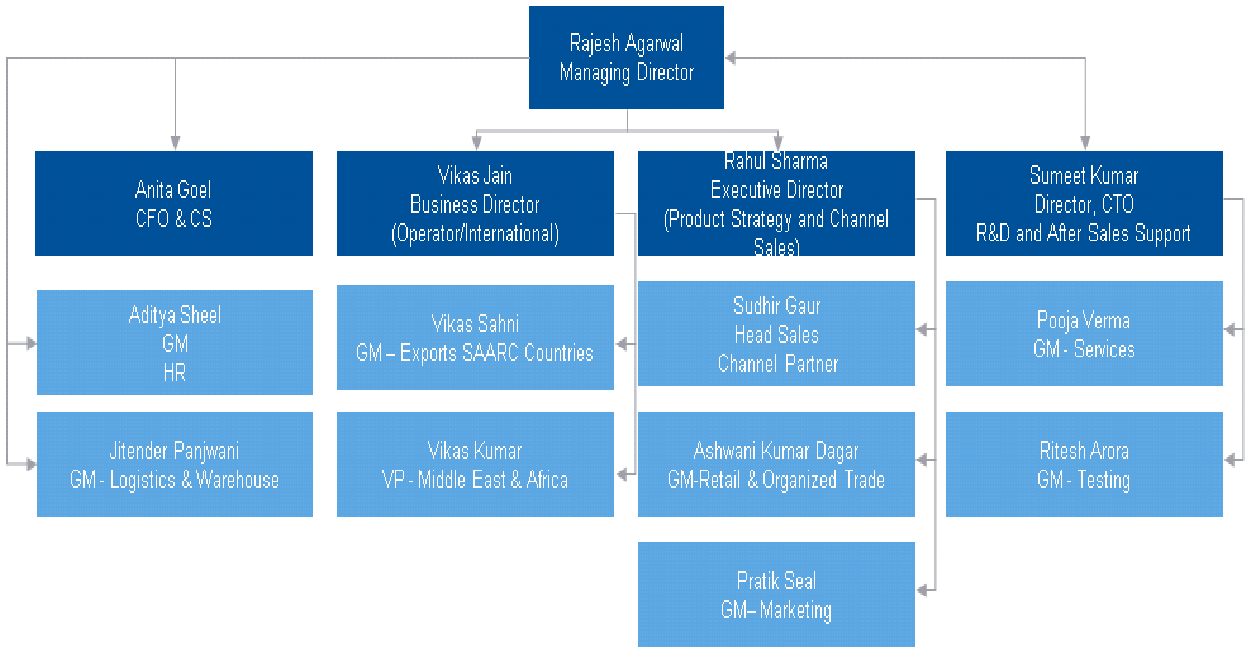
Shareholding of Directors in our Company

The Articles of Association do not require our Directors to hold any qualification shares. The following table details the shareholding of our Directors:

Name of Director	No. of Equity Shares
Rajesh Agarwal	38,275,945
Rahul Sharma	38,283,345
Sumeet Kumar	38,275,945
Vikas Jain	38,275,945

Management Organization Structure

The organization structure of our Company is as set forth below:



Key Managerial Personnel

The details regarding our key managerial personnel as on the date of filing this Draft Red Herring Prospectus are as follows:

Anita Goel, Chief Financial Officer and Company Secretary, aged 49 years, joined our Company on November 20, 2009. She holds a bachelor's degree in science from Benaras Hindu University and a bachelor's degree in law from Delhi University. She is a Chartered Accountant and Company Secretary by profession. She is in-charge of finance and accounts in our Company. She has previously worked in Shreyans Motors Private Limited as chief operating officer. The gross salary paid to her in fiscal 2010 was ₹ 0.80 million.

Aditya Sheel, General Manager-Human Resources, aged 61 years, joined our Company on November 23, 2009. He holds a master's degree in English from Delhi University and a post graduate diploma in Personnel Management & Industrial Relation from Bhartiya Vidya Bhawan. He is in-charge of human resources related activities of our Company. He has previously worked in Subhiksha Trading Services Private Limited as vice president, human resources and industrial relations. The gross salary paid to him in fiscal 2010 was ₹ 0.46 million.

Sudhir Gaur, National Sales Head, aged 44 years, joined our Company on January 6, 2010. He holds a bachelor's degree in commerce from Delhi University and a master's degree in business administration (marketing) from National Productivity Council. He is in-charge of national sales in our Company. Prior to joining our Company, he was previously employed with Samsung Telecommunications as the regional head. The gross salary paid to him in fiscal 2010 was ₹ 0.86 million.

Pratik Seal, General Manager-Marketing, aged 35 years, joined our Company on April 7, 2010. He holds a bachelor's degree in chemistry from Calcutta University and a master's degree in Mass Communication & Advertising from Clarion College of Communication, Kolkata. He is in-charge of marketing in our Company. Prior to joining our Company, he was previously employed with Samsung Electronics India Limited as senior manager, corporate marketing.

Ashwani Kumar Dagar, General Manager-Retail & Organized Trade, aged 40 years, joined our Company on August 12, 2009. He holds a bachelor's degree in science from Meerut University and a post graduate diploma in Business Administration from Institute of Productivity and Management. He is in-charge of retail sales in our Company. Prior to joining our Company, he was previously employed with India Digital Life Style Distributors Private Limited as manager, retail chain. The gross salary paid to him in fiscal 2010 was ₹ 0.62 million.

Pooja Verma, General Manager- Services, aged 33 years, joined our Company on September 1, 2009. She holds a bachelor's degree in commerce from Delhi University and a master's degree in Public Administration from Himachal Pradesh University. She is in-charge of after sales services in our Company. Prior to joining our Company, she was previously employed with Bright Point India Private Limited as manager, care. The gross salary paid to her in fiscal 2010 was ₹ 0.77 million.

Vikas Kumar, Vice President-Middle East & Africa, aged 28 years, joined our Company on September 3, 2009. He holds a bachelor's degree in Information Technology from Galgotia's College of Engineering & Technology, U.P. Technical University. He is in-charge of sales for Middle East and Africa in our Company. Prior to joining our Company he was employed with Huawei Telecomunications, India as key accounting manager, terminal devices. The gross salary paid to him in fiscal 2010 was ₹ 0.61 million.

Ritesh Arora, General Manager-Testing, aged 34 years, joined our Company on December 10, 2009. He holds a bachelor's degree in science from DAV PG College, Dehradun and a master's degree in Computer Application from Shri Guru Ram Rai Institute of Technology & Science, Dehradun. He is in-charge of research and development in our Company. Prior to joining our Company, he was previously employed with Mediatek India as project manager. The gross salary paid to him in fiscal 2010 was ₹ 0.45 million.

Vikas Sahni, General Manager-Export Sales- SAARC Countries, aged 35 years, joined our Company on February 15, 2010. He holds a bachelors' degree in Engineering (Mechanical) and a master's degree in Marketing from Institute of Management Studies, Indore. He is in-charge of sales in SAARC countries, in our Company. Prior to joining our Company, he was previously employed with Job Guru India Initiative as the business head. The gross salary paid to him in fiscal 2010 was ₹ 0.11 million.

Jitender Panjwani, General Manager-Logistics & Warehouse, aged 33 years, joined our Company on April 1, 2010. He holds a master's degree in Supply Chain Management and a post graduate diploma in material management from Institute of Management Technology, Ghaziabad. He is in-charge of logistics and warehousing in our Company. Prior to joining our Company, he was previously employed with Synthes Medical Private Limited as Head Operations-India.

Except Vikas Kumar who is a permanent employee of Micromax FZE, all our key managerial personnel are permanent employees of our Company.

The term of office of our employees, including our key managerial personnel, is until their services are cancelled.

None of the key managerial personnel are related to each other.

Shareholding of the Key Managerial Personnel

None of our key managerial personnel hold any Equity Shares of the Company.

The following key managerial personnel have been granted options to purchase our Equity Shares pursuant to the MMX ESOP:

Name	No. of options
Anita Goel	14,800
Aditya Sheel	11,285
Sudhir Gaur	14,800
Pratik Seal	14,800
Ashwani Kumar Dagar	6,105
Pooja Verma	11,100
Ritesh Arora	11,100
Vikas Sahni	4,995
Jitender Panjwani	11,100

Bonus or profit sharing plan for our Key Managerial Personnel

For details, see "-***Payment or Benefit to officers of our Company***" on page 115.

Interest of Key Managerial Personnel

Other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment which include driver salary, leave reimbursement, leave travel allowance and phone expenses, reimbursement of expenses incurred by them during the ordinary course of business and options held by them, our key managerial personnel do not have any other interest in the business of the Company.

None of our key managerial personnel have been paid any consideration of any nature from our Company, other than their remuneration.

Changes in Key Managerial Personnel in the last three years

Name	Date of Change	Reason
Pratik Seal	April 7, 2010	Appointment
Jitender Panjwani	April 1, 2010	Appointment
Vikas Sahni	February 15, 2010	Appointment
Sudhir Gaur	January 6, 2010	Appointment
Deepak Manhot	December 17, 2009	Resignation
Ritesh Arora	December 10, 2009	Appointment
Aditya Sheel	November 23, 2009	Appointment
Anita Goel	November 20, 2009	Appointment
Vaibhav Sharstri	September 30, 2009	Resignation
Pooja Verma	September 1, 2009	Appointment
Vikas Kumar	September 3, 2009	Appointment
Ashwani Kumar	August 12, 2009	Appointment

Employee Stock Option or Stock Purchase Scheme

For details of the MMX ESOP, see "***Capital Structure***" on page 24.

Payment or Benefit to officers of our Company

Our Company has implemented the Permanent Sales Incentive Scheme ("**PSIS**") with effect from July 1, 2010 which is applicable to all zonal sales managers, area sales managers and sales officers. The PSIS is based on sale targets based on value and quantity of individuals, payable on a monthly basis. There were no incentive schemes for our employees prior to the implementation of the PSIS.

Except as stated otherwise in this Draft Red Herring Prospectus, no non-salary amount or benefit has been paid or given or is intended to be paid or given to any of our Company's officers except remuneration of services rendered as Directors, officers or employees of our Company.

Except as stated in the "***Financial Statements-Standalone Statement of Related Parties and Related Transactions with them-Annexure XXV***" and "***Financial Statements-Consolidated Statement of Related Parties and Related Transactions with them -Annexure XXIV***" on pages 157 and 200, respectively, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of our Company.

Arrangements and understanding with major shareholders

Except Naveen Wadhera, who has been nominated by Wagner, and Mohit Bhatnagar who has been nominated by the New Investors, none of our Key Managerial Personnel or Directors has been appointed pursuant to any arrangement or understanding with our major shareholders, customers, suppliers or others. For detail, se "***History and Certain Corporate Matters***" on page 96.

OUR PROMOTERS AND GROUP ENTITIES

The Promoters of our Company are Rajesh Agarwal, Rahul Sharma, Sumeet Kumar and Vikas Jain. Our Promoters hold 153,111,180 Equity Shares, constituting approximately 79.22% of our pre- Issue issued, subscribed and paid-up capital as on the date of this Draft Red Herring Prospectus, and will continue to hold majority of our post- Issue paid-up share capital.

Details of our Promoters

Rajesh Agarwal, is the Managing Director of our Company. He is a resident Indian national. For further details, see "***Our Management***" on page 101.

His driving license number is P08062005443417. His voter identification number is DL/03/018/279584.

Rahul Sharma, is an Executive Director of our Company. He is a resident Indian national. For further details, see "***Our Management***" on page 101.

His driving license number is P08021999108030. His voter identification number is WDC0223172.

Sumeet Kumar, is the Chief Technical Officer of our Company. He is a resident Indian national. For further details, see "***Our Management***" on page 101.

He does not have a driving license or a voter identification. His passport number is H4012094.

Vikas Jain, is an Executive Director of our Company. He is a resident Indian national. For further details, see "***Our Management***" on page 101.

His driving license number is P04042001248448. His voter identification number is ABC1099779.

Our Company confirms that the PAN, bank account numbers and passport number of Rajesh Agarwal, Rahul Sharma, Sumeet Kumar and Vikas Jain will be submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with them.

Group Entities

In addition to our Promoters and our Subsidiary, the following companies/firms/ventures are promoted by our Promoters (including companies under the same management pursuant to Section 370 (1B) of the Companies Act) and thus, are our Group Entities:

1. ***Micromax Technologies Private Limited***

Micromax Technologies was incorporated as a private limited company under the Companies Act, on May 2, 1995. Its corporate identification number is U74899DL1995PTC068082. Micromax Technologies is engaged in the engaged in the trading of mobile handsets, business of long term and short term maintenance of computer systems and associated equipment, replacement and service of computers, computer peripherals, related electrical equipment and items, in India and abroad.

Our Promoter, Rajesh Agarwal directly and indirectly holds approximately 30.97% of the issued, subscribed and paid up capital of Micromax Technologies.

Financial Performance

The audited financial results of Micromax Technologies for fiscals 2009, 2008 and 2007 are set forth below:

(₹in million unless otherwise stated)

	Fiscal 2009	Fiscal 2008	Fiscal 2007
Equity capital	10.59	10.59	10.59
Reserves and surplus (excluding revaluation)	32.53	26.02	19.49
Sales/Turnover (Income)	871.90	888.63	994.41
Profit/(Loss) after tax	6.50	6.53	5.65
Earnings per share (Basic) (in ₹)	6.14	6.16	5.33
Earnings per share (Diluted) (in ₹)	5.91	5.98	5.30
Net asset value per share (in ₹)	40.71	34.57	28.41

The audited financial statements of Micromax Technologies for fiscal 2010 are not currently available.

2. ***Centre for Promotion of Trade and Technology Private Limited***

Centre for Promotion of Trade and Technology Private Limited ("**CPTT**") was incorporated as a private limited company under the Companies Act, on August 21, 1995. Its corporate identification number is U74899DL1995PTC071669. CPTT is engaged in the business of extending support to individuals, units, group of units, entrepreneurs and to develop and improve their export capability.

Our Promoter, Vikas Jain directly and indirectly holds approximately 81.82% of the issued, subscribed and paid up capital of CPTT.

Financial Performance

The audited financial results of CPTT for fiscals 2010, 2009 and 2008 are set forth below:

(₹in million unless otherwise stated)

	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity capital	0.11	0.11	0.11
Reserves and surplus (excluding revaluation)	(0.02)	(0.01)	(0.01)
Sales/Turnover	Nil	Nil	Nil
Profit/(Loss) after tax	0.00[(1)]	0.00[(2)]	(0.01)[(3)]
Loss per share (Basic) (in ₹)	(4.02)	(4.24)	(11.39)
Loss per share (Diluted) (in ₹)	(4.02)	(4.24)	(11.39)
Net asset value per share (in ₹)	83.73	87.75	91.98

(1) Loss of ₹4,421
(2) Loss of ₹4,660
(3) Loss of ₹12,525

3. ***Micromax Informatics Limited, Hong Kong***

Micromax Hong Kong was incorporated on June 27, 2008 under the Companies Ordinance, Chapter 32, Hong Kong with registration number 1251271. It does not have any business operations.

Our Promoters holds 100% of issued, subscribed and paid up capital of Micromax Hong Kong.

Financial Performance

The audited financial results of Micromax Hong Kong for the period beginning June 26, 2008 to March 31, 2010, are set forth below:

(US$ million, unless otherwise stated)

	June 2008 - March 31, 2010
Equity Capital	0.00 (1)
Reserves and Surplus(excluding revaluation reserve)	0.00 (2)
Sales/Turnover	Nil
Profit/(loss) after tax	0.00 (3)
Loss per share (basic) (in US$)	(1.01)
Loss per share (diluted) (in US$)	(1.01)
Net asset value per share (in US$)	(0.88)

(1) Equity capital of US$ 128
(2) Accumulated loss of US$ 1008
(3) Loss after tax US$ 1008

Significant Notes

The auditors of Micromax Hong Kong have included certain significant notes for the period beginning June 26, 2008 to March 31, 2010, as below:

"*Principal Activities*

The Company was dormant during the period.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the company's capital deficiency of US$880 approximately at the balance sheet date. The financial statements have been prepared on a going concern basis, the validity of which depends upon future profitable operations and/or continued financial support from its shareholders. The financial statements do not include any adjustments that would result from a failure to obtain such financial support. Details of the circumstances relating to the fundamental uncertainty are described in note 1a to the financial statements. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

1a. Going concern

Notwithstanding that the capital deficiency sustained by the company at the balance sheet date,the financial statements have been prepared on a going concern basis, as the company has obtained an assurance from its shareholders that continuous financial support will be given to the company to maintain its status as a going concern."

4. ***Micromax Convergence, Inc.***

Micromax Convergence, Inc. ("**Micromax Convergence**") was incorporated on December 19, 2007 under the laws of the state of California, USA with corporate entity number C3059669. It does not have any business operations and its status is currently suspended under the laws of the State of California due to non-payment of certain filing fees.

Our Promoters hold 99% of issued, subscribed and paid up capital of Micromax Convergence.

Financial Performance

Micromax Convergence is not required to prepare audited financial statements under the laws of the state of California and therefore, no audited financial information for Micromax Convergence is available.

5. ***Shakun Buildwell Private Limited***

Shakun Buildwell Private Limited ("**Shakun Buildwell**") was incorporated as a private limited company under the Companies Act, on August 18, 2005. Its corporate identification number is U45201DL2005PTC139755. Shakun Buildwell is engaged in the business of developing real estate and civil and construction work.

Our Promoter, Rajesh Agarwal directly and indirectly holds 100% of the issued, subscribed and paid up capital of Shakun Buildwell.

Financial Performance

The audited financial results of Shakun Buildwell for fiscals 2010, 2009 and 2008 are set forth below:

(₹ in million unless otherwise stated)

	Fiscal 2010	Fiscal 2009	Fiscal 2008
Equity capital	0.73	0.48	0.48
Reserves and surplus (excluding revaluation)	0.63	0.38	0.37
Sales/Turnover	0.02	0.02	0.02
Profit/(Loss) after tax	0.00 (1)	0.00 (2)	0.01
Earnings per share (Basic) (in ₹)	0.01	0.08	0.15
Earnings per share (Diluted) (in ₹)	0.01	0.06	0.14
Net asset value per share (in ₹)	18.68	17.80	17.55

(1) *₹776*

(2) *₹3,928*

6. ***Rajesh Agarwal (HUF)***

Rajesh Agarwal (HUF) is a Hindu Undivided Family represented by Rajesh Agarwal as its karta. The Rajesh Agarwal (HUF) was formed on March 28, 2001.

Financial Performance

The audited summary financials of Rajesh Agarwal (HUF) for fiscals 2010, 2009 and 2008 are set forth below:

(₹ in million, unless otherwise stated)

	Fiscal 2010	Fiscal 2009	Fiscal 2008
Capital Account	1.62	1.30	1.06
Interest Income	0.01	0.01	0.01
Net Surplus	0.32	0.31	0.25

7. ***Sumeet Kumar (HUF)***

Sumeet Kumar (HUF) is a Hindu Undivided Family represented by Sumeet Kumar as its karta. The Sumeet Kumar (HUF) was formed on September 18, 2009.

Financial Performance

The audited summary financials of Sumeet Kumar (HUF) for fiscal 2010 is set forth below:

(₹ in million, unless otherwise stated)

	Period ended March 31, 2010
Capital Account	0.02
Interest Income	0.00(1)
Net Surplus	Nil

(1) *₹145.72*

8. ***Joginder Prakash Arora (HUF)***

Joginder Prakash Arora (HUF) is a Hindu Undivided Family represented by Joginder Prakash Arora as its karta. The Joginder Prakash Arora (HUF) was formed on September 4, 2009.

Financial Performance

The audited summary financials of Joginder Prakash Arora (HUF) for fiscal 2010 is set forth below:

(₹ in million, unless otherwise stated)

	Period ended March 31, 2010
Capital Account	0.02
Interest Income	0.00[(1)]
Net Surplus	Nil

[(1)] *₹ 64*

9. ***Vikas Jain & Sons (HUF)***

Vikas Jain & Sons (HUF) is a Hindu Undivided Family represented by Vikas Jain as its karta. Vikas Jain and Sons (HUF) was formed on February 23, 2010.

Financial Performance

The audited summary financials of Vikas Jain & Sons (HUF) for fiscal 2010 is set forth below:

(₹ in million, unless otherwise stated)

	Period ended March 31, 2010
Capital Account	0.02
Interest Income	Nil
Net Surplus	Nil

Disassociation by the Promoters in the last three years

Our Promoters have not disassociated themselves from any company or firm during the three years immediately preceding the date of filing of this Draft Red Herring Prospectus with the SEBI.

Payment of benefits to our Promoters during the last two years

Except, for payment of remuneration to our Promoters in their capacity as Directors of our Company as stated in "***Our Management***" on page 101, and except as stated in "***Financial Statements-Standalone Statement of Related Parties and Related Transactions with them-Annexure XXV***" and "***Financial Statements-Consolidated Statement of Related Parties and Related Transactions with them-Annexure XXIV***" on pages 157 and 200, respectively, there has been no payment of benefits to our Promoters during the two years preceding the date of filing of this Draft Red Herring Prospectus.

Interests of our Promoters and Group Entities

All of our Promoters are interested in our Company to the extent of their shareholding in our Company and the dividends received on such shareholding. Further, our Promoters are also interested to the extent of the remuneration received by them in their capacity as Directors of the Company. For further details, see "***Our Management***" on page 101.

We have entered into a distribution agreement with Micromax Technologies, a Group Entity for distribution of our mobile handsets. We have also entered into a lease agreement with Silicon Televentures Private Limited, a Promoter Group company, to lease the premises of our registered office. Further, except as stated in "***Financial Statements-Standalone Statement of Related Parties and Related Transactions with them-Annexure XXV***" and "***Financial Statements-Consolidated Statement of Related Parties and Related Transactions with them - Annexure XXIV***" on pages 157 and 200, respectively, none of our Group Entities, Subsidiary or associate companies has business or commercial interests in our Company.

There are no transactions where the sales/purchases between our Company and its Group Entities exceed 10% of the sales of our Company. Except as disclosed in "***Financial Statements- Standalone Statement of Related Parties and Related Transactions with them-Annexure XXV***" and "***Financial Statements-Consolidated Statement of Related Parties and Related Transactions with them -Annexure XXIV***" on pages 157 and 200, respectively, our Promoters and Group Entities have no interest in any property acquired by our Company during the last two years from the date of filing of this Draft Red Herring Prospectus, or proposed to be acquired by our Company.

Common Pursuits

Except Micromax Technologies which is engaged in the trading of mobile handsets none of our Group Entities are engaged in any activities similar to those conducted by us.

Litigation involving our Promoters and the Group Entities

For details of legal and regulatory proceedings involving our Promoters and Group Entities, see "***Outstanding Litigation and Material Developments***" on page 238.

Other Confirmations

None of our Promoters or our Group Entities have become a sick company under the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985, no winding up proceedings have been initiated against them, and no application has been made in respect of any of them, to the Registrar of Companies for striking off their names. For other confirmations of our Promoters and Group Entities see, "***Other Regulatory and Statutory Disclosures***" on page 255.

Additionally, none of our Group Entities has become defunct in the five years preceding the filing of this Draft Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of dividend on our Equity Shares will be recommended by our Board 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, contractual obligations, restrictive covenants under our loan and financing arrangements and the overall financial condition of our Company.

The dividends declared by our Company on our Equity Shares during the last five years have been presented below.

(₹ in million)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Number of Equity Shares of face value of ₹ 10	4,800,000	4,800,000	4,800,000	960,000	2,40,000
Dividend Paid (in ₹ million)*	1,282.11	Nil	Nil	Nil	Nil
Rate of Dividend (%)	3,125%	-	-	-	-
Interim					
Final					
Dividend Tax (in ₹ million)	217.89	-	-	-	-

**Excluding dividend tax.*

Additionally, pursuant to a resolution dated June 26, 2010 of the Board of Directors, our Company has declared an interim dividend of ₹ 512.50 million.

Our Company did not declare any dividends on the PCCPS until the date of conversion of the PCCPS into Equity Shares.

However, the amounts as dividends in the past are not necessarily indicative of our dividend amounts, if any, or our dividend policy, in the future. Future dividends will depend on our revenues, profits, cash flow, financial condition, capital requirements and other factors.

SECTION V - FINANCIAL STATEMENTS

MICROMAX INFORMATICS LIMITED - STANDALONE SUMMARY STATEMENT OF RESTATED ASSETS AND LIABILITIES AND STANDALONE SUMMARY STATEMENT OF RESTATED PROFITS AND LOSSES, FOR THE YEARS ENDED MARCH 31, 2010, 2009, 2008, 2007, AND 2006.

Auditors' report as required by Part II of Schedule II to the Companies Act, 1956

To,

The Board of Directors
Micromax Informatics Limited
9/ 52/ 1, Kirti Nagar Industrial Area,
New Delhi - 110 015,
India

Dear Sirs,

We have examined the standalone financial information of Micromax Informatics Limited (the 'Company') annexed to this report for the purpose of inclusion in the Draft Red Herring Prospectus (the 'DRHP'). This financial information has been prepared by the management and approved by the Board of Directors of the Company for the purpose of disclosure in the DRHP being issued by the Company in connection with the Initial Public Offering ('IPO') for the issue of 21,546,118 equity shares having a face value of Rs 10 each at an issue price to be arrived at by a book building process (referred to as 'the Issue'). This financial information has been prepared in accordance with the requirements of:

i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

ii) The Securities and Exchange Board of India ('SEBI")- (Issue of Capital and Disclosure Requirements) Regulations 2009 (the 'SEBI Regulations'), as amended from time to time issued by SEBI in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments;

iii) The Guidance Note on the Reports in Company Prospectuses (revised) issued by the Institute of Chartered Accountants of India ('ICAI'); and

iv) In accordance with the terms of reference received from the Company requesting us to carry out work in connection with the DRHP being issued by the Company relating to IPO.

A. Financial Information as per the Audited Financial Statements:

1. We have examined the attached Standalone Summary Statement of Restated Assets and Liabilities (Annexure I) of the Company as at March 31, 2010, 2009, 2008, 2007 and 2006 and the attached Standalone Summary Statement of Restated Profits and Losses (Annexure II) and also Standalone Statement of Restated Cash flows (Annexure III) for the years ended March 31, 2010, 2009, 2008, 2007 and 2006 collectively referred to as 'Standalone Restated Summary Statements'. These Standalone Restated Summary Statements have been arrived at after making such adjustments and regroupings to the financial statements of the Company which are appropriate and are more fully described in the Significant Accounting Policies and Notes to Standalone Restated Summary Statements in Annexure XXVIII and XXIX respectively.

2. The Standalone Restated Summary Statements for the years ended March 31, 2009, 2008, 2007 and 2006 including the adjustments and regroupings discussed above, have been extracted from the audited Financial Statements of the Company as of and for the years ended March 31, 2009, 2008, 2007 and 2006 which have been audited by Sandeep, Kuldeep & Co., Chartered Accountants. We have only verified the impact of retrospective adjustments on account of changes in significant accounting policies and estimates, prior period items and regroupings for the years ended March 31, 2009, 2008, 2007 and 2006. We have not carried out any audit tests or review procedures on the financial statements of the Company for the years ended March 31, 2009, 2008, 2007 and 2006 and we have relied upon the audited financial statements for the said years audited by Sandeep, Kuldeep & Co. The Standalone Restated Summary Statements as of and for the year ended March 31, 2010 is based on the financial statements of the Company, which have been audited by us.

3. Based on our examination of these Standalone Restated Summary Statements, we state that:

   a) The Standalone Restated Summary Statements have to be read in conjunction with the Significant Accounting Policies and Notes to Standalone Restated Summary Statements given in Annexure XXVIII and XXIX respectively;

b) The Standalone Restated Summary Statements have been restated with retrospective effect to reflect the accounting policies being adopted by the Company as at March 31, 2010, as stated in the Notes forming part of the Standalone Restated Summary Statements given in Annexure XXIX;

c) The Restated Profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate in the year to which they relate as described in the Notes forming part of the Standalone Restated Summary Statements given in Annexure XXIX;

d) There are no qualifications in the auditors' reports for the years ended March 31, 2010, 2009, 2008, 2007, and 2006, which would require adjustment in the Standalone Restated Summary Statements; and

e) There are no extra-ordinary items which need to be disclosed separately in the Standalone Restated Summary Statements.

B. Other Financial Information:

4. We have examined the following financial information in respect of the years ended March 31, 2010, 2009, 2008, 2007 and 2006 of the Company, proposed to be included in the DRHP, as approved by the Board of Directors and annexed to this report:

(i) Standalone Statement of Restated Fixed Assets and Depreciation (Annexure IV);

(ii) Standalone Statement of Restated Investments (Annexure V);

(iii) Standalone Statement of Restated Inventories (Annexure VI);

(iv) Standalone Statement of Restated Sundry Debtors (Annexure VII);

(v) Standalone Statement of Restated Cash and Bank Balances (Annexure VIII);

(vi) Standalone Statement of Restated Loans and Advances (Annexure IX);

(vii) Standalone Statement of Restated Other Current Assets (Annexure X);

(viii) Standalone Statement of Restated Deferred Tax Assets/ (Liabilities) (Annexure XI);

(ix) Standalone Statement of Restated Secured Loans (Annexure XII);

(x) Standalone Statement of Restated Unsecured Loans (Annexure XIII);

(xi) Standalone Statement of Restated Current Liabilities and Provisions (Annexure XIV);

(xii) Standalone Statement of Restated Share Capital (Annexure XV);

(xiii) Standalone Statement of Restated Reserves and Surplus (Annexure XVI);

(xiv) Standalone Statement of Restated Sale and Other Income (Annexure XVII);

(xv) Standalone Statement of Restated Cost of Goods Sold (Annexure XVIII);

(xvi) Standalone Statement of Restated Personnel Costs (Annexure XIX);

(xvii) Standalone Statement of Restated Selling and Distribution Expenses (Annexure XX);

(xviii) Standalone Statement of Restated General and Administration Expenses (Annexure XXI);

(xix) Standalone Statement of Restated Interest and Finance Charges (Annexure XXII);

(xx) Standalone Restated Capitalisation Statement (Annexure XXIII);

(xxi) Standalone Statement of Restated Tax Shelters (Annexure XXIV);

(xxii) Standalone Statement of Related Parties and Restated Transactions With Them (Annexure XXV);

(xxiii) Standalone Statement of Restated Accounting Ratios (Annexure XXVI);

(xxiv) Standalone Statement of Dividends Paid (Annexure XXVII);

(xxv) Significant Accounting Polices to Standalone Restated Summary Statements (Annexure XXVIII); and

(xxvi) Notes to Standalone Restated Summary Statements (Annexure XXIX).

5. In our opinion, 'the Financial Information as per the Audited Financial Statements' and 'Other Financial Information' mentioned above for the years ended March 31, 2010, 2009, 2008, 2007 and 2006 have been prepared in accordance with Part II of Schedule II to the Act and the applicable SEBI Regulations.

6. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should it be construed as a new opinion on any of the financial statements referred to therein.

7. This report is intended solely for your information and for inclusion in the DRHP in connection with the Initial Public Offer of the equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **David Jones**
Partner
Membership No. 98113

Place: Gurgaon
Date: September 27, 2010

MICROMAX INFORMATICS LIMITED

STANDALONE SUMMARY STATEMENT OF RESTATED ASSETS AND LIABILITIES

ANNEXURE I

(Amounts in Rs. Millions)

Particulars	As at March 31,				
	2010	2009	2008	2007	2006
A. Fixed assets					
Gross block	111.09	87.90	47.87	17.91	8.33
Less: Accumulated depreciation and amortisation	19.38	11.51	7.55	5.93	4.41
Net block	**91.71**	**76.39**	**40.32**	**11.98**	**3.92**
B. Capital work in progress (including capital advances)	**14.61**	**14.61**	**4.00**	**-**	**-**
C. Investments	**202.08**	**0.77**	**0.77**	**0.77**	**0.77**
D. Current assets, loans and advances					
Inventories	990.72	299.65	71.80	64.62	4.42
Sundry debtors	1,219.98	328.55	223.47	118.64	91.49
Cash and bank	2,262.29	708.86	57.71	114.94	5.81
Loans and advances	913.16	234.37	13.34	4.82	0.69
Other current assets	11.96	3.12	0.87	0.38	0.02
	5,398.11	**1,574.55**	**367.19**	**303.40**	**102.43**
E. Deferred tax asset (net)	**-**	**48.17**	**-**	**0.41**	**-**
F. Liabilities and provisions					
Loan funds:					
Secured loans	11.69	25.14	54.88	3.83	2.85
Unsecured loans	-	7.00	9.90	3.10	1.00
Current liabilities and provisions:					
Current liabilities	2,635.78	1,038.97	108.91	244.60	89.35
Provisions	971.05	165.79	2.13	0.61	0.32
	3,618.52	**1,236.90**	**175.82**	**252.14**	**93.52**
G. Deferred tax liability (net)	**1.40**	**-**	**0.30**	**-**	**0.11**
Net worth (A+B+C+D+E-F-G)	**2,086.59**	**477.59**	**236.16**	**64.42**	**13.49**
Net worth represented by:					
Share capital	48.00	48.00	48.00	9.60	2.40
Share application money	1,012.50	5.00	14.50	1.00	1.00
Reserves and surplus	1,026.09	424.59	173.66	53.82	10.09
Net worth	**2,086.59**	**477.59**	**236.16**	**64.42**	**13.49**

Note:
The above statement should be read with the Accounting Policies and Notes to Standalone Restated Summary Statements in Annexure XXVIII and XXIX respectively.

STANDALONE SUMMARY STATEMENT OF RESTATED PROFITS AND LOSSES

ANNEXURE II

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	2009	2008	2007	2006
Income					
Sale	15,653.04	3,439.15	1,200.78	997.24	303.55
Other income	364.54	54.80	100.72	9.85	2.42
Total income	**16,017.58**	**3,493.95**	**1,301.50**	**1,007.09**	**305.97**
Expenditure					
Cost of goods sold	10,768.21	2,595.61	1,027.02	870.97	277.85
Personnel costs	71.18	47.45	27.32	18.35	2.93
Selling and distribution	752.70	197.65	21.77	12.33	2.43
General and administrative	1,048.42	125.05	25.43	18.33	5.47
Depreciation and amortisation	8.96	4.61	2.44	1.52	0.59
Interest and finance charges	89.88	36.24	12.98	6.24	1.84
Total expenditure	**12,739.35**	**3,006.61**	**1,116.96**	**927.74**	**291.11**
Profit before tax and prior period item	3,278.23	487.34	184.54	79.35	14.86
Tax expense					
Current tax	1,127.15	136.40	27.06	27.01	5.09
Deferred tax	0.66	0.61	0.05	0.00*	0.00 *
Fringe benefit tax	-	0.73	0.50	0.36	0.19
Net profit after tax and before prior period items	**2,150.42**	**349.60**	**156.93**	**51.98**	**9.58**
Prior period items	**147.26**	**-**	**-**	**-**	**-**
Net profit after tax	**2,003.16**	**349.60**	**156.93**	**51.98**	**9.58**
Restatement adjustments					
Provision for retirement benefits (refer note 1 (a) of Annexure XXIX)	2.39	(1.71)	(0.29)	(0.12)	(0.27)
Purchase adjustment (refer note 1 (b) of Annexure XXIX)	-	-	8.68	(8.68)	-
Inventory valuation adjustment (refer note 1 (c) of Annexure XXIX)	34.71	(34.71)	-	-	-
Adjustment for insurance expense (refer note 1 (d) of Annexure XXIX)	(2.72)	1.53	(1.68)	2.87	-
Foreign exchange fluctuation gain/ (loss) (refer note 1 (e) of Annexure XXIX)	30.69	(30.67)	(4.75)	4.36	0.37
Warranty expense (refer note 1 (f) of Annexure XXIX)	82.19	(82.19)	-	-	-
Total impact of adjustments	**147.26**	**(147.75)**	**1.96**	**(1.57)**	**0.10**

STANDALONE SUMMARY STATEMENT OF RESTATED PROFITS AND LOSSES

ANNEXURE II (Cont'd)
(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	2009	2008	2007	2006
Tax adjustment					
Income taxes (refer note 3 of Annexure XXIX)	(48.92)	49.08	(0.65)	0.52	(0.03)
Net profit as restated	**2,101.50**	**250.93**	**158.24**	**50.93**	**9.65**
Appropriation					
Transfer to general reserve	236.55	-	-	-	-
Interim dividend	1,282.11	-	-	-	-
Dividend distribution tax	217.89	-	-	-	-
	1,736.55	**-**	**-**	**-**	**-**
	364.95	250.93	158.24	50.93	9.65
Balance as per last balance sheet	424.59	173.66	53.82	10.09	0.44
Surplus carried to balance sheet	**789.54**	**424.59**	**212.06**	**61.02**	**10.09**

Note:
The above statement should be read with the Accounting Policies and Notes to Standalone Restated Summary Statements in Annexure XXVIII and XXIX respectively.

* rounded off to zero

STANDALONE SUMMARY STATEMENT OF RESTATED CASH FLOWS

ANNEXURE III

(Amounts in Rs. Millions)

Particulars	**For the year ended March 31,**				
	2010	**2009**	**2008**	**2007**	**2006**
A. Cash flow from operating activities					
Profit before tax and prior period items, as restated	3,278.23	339.59	186.50	77.78	14.96
Adjustments for:					
Depreciation and amortisation	8.96	4.61	2.44	1.52	0.60
(Profit)/ loss on sale of fixed assets	(0.01)	(0.64)	0.30	-	-
Unrealised foreign exchange (gain)/loss	(76.46)	30.67	4.75	(4.36)	(0.37)
Interest on fixed deposit	(38.98)	(14.53)	(2.86)	(0.84)	(0.16)
Bad debts	3.93	0.18	1.30	1.23	1.02
Interest and finance charges	59.82	25.09	12.26	5.49	1.68
Interest on delayed payment of tax	30.06	11.15	0.72	0.75	0.16
Mark to market	0.50	-	-	-	-
Operating profit before working capital changes	**3,266.05**	**396.12**	**205.41**	**81.57**	**17.89**
Changes in working capital :					
(Increase)/decrease in inventories	(691.07)	(227.85)	(7.18)	(60.20)	(2.20)
(Increase)/decrease in sundry debtors	(895.36)	(105.26)	(106.13)	(28.38)	(87.11)
(Increase)/decrease in loans and advances	(678.79)	(221.03)	(8.52)	(4.13)	(0.21)
Increase/(decrease) in current liabilities and provisions	2,308.13	972.13	(140.86)	158.99	88.59
Cash generated from/(used in) operations	**3,308.96**	**814.11**	**(57.28)**	**147.85**	**16.96**
Direct taxes paid	(987.31)	(57.37)	(26.34)	(27.20)	(5.23)
Net cash from/(used in) operating activities	**2,321.65**	**756.74**	**(83.62)**	**120.65**	**11.73**
B. Cash flows from investing activities					
Purchase of fixed assets and changes in capital work in progress	(24.90)	(52.42)	(36.21)	(9.59)	(3.10)
Proceeds from sale of fixed assets	0.62	1.78	1.13	-	-
Increase in fixed deposits with bank	(721.10)	(455.78)	(7.55)	(24.03)	(4.60)
Purchase of investments	(201.31)	-	-	-	(0.72)
Interest received	30.14	12.28	2.37	0.48	0.17
Net cash used in investing activities	**(916.55)**	**(494.14)**	**(40.26)**	**(33.13)**	**(8.25)**

STANDALONE SUMMARY STATEMENT OF RESTATED CASH FLOWS

ANNEXURE III (Cont'd)

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	2009	2008	2007	2006
C. Cash flows from financing activities					
Proceeds from share application money	1,012.50	-	13.50	-	0.30
Refund of share application money	(5.00)	(9.50)	-	-	-
Proceeds from issue of shares	-	-	-	-	0.72
Proceeds from borrowings	6.47	1.75	58.21	5.02	-
Repayment of borrowings	(26.92)	(34.39)	(0.35)	(1.95)	(2.16)
Dividends paid	(1,282.11)	-	-	-	-
Dividend distribution tax paid	(217.89)	-	-	-	-
Interest and finance charges	(59.82)	(25.09)	(12.26)	(5.49)	(1.68)
Net cash (used in)/ generated from financing activities	**(572.77)**	**(67.23)**	**59.10**	**(2.42)**	**(2.82)**
D. Net Increase/(decrease) in Cash and Cash Equivalents (A+B+C)	832.33	195.37	(64.78)	85.10	0.66
E. Cash and Cash Equivalents at start of the period	216.50	21.13	85.91	0.81	0.15
F. Cash and Cash Equivalents at close of the period (D+E)	**1,048.83**	**216.50**	**21.13**	**85.91**	**0.81**
Notes					
Components of cash and cash equivalents					
Cash and cheques on hand	0.01	0.12	0.14	0.11	0.74
Balances with schedules banks					
- In current accounts	1,048.82	216.38	20.99	85.80	0.07
Total	**1,048.83**	**216.50**	**21.13**	**85.91**	**0.81**
Balance with bank not considered as cash equivalents:					
Fixed deposit pledged with banks	1,213.46	492.36	36.58	29.03	5.00
Total Cash and Bank balance as per balance sheet	**2,262.29**	**708.86**	**57.71**	**114.94**	**5.81**

STANDALONE STATEMENT OF RESTATED FIXED ASSETS AND DEPRECIATION

ANNEXURE IV

Fixed Assets as at March 31, 2010

(Amounts in Rs. Milllion)

Particulars	Gross block				Accumulated depreciation/ amortisation				Net block	
	As at April 1, 2009	Additions during the year	Deletions during the year	As at March 31, 2010	Up to March 31, 2009	For the year	Deletions during the year	Up to March 31, 2010	As at March 31, 2010	As at March 31, 2009
TANGIBLES										
Land	33.06	-	-	33.06	-	-	-	-	33.06	33.06
Buildings	21.99	2.02	-	24.01	0.37	1.36	-	1.73	22.28	21.62
Plant and machinery	3.21	0.45	-	3.66	0.35	0.41	-	0.76	2.90	2.86
Office equipments	2.95	0.86	-	3.81	0.28	0.42	-	0.70	3.11	2.67
Computers	8.83	3.69	-	12.52	5.50	1.98	-	7.48	5.04	3.33
Furniture and fittings	3.88	0.96	-	4.84	0.81	0.62	-	1.43	3.41	3.07
Vehicles	12.33	14.13	1.71	24.75	4.08	3.32	1.09	6.31	18.44	8.25
INTANGIBLES										
Softwares	1.65	2.79	-	4.44	0.12	0.85	-	0.97	3.47	1.53
TOTAL	**87.90**	**24.90**	**1.71**	**111.09**	**11.51**	**8.96**	**1.09**	**19.38**	**91.71**	**76.39**

STANDALONE STATEMENT OF RESTATED FIXED ASSETS AND DEPRECIATION

ANNEXURE IV (Cont'd)

(Amounts in Rs. Milllion)

Fixed Assets as at March 31, 2009

Particulars	Gross block				Accumulated depreciation/ amortisation				Net block	
	As at April 1, 2008	Additions during the year	Deletions during the year	As at March 31, 2009	Up to March 31, 2008	For the year	Deletions during the year	Up to March 31, 2009	As at March 31, 2009	As at March 31, 2008
TANGIBLES										
Land	23.99	9.07	-	33.06	-	-	-	-	33.06	23.99
Buildings	6.98	16.79	1.78	21.99	0.17	0.85	0.65	0.37	21.62	6.81
Plant and machinery	0.27	2.94	-	3.21	0.13	0.22	-	0.35	2.86	0.14
Office equipments	0.42	2.53	-	2.95	0.10	0.18	-	0.28	2.67	0.32
Computers	6.39	2.44	-	8.83	4.12	1.38	-	5.50	3.33	2.27
Furniture and fittings	2.07	1.81	-	3.88	0.31	0.50	-	0.81	3.07	1.76
Vehicles	7.75	4.58	-	12.33	2.72	1.36	-	4.08	8.25	5.03
INTANGIBLES										
Softwares	-	1.65	-	1.65	-	0.12	-	0.12	1.53	-
TOTAL	**47.87**	**41.81**	**1.78**	**87.90**	**7.55**	**4.61**	**0.65**	**11.51**	**76.39**	**40.32**

STANDALONE STATEMENT OF RESTATED FIXED ASSETS AND DEPRECIATION

ANNEXURE IV (Cont'd)

Fixed Assets as at March 31, 2008

(Amounts in Rs. Milllion)

Particulars	Gross block				Accumulated depreciation/ amortisation				Net block	
	As at April 1, 2007	Additions during the year	Deletions during the year	As at March 31, 2008	Up to March 31, 2007	For the year	Deletions during the year	Up to March 31, 2008	As at March 31, 2008	As at March 31, 2007
Land	3.11	20.88	-	23.99	-	-	-	-	23.99	3.11
Buildings	2.58	4.40	-	6.98	0.11	0.06	-	0.17	6.81	2.47
Plant and machinery	0.23	0.04	-	0.27	0.11	0.02	-	0.13	0.14	0.12
Office equipments	0.20	0.22	-	0.42	0.07	0.03	-	0.10	0.32	0.13
Computers	4.27	2.12	-	6.39	3.39	0.73	-	4.12	2.27	0.88
Furniture and fittings	0.29	1.78	-	2.07	0.13	0.18	-	0.31	1.76	0.16
Vehicles	7.23	2.77	2.25	7.75	2.12	1.42	0.82	2.72	5.03	5.11
INTANGIBLES										
Softwares	-	-	-		-	-	-	-	-	-
TOTAL	**17.91**	**32.21**	**2.25**	**47.87**	**5.93**	**2.44**	**0.82**	**7.55**	**40.32**	**11.98**

STANDALONE STATEMENT OF RESTATED FIXED ASSETS AND DEPRECIATION

ANNEXURE IV (Cont'd)

Fixed Assets as at March 31, 2007 *(Amounts in Rs. Milllion)*

Particulars	Gross block				Accumulated depreciation/ amortisation				Net block	
	As at April 1, 2006	Additions during the year	Deletions during the year	As at March 31, 2007	Up to March 31, 2006	For the year	Deletions during the year	Up to March 31, 2007	As at March 31, 2007	As at March 31, 2006
Land	-	3.11	-	3.11	-	-	-	-	3.11	-
Buildings	1.30	1.28	-	2.58	0.05	0.06	-	0.11	2.47	1.25
Plant and machinery	0.20	0.03	-	0.23	0.09	0.02	-	0.11	0.12	0.11
Office equipments	0.11	0.09	-	0.20	0.05	0.02	-	0.07	0.13	0.06
Computers	3.85	0.42	-	4.27	2.95	0.43	-	3.39	0.88	0.90
Furniture and fittings	0.16	0.13	-	0.29	0.11	0.03	-	0.13	0.16	0.05
Vehicles	2.71	4.52	-	7.23	1.16	0.96	-	2.12	5.11	1.55
INTANGIBLES										
Softwares	-	-	-	-	-	-	-	-	-	-
TOTAL	**8.33**	**9.58**	**-**	**17.91**	**4.41**	**1.52**	**-**	**5.93**	**11.98**	**3.92**

STANDALONE STATEMENT OF RESTATED FIXED ASSETS AND DEPRECIATION

ANNEXURE IV (Cont'd)

Fixed Assets as at March 31, 2006

(Amounts in Rs. Milllion)

Particulars	Gross block				Accumulated depreciation/ amortisation				Net block	
	As at April 1, 2005	Additions during the year	Deletions during the year	As at March 31, 2006	Up to March 31, 2005	For the year	Deletions during the year	Up to March 31, 2006	As at March 31, 2006	As at March 31, 2005
Buildings	-	-	-	-	-	-	-	-	-	-
Vehicles	-	1.30	-	1.30	-	0.05	-	0.05	1.25	-
Plant and machinery	0.20	-	-	0.20	0.07	0.02	-	0.09	0.11	0.13
Office equipments	0.10	0.01	-	0.11	0.04	0.01	-	0.05	0.06	0.06
Computers	3.20	0.65	-	3.85	2.68	0.27	-	2.95	0.90	0.52
Furniture and fittings	0.16	-	-	0.16	0.10	0.01	-	0.11	0.05	0.06
Vehicles	1.57	1.14	-	2.71	0.93	0.23	-	1.16	1.55	0.64
INTANGIBLES										
Softwares	-	-	-	-	-	-	-	-	-	-
TOTAL	**5.23**	**3.10**	**-**	**8.33**	**3.82**	**0.59**	**-**	**4.41**	**3.92**	**1.41**

STANDALONE STATEMENT OF RESTATED INVESTMENTS

ANNEXURE V

(Amounts in Rs. Millions)

Particulars	As at March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Investments					
A. Long term investments (at cost)					
(i) Other than trade, unquoted					
ING Vysya debt fund	0.07	0.07	0.07	0.07	0.07
ING Vysya life insurance policy	0.70	0.70	0.70	0.70	0.70
(ii) In subsidiary company					
Trade - unquoted					
100,000 equity shares of Rs 12.671 each in Micromax Informatics FZE (Dubai)	1.27	-	-	-	-
B. Short term investments (non-trade, unquoted)					
9,970,388 units of HDFC Cash Management Fund - Treasury Advantage Plan Mutual Fund of Rs 10.03 each	100.02	-	-	-	-
945,907,485 units of ICICI Prudential Flexible Income Plan Premium Mutual Fund of Rs 10.03 each	100.02	-	-	-	-
Total	**202.08**	**0.77**	**0.77**	**0.77**	**0.77**
Aggregate amount of unquoted investments	202.08	0.77	0.77	0.77	0.77

Note:

On January 21, 2010, the Company formed a 100% subsidiary in Dubai namely Micromax Informatics FZE.

STANDALONE STATEMENT OF RESTATED INVENTORIES

ANNEXURE VI

(Amount in millions.)

Particulars	**As at March 31**				
	2010	**2009**	**2008**	**2007**	**2006**
Inventories					
Traded goods	837.71	230.16	-	-	-
Spares and accessories	61.25	2.39	-	-	-
Terminals	9.00	67.10	71.80	64.62	4.42
Goods in transit	82.76	-	-	-	-
Total	**990.72**	**299.65**	**71.80**	**64.62**	**4.42**

STANDALONE STATEMENT OF RESTATED SUNDRY DEBTORS

ANNEXURE VII

(Amounts in Rs. Millions)

Particulars	As at March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Sundry debtors *(Unsecured, considered good, except stated otherwise)* Debts outstanding for a period exceeding six months	18.65	22.00	36.26	2.37	-
	18.65	**22.00**	**36.26**	**2.37**	**-**
Debts outstanding for a period less than six months	1,201.33	306.55	187.21	116.27	91.49
	1,201.33	**306.55**	**187.21**	**116.27**	**91.49**
Total	**1,219.98**	**328.55**	**223.47**	**118.64**	**91.49**

Note:

Amounts due from promoters / promoter group/ directors/ relatives of directors/ associate companies/ group companies

(Amounts in Rs. Millions)

Particulars	Category	As at March 31,				
		2010	**2009**	**2008**	**2007**	**2006**
Micromax Technologies Private Limited	Group company	164.35	-	-	-	-

STANDALONE STATEMENT OF RESTATED CASH AND BANK

ANNEXURE VIII

(Amounts in Rs. Millions)

Particulars	As at March 31				
	2010	2009	2008	2007	2006
Cash and bank balances					
Cash in hand	0.01	0.12	0.02	0.09	0.43
Cheques in hand	-	-	0.12	0.02	0.31
Bank balances with scheduled banks in :					
Current accounts	1,048.82	216.38	20.99	85.80	0.07
Fixed deposit accounts (pledged)	1,213.46	492.36	36.58	29.03	5.00
Total	**2,262.29**	**708.86**	**57.71**	**114.94**	**5.81**

Note:
The fixed deposits are pledged against the letter of credit opened with banks.

STANDALONE STATEMENT OF RESTATED LOANS AND ADVANCES

ANNEXURE IX

(Amounts in Rs. Millions)

Particulars	As at March 31,				
	2010	2009	2008	2007	2006
Loans and advances					
(Unsecured, considered good, except stated otherwise)					
Advances recoverable in cash or in kind or for value to be received	6.03	4.46	4.09	3.95	0.11
Balances with excise and VAT/ sales tax authorities	8.32	8.54	8.70	0.00 *	-
Additional custom duties (SAD recoverable)	402.02	100.23	-	-	-
Advance to suppliers	492.72	120.06	-	0.02	-
Advance to subsidiary company	0.33	-	-	-	-
Security deposits	0.64	1.00	0.53	0.78	0.58
Gratuity fund	2.45	-	-	-	-
Service tax recoverable	0.65	0.08	0.02	0.07	-
Total	**913.16**	**234.37**	**13.34**	**4.82**	**0.69**

* rounded off to zero

Note:

Amounts due from promoters / promoter group/ directors/ relatives of directors/ associate companies/ group companies

(Amounts in Rs. Millions)

Particulars	Category	As at March 31,				
		2010	2009	2008	2007	2006
Micromax Informatics FZE (Dubai)	Subsidiary	0.33	-	-	-	-
Mr. Rahul Sharma	Promoter/ Director	0.28	-	-	-	-
Mr. Sumeet Kumar	Promoter/ Director	0.02	-	-	-	-
Mr. Vikas Jain	Promoter/ Director	0.11	-	-	-	-

STANDALONE STATEMENT OF RESTATED OTHER CURRENT ASSETS

ANNEXURE X

(Amounts in Rs. Millions)

Particulars	As at March 31,				
	2010	2009	2008	2007	2006
Other current assets					
Interest accrued but not due on fixed deposit	11.96	3.12	0.87	0.38	0.02
Total	**11.96**	**3.12**	**0.87**	**0.38**	**0.02**

STANDALONE STATEMENT OF RESTATED DEFERRED TAX ASSETS/ (LIABILITIES)

ANNEXURE XI

(Amounts in Rs. Millions)

Particulars	**As at March 31,**				
	2010	**2009**	**2008**	**2007**	**2006**
Deferred tax assets arising on account of:					
Opening Deferred tax assets	48.17	-	0.41	-	-
Tax impact of restatement adjustment	-	49.08	-	0.52	-
Sub total(A)	**48.17**	**49.08**	**0.41**	**0.52**	**-**
Deferred tax liabilities arising on account of:					
Opening deferred tax liability	-	0.30	-	0.11	0.08
Depreciation	0.65	0.61	0.06	0.00 *	0.00 *
Tax impact of restatement adjustment	48.92	-	0.65	-	0.03
Sub total(B)	**49.57**	**0.91**	**0.71**	**0.11**	**0.11**
Total (A-B)	**(1.40)**	**48.17**	**(0.30)**	**0.41**	**(0.11)**

* rounded off to zero

STANDALONE STATEMENT OF RESTATED SECURED LOANS

ANNEXURE XII
(Amounts in Rs. Millions)

Particulars	As at March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
A – Working capital loan from bank					
ING Vysya Bank Limited (refer note 1 below)	-	19.92	20.39	-	1.95
Barclays Bank PLC (refer note 2 below)	-	0.00 *	20.00	-	-
Citibank N.A. (refer note 3 below)	-	-	11.02	-	-
Sub total	**-**	**19.92**	**51.41**	**-**	**1.95**
B- Vehicle loan from banks					
ICICI Bank limited (Car loan) (secured by hypothecation of respective vehicle)	0.15	1.17	1.98	3.81	0.90
Citi Financial (Two wheeler loan) (secured by hypothecation of respective vehicle)	-	-	-	0.02	-
Reliance Consumer Finance (secured by hypothecation of respective vehicle)	0.72	1.13	1.49	-	-
HDFC Bank Ltd (secured by hypothecation of respective vehicle)	10.82	2.92	-	-	-
Sub total	**11.69**	**5.22**	**3.47**	**3.83**	**0.90**
Total (A+B)	**11.69**	**25.14**	**54.88**	**3.83**	**2.85**

* rounded off to zero

STANDALONE STATEMENT OF RESTATED SECURED LOANS

ANNEXURE XII
(Cont'd)

Note 1 - ING Vysya Bank Limited loan – secured by:

Lien on deposit and documents of title of goods under LC. Hypothecation of inventories and debtors. Primary margin on debtors 25% and on inventories 25%. Personal guarantee of promoter viz. Mr. Rajesh Agarwal, Mr. Vikas Jain, Mr. Rahul Sharma and Mr. Sumeet Kumar. Equitable mortgage of the residential properties of promoters and their relatives. Lien on fixed deposit of Rs 2.3 million.

Note 2 - Barclays Bank PLC loan – secured by:

First charge by way of hypothecation of all current assets, including inventories, receivables and sundry debtors, ranking pari-passu with the charge created in favour of other lenders. First charge by way of hypothecation of all movable fixed assets, ranking pari-passu with the charge created in favour of other lenders. Personal guarantee of promoters viz. Mr. Rajesh Agarwal, Mr. Vikas Jain, Mr. Rahul Sharma and Mr. Sumeet Kumar. First charge / mortgage over the immovable properties and assets owned by the borrower, ranking pari passu with the other working capital bankers. Cash margin of 10% in the form of fixed deposits against LC's issued. The fixed deposits shall be lien marked in favour of the bank.

Note 3 - Citibank N.A. loan – secured by:

First pari passu charge on inventories and debtors of the Company. Demand promissory note and letter of continuity fro Rs. 120 million. First charge on all the Company's assets on pari passu basis with existing banks. 10% margin on letter of credit. Personal guarantee of promoters viz. Mr. Rajesh Agarwal, Mr. Vikas Jain, Mr. Sumeet Kumar, and Mr. Rahul Sharma. Equitable mortgage of the residential properties of promoters and their relatives.

The payment terms of the vehicle loans as on March 31, 2010 are as follows:

Particulars of loan	Name of the bank	Nature of loan	Sanction amount (Rs. Million)	Outstanding as on March 31, 2010 (Rs. Million)	Rate of interest p.a. (%)	Repayment (months)
Skoda Laura –II	ICICI Bank Limited	Car Loan	1.20	0.15	9.15%	48 months
BMW	Reliance Consumer Finance	Car Loan	1.63	0.72	13.20%	47 Months
Mercedes Benz	HDFC Bank Limited	Car Loan	3.00	2.00	0.00%	36 months
BMW-520D	HDFC Bank Limited	Car Loan	4.70	4.08	9.81%	36 months
BMW X6	HDFC Bank Limited	Car Loan	3.15	2.74	9.16%	36 months
Mercedes Benz	HDFC Bank Limited	Car Loan	2.05	2.00	0.00%	36 months

Notes:

1. The loan amount, interest and other charges thereon shall be repaid by the borrower in installments as per the repayment schedule attached to the agreement.

2. The borrower may prepay the whole or any part of the outstanding loan (including interest, fees and charges herein) by giving a notice in writing to that effect.
3. Further no rescheduling of the vehicle loan was made during the years ended March 31, 2010, 2009, 2008, 2007 and 2006.

4. In case of default, banker may sell by auction or any private contract or tender, dispatch or consign for realization or otherwise dispose of or deal with the hypothecated vehicle in the manner the bank may think fit.

STANDALONE STATEMENT OF RESTATED UNSECURED LOANS

ANNEXURE XIII

(Amounts in Rs. Millions)

Particulars	As at March 31,				
	2010	2009	2008	2007	2006
Unsecured loans:					
From promoters					
Mr. Rahul Sharma	-	-	-	2.50	-
Mr. Sumeet Kumar	-	-	-	0.60	-
Sub-total	**-**	**-**	**-**	**3.10**	**-**
From bodies corporate					
SFS Infility Ltd.	-	-	-	-	1.00
Index Securities & Research Pvt. Ltd	-	7.00	0.57	-	-
B.S.A Fincap Pvt. Ltd	-	-	1.59	-	-
Shiv Arpan Investment & Trading Co. Pvt. Ltd	-	-	7.19	-	-
Tanika Finance and Leasing Pvt. Ltd	-	-	0.55	-	-
Sub-total	**-**	**7.00**	**9.90**	**-**	**1.00**
TOTAL	**-**	**7.00**	**9.90**	**3.10**	**1.00**

Note: Payment terms and rate of interest on unsecured loans are as follows:

Unsecured loan taken from	Interest rate	Repayment
M/s SFS Infility Ltd.	Interest free loan	On demand
M/s Index Securities & Research Pvt. Ltd	10% per annum	On demand
M/s B.S.A Fincap Pvt. Ltd	10% per annum	On demand
M/s Shiv Arpan Investment & Trading Co. Pvt. Ltd	6% per annum	On demand
M/s Tanika Finance and Leasing Pvt. Ltd	10% per annum	On demand
Mr. Rahul Sharma	Interest free loan	On demand
Mr. Sumeet Kumar	Interest free loan	On demand

Note:

Amounts due to promoters / promoter group/ directors/ relatives of directors/ associate companies/ group companies

(Amounts in Rs. Millions)

Particulars	Category	As at March 31,				
		2010	2009	2008	2007	2006
Mr. Rahul Sharma	Promoter	-	-	-	2.50	-
Mr. Sumeet Kumar	Promoter	-	-	-	0.60	-

STANDALONE STATEMENT OF RESTATED CURRENT LIABILITIES AND PROVISIONS

ANNEXURE XIV

(Amounts in Rs. Millions)

Particulars	As at March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Current liabilities					
A. Current liabilities					
Sundry creditors for goods, services and expenses	2,434.71	856.50	79.24	206.73	86.23
Book overdraft	-	46.08	15.93	24.97	0.14
Advances from customers	26.72	4.24	3.30	-	-
Security deposits	8.02	2.52	0.11	0.12	-
Derivative liability	0.50	-	-	-	-
Other liabilities	165.83	129.63	10.33	12.78	2.98
Sub total	**2,635.78**	**1,038.97**	**108.91**	**244.60**	**89.35**
B. Provisions					
Warranty expense	750.00	82.19	-	-	-
Gratuity	-	2.39	0.68	0.39	0.27
Tax (including fringe benefit tax), net of advance tax	221.05	81.21	1.45	0.22	0.05
Sub total	**971.05**	**165.79**	**2.13**	**0.61**	**0.32**
Total (A+B)	**3,606.83**	**1,204.76**	**111.04**	**245.21**	**89.67**

STANDALONE STATEMENT OF RESTATED SHARE CAPITAL

ANNEXURE XV

(Amounts in Rs. Millions)

Particulars	As at March 31				
	2010	**2009**	**2008**	**2007**	**2006**
Authorised					
Equity shares of Rs 10 each	50.00	50.00	50.00	10.00	10.00
0.0001% participatory compulsorily convertible cumulative preference shares of Rs 2,812 each	1,012.32	-	-	-	-
Issued, subscribed and paid up					
Equity shares of Rs 10 each, fully paid up	48.00	48.00	48.00	9.60	2.40
Total	**48.00**	**48.00**	**48.00**	**9.60**	**2.40**
Number of equity shares (numbers in mn.)	**4.80**	**4.80**	**4.80**	**0.96**	**0.24**

Notes:

1. During the year ended March 31, 2007, the Company issued 0.72 million bonus shares at Rs. 10 each out of the general reserve.
2. During the year ended March 31, 2008, the Company issued 3.84 million bonus shares at Rs. 10 each out of the general reserve.
3. During the year ended March 31, 2008, the Company increased its authorised equity share capital from Rs. 10.00 mn to Rs. 50.00 million.
4. During the year ended March 31, 2010, the Company increased the authorised preference share capital from Nil to Rs. 1,012.32 million

STANDALONE STATEMENT OF RESTATED RESERVES AND SURPLUS

ANNEXURE XVI

(Amounts in Rs. Millions)

Particulars	As at March 31				
	2010	**2009**	**2008**	**2007**	**2006**
Reserves and surplus					
General reserve					
Transfer from Profit and Loss account	236.55	-	-	-	-
Sub total (A)	**236.55**	**-**	**-**	**-**	**-**
Profit and Loss account	789.54	424.59	212.06	61.02	10.09
Less: Utilisation for the issue of bonus shares	-	-	38.40	7.20	-
Sub total (B)	**789.54**	**424.59**	**173.66**	**53.82**	**10.09**
Total	**1,026.09**	**424.59**	**173.66**	**53.82**	**10.09**
Number of equity shares (number in million)	**4.80**	**4.80**	**4.80**	**0.96**	**0.24**

STANDALONE STATEMENT OF RESTATED SALES AND OTHER INCOME

ANNEXURE XVII

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,					Nature (recurring/ non-recurring)	Related/ not related to business activity
	2010	2009	2008	2007	2006		
Sales	**15,653.04**	**3,439.15**	**1,200.78**	**997.24**	**303.55**		
Other income:							
Profit on sale of fixed assets	0.01	0.64	-	-	-	Non-recurring	Related
Profit on foreign exchange fluctuation (net)	317.76	-	25.71	5.10	1.61	Recurring	Related
Interest on fixed deposits	38.98	14.53	2.86	0.84	0.16	Recurring	Related
Service charges	6.17	35.90	68.56	0.40	0.17	Recurring	Related
Miscellaneous income	1.62	3.73	2.14	3.51	0.48	Recurring	Related
Credit balances written back	-	-	1.45	-	-	Non-recurring	Related
Sub total	**364.54**	**54.80**	**100.72**	**9.85**	**2.42**		
Total	**16,017.58**	**3,493.95**	**1,301.50**	**1,007.09**	**305.97**		
Profit before tax and prior period items	**3,278.23**	**487.34**	**184.54**	**79.35**	**14.86**		
% of Other Income to profit before tax and prior period items	**11%**	**11%**	**55%**	**12%**	**16%**		

Notes:

1. All items classified under other income were earned in the normal course of business.

2. The classification of "Other income" as recurring or non-recurring is based on the current operations and business activities of the Company, as determined by the management.

STANDALONE STATEMENT OF RESTATED COST OF GOODS SOLD

ANNEXURE XVIII

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	2009	2008	2007	2006
Cost of goods sold					
Opening stocks	334.36	71.80	64.62	4.43	2.24
Less: Prior period adjustment	34.71	-	-	-	-
Adjusted opening stock	**299.65**	**71.80**	**64.62**	**4.43**	**2.24**
Add: Purchases	**11,512.69**	**2,858.17**	**1,034.20**	**931.16**	**280.04**
Less: Closing stocks*	**907.95**	**334.36**	**71.80**	**64.62**	**4.43**
Subtotal	**10,904.39**	**2,595.61**	**1,027.02**	**870.97**	**277.85**
Less: Warranty expense	124.23	-	-	-	-
Less: Research expense	11.95	-	-	-	-
Subtotal	**136.18**	**-**	**-**	**-**	**-**
Total cost of goods sold	**10,768.21**	**2,595.61**	**1,027.02**	**870.97**	**277.85**

* Excluding goods in transit amounting to Rs. 82.76 mn.

STANDALONE STATEMENT OF RESTATED PERSONNAL COSTS

ANNEXURE XIX

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Personnel costs					
Salaries, bonus and others benefits	66.49	44.07	24.84	17.07	2.77
Contribution to provident and other funds	3.88	2.25	1.95	0.73	0.06
Staff welfare expenses	0.81	1.13	0.53	0.55	0.10
Total	**71.18**	**47.45**	**27.32**	**18.35**	**2.93**

STANDALONE STATEMENT OF RESTATED SELLING AND DISTRIBUTION EXPENSES

ANNEXURE XX

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	2009	2008	2007	2006
Selling and distribution expenses					
Advertisement and promotion	501.38	55.76	1.13	2.86	0.56
Rebates and discounts	160.60	112.70	6.82	4.98	1.03
Freight outward	85.72	26.57	13.82	4.49	0.84
Other selling and distribution expenses	5.00	2.62	-	-	-
Total	**752.70**	**197.65**	**21.77**	**12.33**	**2.43**

STANDALONE STATEMENT OF RESTATED GENERAL AND ADMINISTRATIVE EXPENSES

ANNEXURE XXI

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
General and administrative expenses					
Rent	3.83	4.35	3.53	0.42	0.06
Repairs and maintenance:					
Buildings	-	0.59	0.06	0.93	0.14
Other assets	0.32	0.08	0.14	0.42	0.07
Rates and taxes	9.31	1.38	0.69	0.34	0.10
Insurance	7.59	4.81	1.98	4.02	0.23
Audit fee	3.27	0.13	0.08	0.02	0.04
Travelling and conveyance	15.42	9.09	7.37	4.52	2.10
Research expense	12.43	0.39	2.17	-	-
Donation	-	0.02	-	0.00 *	-
Printing and stationery	32.02	4.05	2.21	0.97	0.28
Legal and professional fee	40.29	2.89	0.67	0.49	-
Electricity	1.29	1.23	0.47	0.15	0.09
Loss on foreign exchange fluctuation difference (net)	-	84.08	-	-	-
Warranty	899.67	4.89	0.97	0.64	0.80
Loss on sale of fixed assets	-	-	0.30	-	-
Bad debt	3.93	0.18	1.30	1.23	1.02
Miscellaneous	19.05	6.89	3.49	4.18	0.54
Total	**1,048.42**	**125.05**	**25.43**	**18.33**	**5.47**

* rounded off to zero

STANDALONE STATEMENT OF RESTATED INTEREST AND FINANCE CHARGES

ANNEXURE XXII

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Interest and finance charges					
Bank charges	58.11	18.42	8.02	4.43	1.12
Interest on vehicle loan	1.71	6.67	4.24	1.06	0.56
Interest on delayed payment of income tax	30.06	11.15	0.72	0.75	0.16
Total	**89.88**	**36.24**	**12.98**	**6.24**	**1.84**

STANDALONE RESTATED CAPITALISATION STATEMENT

ANNEXURE XXIII

(Amounts in Rs. Millions)

	Pre-issue as at March 31 2010	**Adjusted for the issue #**
Borrowing		
Short-term debt	4.89	
Long-term debt	6.80	
Total debt	11.69	
Shareholders' funds		
Equity share capital	48.00	
Share application money	1,012.50	
Reserves and surplus	1,026.09	
Total shareholders' funds	2,086.59	
Long-term debt/equity ratio	0.0032:1	

Notes:

The Long Term Debt/Equity Ratio have been computed as under:

Long Term Debt/ Total Shareholders Funds

Other Notes:

1. Short Term Debt is considered as debt due within 12 months from the balance sheet date.

2. Long Term Debt is considered as debt other than short term debt, as defined above.

3. The figures disclosed above are based on the restated financial statements of the Company.
4. *Subsequent to the balance sheet date,* 0.0001% Paid Participatory Compulsorily Convertible Cumulative Preference Shares (“PCCPS”) have been converted into equity shares. (refer note 4 of Annexure XXIX.

5. Subsequent to the balance sheet date, Company has issued bonus shares and grated Employee Stock Option Plan (refer note 12 of Annexure XXIX.
#The corresponding post issue figures are not determinable at this stage pending the completion of the Book Building Process and hence have not been furnished. The Post issue capitalisation shall be updated before filing the prospectus.

STANDALONE RESTATED TAX SHELTERS

ANNEXURE XXIV

(Amounts in Rs. Millions)

	For the year ended March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Profit before tax as restated (A)	3,425.49	339.59	186.50	77.78	14.96
Tax rate - Statutory rate (B)	33.22	33.99	33.99	33.66	33.66
Tax as per actual rate on profits (C = A*B)	**1,137.95**	**115.43**	**63.39**	**26.18**	**5.04**
Adjustments					
Tax impact of permanent differences					
ROC fee	2.24	-	-	-	-
Expenses disallowed	-	0.32	-	-	0.03
Expenses of capital nature disallowed	-	-	0.09	-	-
Insurance benefit taken in previous years	0.92	-	-	-	-
Interest on income tax	10.22	3.59	0.24	0.25	0.05
Change in enacted tax rate	25.90	1.08	(0.03)	0.02	(0.00) *
Deduction under section 80 IC of the Income Tax Act	-	(32.58)	(36.04)	-	-
Total tax impact of permanent difference(D)	**39.28**	**(27.59)**	**(35.74)**	**0.27**	**0.08**
Tax impact of timing differences					
Differences between book depreciation and tax depreciation	(0.50)	(0.61)	(0.05)	(0.00) *	(0.00) *
Amounts inadmissible u/s 40(a)(ia) in previous period now allowed	-	-	-	-	(0.09)
Amounts disallowed u/s 40(a)(i)	-	0.07	0.11	0.01	-
Tax Impact of restatement adjustments	(48.92)	49.08	(0.65)	0.52	(0.03)
Total tax impact of timing differences (E)	**(49.42)**	**48.55**	**(0.59)**	**0.53**	**(0.12)**
Net adjustments (D+E)=F	**(10.14)**	**20.96**	**(36.33)**	**0.80**	**(0.04)**
Adjusted tax liability (C+F)	**1,127.81**	**136.39**	**27.06**	**26.98**	**5.00**
Total tax as per return of income	**1,127.81**	**136.39**	**27.06**	**26.98**	**5.00**

Notes:

1. The permanent/ timing differences for the year ended March 31, 2009, 2008, 2007, 2006 and 2005 have been computed based on acknowledged copies of Income tax returns of the respective years.
2. The permanent/ timing difference for the year ended March 31, 2010 has been determined on the basis of provisional computation of total income prepared by the Company in line with the final return of income filed for the assessment year 2009-2010 and are subject to any change that may be considered at the time of filing of final return of the income for the assessment year 2010-11.

* rounded off to zero

STANDALONE STATEMENT OF RELATED PARTIES AND RESTATED TRANSACTIONS WITH THEM

ANNEXURE XXV

(Amounts in Rs. Millions)

A. LIST OF RELATED PARTIES

i) Subsidiary companies

Sl No.	For the year ended March 31,				
	2010	2009	2008	2007	2006
1	Micromax Informatics FZE (Dubai)	-	-	-	-

ii) Key management personnel

Sl No.	For the year ended March 31,				
	2010	2009	2008	2007	2006
1	Mr. Rajesh Agarwal (Managing Director)	Mr. Rajesh Agarwal (Managing Director)	Mr. Rajesh Agarwal (Managing Director)	Mr. Rajesh Agarwal (Managing Director)	Mr. Rajesh Agarwal (Managing Director)
2	Mr. Vikas Jain (Director)	Mr. Vikas Jain (Director)	Mr. Vikas Jain (Director)	Mr. Vikas Jain (Director)	Mr. Vikas Jain (Director)
3	Mr. Rahul Sharma (Director)	Mr. Rahul Sharma (Director)	Mr. Rahul Sharma (Director)	Mr. Rahul Sharma (Director)	Mr. Rahul Sharma (Director)
4	Mr. Sumeet Kumar (Director)	Mr. Sumeet Kumar (Director)	Mr. Sumeet Kumar (Director)	Mr. Sumeet Kumar (Director)	Mr. Sumeet Kumar (Director)

iii) Relatives of key management personnel (with whom transactions have taken place during the year)

Sl No.	For the year ended March 31,				
	2010	2009	2008	2007	2006
1	Mr. Vipul Jain (Brother of Mr. Vikas Jain)	-	-	-	-
2	Mrs. Manju Arora (Mother of Mr. Sumeet Kumar)	-	-	-	-

iv) Entities over which key management personnel are able to exercise significant influence

Sl No.	For the year ended March 31,				
	2010	2009	2008	2007	2006
1	Micromax Technologies Private Limited	Micromax Technologies Private Limited	Micromax Technologies Private Limited	Micromax Technologies Private Limited	Micromax Technologies Private Limited
2	Micromax Informatics Limited, Hong Kong	Micromax Informatics Limited, Hong Kong	Micromax Informatics Limited, Hong Kong	-	-

STANDALONE STATEMENT OF RELATED PARTIES AND RESTATED TRANSACTIONS WITH THEM
ANNEXURE XXV (Cont'd)

(Amounts in Rs. Millions)

B. Transactions undertaken/ balances outstanding with related parties in ordinary course of business

i) Subsidiary companies

Sl No.	Transactions during the year	For the year ended March 31,				
		2010	2009	2008	2007	2006
1	**Shares subscribed**					
	Micromax Informatics FZE (Dubai)	1.27	-	-	-	-
2	**Advance given**					
	Micromax Informatics FZE (Dubai)	0.33	-	-	-	-

Sl No.	Balances at the end of the year	As at March 31,				
		2010	2009	2008	2007	2006
1	**Amount receivable**					
	Investment	1.27	-	-	-	-
	Advances given	0.33	-	-	-	-

ii) Key management personnel

Sl No.	Transactions during the year	For the year ended March 31,				
		2010	2009	2008	2007	2006
1	**Managerial remuneration**					
	Mr. Rahul Sharma	3.90	3.28	0.30	2.25	0.25
	Mr. Sumeet Kumar	3.90	3.28	0.30	2.25	0.25
	Mr. Vikas Jain	3.90	3.28	0.30	2.25	0.25
	Mr. Rajesh Agarwal	3.60	2.50	-	1.95	0.08
2	**Loan taken**					
	Mr. Sumeet Kumar	-	-	-	0.60	-
	Mr. Rahul Sharma	-	-	-	2.50	-
3	**Reimbursement of expenses**					
	Mr. Rahul Sharma	1.73	1.04	0.78	0.18	0.29
	Mr. Summet Kumar	0.29	0.11	0.18	0.07	0.07
	Mr. Vikas Jain	0.87	0.58	0.84	0.20	0.23
	Mr. Rajesh Agarwal	-	0.10	0.00 *	-	-
4	**Dividend paid**					
	Mr. Rahul Sharma	320.53	-	-	-	-
	Mr. Summet Kumar	320.48	-	-	-	-
	Mr. Vikas Jain	320.48	-	-	-	-
	Mr. Rajesh Agarwal	320.48	-	-	-	-
5	**Advance given**					
	Mr. Rahul Sharma	0.28	-	-	-	-
	Mr. Sumeet Kumar	0.02	-	-	-	-
	Mr. Vikas jain	0.11	-	-	-	-

STANDALONE STATEMENT OF RELATED PARTIES AND RESTATED TRANSACTIONS WITH THEM

ANNEXURE XXV (Cont'd)

(Amounts in Rs. Millions)

Sl No.	Balances at the end of the year	As at March 31,				
		2010	2009	2008	2007	2006
1	**Amounts Payable**					
	Mr. Rahul Sharma	0.24	-	0.02	3.80	0.03
	Mr. Sumeet Kumar	0.24	0.07	0.02	1.94	0.02
	Mr. Vikas Jain	0.24	0.08	0.02	1.34	0.02
	Mr. Rajesh Agarwal	0.24	-	-	1.29	-

iii) Relatives of key management personnel (with whom transactions have taken place during the year)

Sl No.	Transactions during the year	For the year ended March 31,				
		2010	2009	2008	2007	2006
	Remuneration paid					
1	Mrs. Manju Arora (Mother of Mr. Sumeet Kumar)	0.28	-	-	-	-
2	**Dividend paid**					
	Mr. Vipul Jain (Brother of Mr. Vikas Jain)	0.05	-	-	-	-
	Mrs. Manju Arora (Mother of Mr. Sumeet Kumar)	0.05	-	-	-	-

(Amounts in Rs. Millions)

iv) Entities over which key management pesonnel are able to exercise significant influence

Sl No.	Transactions during the year	For the year ended March 31,				
		2010	2009	2008	2007	2006
1	**Purchase of fixed assets**					
	Micromax Technologies Private Limited	6.06	11.17	1.96	0.09	5.11
2	**Sale of goods**					
	Micromax Technologies Private Limited	1,238.67	0.04	1.56	-	-
3	**Discounts given**					
	Micromax Technologies Private Limited	45.12	-	-	-	-

Sl No.	Balances at the end of the year	As at March 31,				
		2010	2009	2008	2007	2006
1	**Amounts payable**					
	Micromax Technologies Private Limited	0.16	0.44	0.05	-	-
2	**Amounts Receivable**					
	Micromax Technologies Private Limited	164.35	-	-	-	-
	Maximum outstanding balances	179.71	0.04	-	-	-

* rounded off to zero

STANDALONE STATEMENT OF RESTATED ACCOUNTING RATIOS

ANNEXURE XXVI

Particulars	For the year ended March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Weighted average number of equity shares of Rs. 10/- each					
Number of shares at the beginning of the year (number in million)	4.80	4.80	0.96	0.24	0.17
Number of shares at the end of the year (number in million) **(A)**	4.80	4.80	4.80	0.96	0.24
Weighted average number of outstanding equity shares (re-stated) (number in million) **(B)**	177.60	177.60	177.60	177.60	177.60
Weighted average number of outstanding equity shares for calculating diluted earnings per share (restated) (number in million) **(C)**	181.55	177.60	177.60	177.60	177.60
Restated net profit after tax available for equity shareholders (Rs. in million) **(D)**	2,101.50	250.93	158.24	50.93	9.65
Net worth (Rs. in million) **(E)**	2,086.59	477.59	236.16	64.42	13.49
Basic earning per share (Rs) (re-stated) **(F = D/B)**	11.83	1.41	0.89	0.29	0.05
Diluted earning per share (Rs) (re-stated) **(G = D/C)**	11.58	1.41	0.89	0.29	0.05
Return on net worth (%) **(H = D/E)**	100.71	52.54	67.01	79.06	71.53
Net asset value per share (Rs) **(I = E/B)**	11.75	2.69	1.33	0.36	0.08

Notes:

1. As provided in Accounting Standard (AS- 20) – Basic and diluted earnings per share is restated after adjusting for 0.72 million, 3.8 million, 88.80 million and 99.25 million number of bonus shares issued, vide resolution passed at the extra-ordinary general meeting held on July 20, 2006, March 29, 2008, September 16, 2010 and September 16, 2010 respectively and allotted on July 21, 2006, March 29, 2008, September 20, 2010 and September 21, 2010 respectively.
2. Net asset value per share has been calculated by taking restated weighted average number of outstanding equity shares.

The Ratios have been computed as below:-

Earning per share (Basic):	Restated net profit after tax available for equity shareholders / Weighted average number of equity shares outstanding during the year (re-stated)
Earning per share (Diluted):	Restated net profit after tax available for equity shareholders / Weighted average number of diluted equity shares outstanding during the year (re-stated)
Return on net worth (%):	Restated net profit after tax available for equity shareholders / Net worth at the end of the year
Net asset value per share (Rs.):	Net worth at the end of the year / Equity shares (restated) outstanding during the year

STANDALONE STATEMENT OF DIVIDENDS PAID

ANNEXURE XXVII

(Amounts in Rs. Millions)

Particulars	For the year ended March 31,				
	2010	2009	2008	2007	2006
Number of equity shares (in million)	48.00	48.00	48.00	9.60	2.40
Face value of equity shares (Rs.)	10.00	10.00	10.00	10.00	10.00
Record date	December 16, 2009				
Rate of dividend (%)					
Interim	3,125%	-	-	-	-
Amount of dividend on equity shares					
Interim	1,282.11	-	-	-	-
Total corporate dividend tax	217.89	-	-	-	-

Notes:

1. Number of equity shares mentioned above represents number of outstanding shares of the Company on record date in years where dividend was declared by the Company. Where no dividend was declared, number of equity shares outstanding at the end of the respective years has been mentioned.

SIGNIFICANT ACCOUNTING POLICIES TO STANDALONE RESTATED SUMMARY STATEMENTS

1. Background

a. Micromax Informatics Limited ("the Company") was incorporated on March 29, 2000. The Company was initially in the business of manufacturing of fixed wireless terminals and phones. In the year ended March 31, 2009, the Company began the business in trading of third party manufactured mobile phones under its brands namely 'Micromax' and 'Micromax Mobile'.

b. The standalone summary statement of restated Assets and Liabilities of the Company as at March 31, 2010, 2009, 2008, 2007and 2006 and the standalone summary statement of restated Profits and Losses and also the Cash Flows for the year ended March 31, 2010, 2009, 2008, 2007and 2006 (hereinafter collectively referred to as "Standalone Restated Summary Statements") have been prepared specifically for inclusion in the offer document to be filed by the Company with the Securities and Exchange Board of India ("SEBI") in connection with its proposed Initial Public Offering.

These Standalone Restated Summary Statements have been prepared to comply in all material respects with the requirement of Schedule II to the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 issued by SEBI.

2. Significant accounting policies

a. Basis of preparation

The financial statements have been prepared to comply with the accounting standards referred to in the Companies (Accounting Standards) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of section 642 and the relevant provisions of the Act. The financial statements have been prepared on a going concern basis under the historical cost convention on accrual basis. The significant accounting policies have been consistently applied by the Group unless stated otherwise.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting period. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

c. Fixed assets and intangibles

Fixed assets are stated at cost less accumulated depreciation. Cost comprises purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification to/ alteration in the fixed assets, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

Computer software, which is not an integral part of the related hardware is classified as intangible asset and is stated at the cost of acquisition less accumulated amortisation and impairment loss.

d. Depreciation and amortisation

(i) Depreciation on fixed assets is provided on written down value method at rates, which are either greater than or equal to the corresponding rates in Schedule XIV of the Act based on the management's estimate of useful life, as follows:

Asset	Estimated useful life (in years)
Building	28-58
Plant and machinery	6-7

Vehicles	10
Office equipments	6-7
Computers	5-6
Furniture and fittings	15
Softwares (intangibles)	5-6

(ii) Depreciation on asset costing Rs. 5,000 and below is depreciated @ 100% per annum.

e. Research cost

Expenditure incurred on research is recognised as an expense when it is incurred.

f. Inventories

Inventories including goods in transit are valued at lower of cost and net realisable value. Cost comprises of purchase price (including duties and taxes other than those subsequently recoverable from the taxing authorities), freight inward and other related incidental expenses incurred in bringing the inventory to its present condition and location and is arrived at on first in first out method.

g. 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.

(i) Sales of goods

a. Revenue from sales of goods is recognised when all the significant risk and rewards of ownership of the goods are transferred to the buyer and the Company retains no effective control of the goods transferred to a degree usually associated with ownership; and
b. No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

(ii) Service income for operators business

Revenue is recognised as and when services have been rendered.

(iii) Interest income

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

h. Foreign currency transactions

Initial recognition:
Foreign currency transactions are recorded at the rates prevailing on the date of transaction.

Subsequent recognition
Foreign currency monetary items are restated at the rate prevailing on the balance sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences:
Exchange differences arising on the settlement of 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.

Forward exchange contract not intended for trading or speculation purpose
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.

i. Employee benefits

Provident fund
The Company makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952 which is a defined contribution plan. The Company's contribution

paid/payable under the scheme is recognised as an expense in the Profit and Loss account during the period in which the employee renders the related service.

Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is determined by actuarial valuation as on the balance sheet date, using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Profit and Loss Account in the year in which such gains or losses arise.

Other short term benefits

Expense in respect of other short term benefit is recognised on the basis of amount paid or payable for the period during which services are rendered by the employee.

j. Investment

Investments that are by their nature readily realisable and intended to be held for not more than a year from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and market value determined on an individual investment basis. Long-term investments are carried at cost; however, provision for diminution in value, other than temporary, is made in the financial statements.

Profit/ loss on sale of investments are computed with reference to their average cost of investment.

k. Warranty

The Company offers warranty on its products as per terms of sale. Warranty cost for mobile phones are provided based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period.

l. Income taxes

Provision for tax includes current tax and deferred tax. Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year.

Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, deferred tax arising from brought forward losses and depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realized.

m. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

n. Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Lease rentals in respect of assets taken on 'operating lease' are charged to the Profit and Loss account on a straight line basis over the lease term.

o. 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. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, 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.

p. Contingent liabilities and provisions

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Disclosure for a contingent liability is made when there is a present obligation that may, but probably will not, require an outflow of resources. Disclosure is also made in respect of a present obligation as a result of past event that probably requires an outflow of resource, where it is not possible to make a reliable estimate of the outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

NOTES TO STANDALONE RESTATED SUMMARY STATEMENTS (CONT'D)
(All amounts in Rs. millions, unless stated otherwise)

1. Restatement adjustments

(a) During the years ended March 31, 2009, 2008, 2007 and 2006, the Company had recorded gratuity expense on a cash basis as against the requirements of Accounting Standard ('AS') 15 (Revised 2005) Accounting for retirement benefits which requires accrual basis of accounting. For the year ended March 31, 2010, the Company has recorded gratuity provision in accordance with AS-15. Accordingly, for the purposes of Standalone Restated Summary Statements, this treatment has been applied retrospectively.

(b) Certain purchases which pertained to year ended March 31, 2008 were erroneously recorded in the year ended March 31, 2007. Accordingly, for the purposes of Standalone Restated Summary Statements, the adjustment has been recorded in the relevant year.

(c) The closing inventory was erroneously over valued as at March 31, 2009. Accordingly, for the purposes of Standalone Restated Summary Statements, the carrying amount of inventories as at March 31, 2009 has been restated with corresponding effect in the subsequent year.

(d) During the years ended March 31, 2009, 2008 and 2007, insurance expenses were erroneously booked in the year of payment instead of being amortized over the period of insurance. Accordingly, for the purposes of Standalone Restated Summary Statements, the carrying amount of prepaid expenses as at each balance sheet date has been restated and correct expense has been recorded in Profit and Loss accounts of the respective years.

(e) During the years ended March 31, 2009, 2008 and 2007, the creditors denominated in foreign currency were not restated as at the balance sheet date as against the requirements of the Accounting Standard – 11 "The effects of changes in foreign exchange rates". Accordingly, for the purposes of Standalone Restated Summary Statements, the carrying amount of creditors denominated in foreign currency have been restated as at each balance sheet date and corresponding impact of foreign exchange fluctuation has been recorded in Profit and Loss accounts of the respective years.

(f) During the year ended March 31, 2009, the Company has not made provision for warranty expense in relation to the unexpired sales as at the year end. Accordingly, for the purposes of Standalone Restated Summary Statements, the provision for warranty has now been restated as at each balance sheet date and corresponding impact of the warranty expense has been recorded in profit and loss account for the year.

2. Material re-classifications

(a) The sundry debtors and fixed deposits were erroneously classified under 'other current assets' in the Balance Sheets as at March 31, 2009, 2008, 2007 and 2006. Accordingly, this has been re-classified separately as sundry debtors and cash and bank respectively under 'current assets, loans and advances' in the Standalone Restated Summary Statements at each balance sheet date.

(b) During the years ended March 31, 2008 and 2007, certain sundry debtors outstanding for more than six months were erroneously classified as outstanding for less than six months. Accordingly, this has been appropriately re-classified in the Standalone Restated Summary Statements at each balance sheet date.

(c) The inventories were erroneously classified under 'other current assets' in the Balance Sheets as at March 31, 2007 and 2006. Accordingly, this has been re-classified separately as inventories under 'current assets, loans and advances' in the Standalone Restated Summary Statements at respective balance sheet dates.

(d) The vehicle loans from banks were erroneously classified under 'current liabilities' as at March 31, 2009, 2008, 2007 and 2006. Accordingly this has been re-classified under 'secured loans' in the Standalone Restated Summary Statements at respective balance sheet dates.

(e) The credit balance of current account in bank was erroneously classified under 'cash and bank' as at March 31, 2009, 2007 and 2006. Accordingly this has been re-classified as book overdraft under 'current liabilities' in the Standalone Restated Summary Statements at respective balance sheet dates.

(f) The credit balance of current account in bank was erroneously classified under 'secured loan' as at March 31, 2008. Accordingly this has been re-classified as cash credit under current liabilities in the Summary Statement of Restated Assets and Liabilities at the balance sheet date.

(g) The debit balance of overdraft account in bank was erroneously classified under 'secured loans' as at March 31, 2009. Accordingly this has been re-classified under 'cash and bank' in the Summary Statement of Restated Assets and Liabilities at the balance sheet date.

(h) During the year ended March 31, 2009, the Company reclassified certain fixed assets from land to buildings purchased in years ended March 31, 2007 and March 31, 2008. Accordingly, gross block for these has been appropriately re-classified assets in the Standalone Restated Summary Statements at respective balance sheet dates.

(i) The interest under section 234 B and C of the Income tax act, 1961 has been erroneously classified under current tax and corresponding liability under provision for income tax in years ended March 31, 2009, 2008, 2007 and 2006. This has been reclassified as interest and finance charges and corresponding liability as other liabilities in Standalone Restated Summary Statements at respective balance sheet date.

(j) The interest accrued on fixed deposits has been erroneously classified under loans and advances in the balance sheets for the years ended March 31, 2009, 2008, 2007 and 2006. Accordingly, this has been re-classified under other current assets in the Standalone Restated Summary Statements at respective balance sheet date.

3. Tax impact of adjustments

The Standalone Restated Summary Statements have been adjusted for the tax impact of the restatement adjustments identified above.

4. During the year ended March 31, 2010, the Company entered into an agreement with TA Associates (the "Investor') for raising additional funds through Wagner Limited, Mauritius ('remitting entity') by way of issuance of 0.0001% Paid Participatory Compulsorily Convertible Cumulative Preference Shares ("PCCPS"). As per the terms of agreement, the Company has received the sum of Rs. 1,012.50 million as share application money for 360,000 PCCPS of Rs. 2,812 each, at a premium of Rs. 0.50 per share, against which PCCPS have been issued subsequent to the balance sheet date. These PCCPS are fully convertible into 423,530 equity shares of Rs 10 each. Subsequent to the balance sheet date, these shares have been converted into equity shares. Post conversion, Investor holds 783,530 equity shares which constitute 15% equity shareholding to the Investor. Further, bonus shares have been issued on these shares as per note 12 (a) below.

5. Contingent liabilities

(Amount in Rs. Millions)

Nature of contingent liability	As at March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Income tax case (A.Y 2008-09) pending with CIT (Appeals)	0.06	-	-	-	-
Delhi VAT case (A.Y 2007-08) pending with the Deputy Commissioner	0.89	-	-	-	-
Total	**0.95**	-	-	-	-

6. The following table summarises the components of net benefit expenses recognised for gratuity in the Profit and Loss account and the related amounts recognised in the Balance Sheet for the respective years.

Amount recognised in the Standalone Summary Statement of Restated Profits and Losses is as under:

(Amount in Rs. millions)

Description	For the year ended March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Current service cost	1.20	0.48	0.23	0.12	0.05
Interest cost	0.18	0.05	0.03	0.02	0.01
Actuarial (gain)/ loss recognised during the year	1.22	1.18	0.03	(0.01)	0.10
Past service cost	-	-	-	-	-
Total	**2.60**	**1.71**	**0.29**	**0.13**	**0.16**

Change in liability recognised in the Standalone Summary Statement of Restated Assets and Liabilities is as under:

Particulars	For the year ended March 31,				
	2010	2009	2008	2007	2006
Present value of defined benefit obligation as at the start of the year	2.39	0.68	0.39	0.27	0.11
Current service cost	1.20	0.48	0.23	0.12	0.05
Interest cost	0.18	0.05	0.02	0.02	0.01
Actuarial (gain)/ loss recognised during the year	1.22	1.18	0.04	(0.02)	0.10
Present value of defined benefit obligation as at the end of the year	**4.99**	**2.39**	**0.68**	**0.39**	**0.27**

Change in the fair value of plan assets is as under:

Particulars	For the year ended March 31,				
	2010	2009	2008	2007	2006
Fair value of plan assets as at April 1,	-	-	-	-	-
Contribution made during the year	7.44	-	-	-	-
Expected return on plan assets	-	-	-	-	-
Benefits paid	-	-	-	-	-
Present value of defined benefit obligation as at the end of the year	**7.44**	**-**	**-**	**-**	**-**

Over-funded / under-funded status:

Description	As at March 31,				
	2010	2009	2008	2007	2006
Fair value of plan assets as at the end of the period	7.44	-	-	-	-
Present value of obligation as at the end of the period	4.99	2.39	0.68	0.39	0.27
Net asset/(liability) recognised in the balance sheet	**2.45**	**(2.39)**	**(0.68)**	**(0.39)**	**(0.27)**

For determination of the gratuity liability, the following actuarial assumptions were used:

Description	For the year ended March 31,				
	2010	2009	2008	2007	2006
Discount rate	7.5%	7.5%	7.5%	7.5%	7.5%
Rate of increase in compensation levels	7.0%	7.0%	7.0%	7.0%	7.0%
Retirement age	60 years	60 years	60 years	60 years	60 years

7. The exposure in foreign currency that have not been hedged by derivative instrument or otherwise for respective years are mentioned below :

(Amount in Rs. millions)

Description	As at March 31,				
	2010	2009	2008	2007	2006
Included in	Sundry creditors	Sundry creditors	Sundry creditors	Sundry creditors	Sundry creditors
Currency	USD	USD	USD	USD	USD

Currency rate (Rs./USD)	45.004	51.760	39.890	43.417	44.467
Amount in USD	• 4.49	16.34	1.55	3.70	0.79
Amount in Rs.	**2,002.22**	**845.76**	**61.83**	**160.64**	**35.12**

8. Segment reporting

The Company is in the business of trading in mobile phones and wireless terminals which is considered to be the only reportable business segment as “Telecom and mobile business” by the Company. In terms of geographies, the Company primarily sells its products within India and neither identifies nor analyzes risk based on different geographical regions.

9. The Company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. These foreign exchange forward contracts and options are not used for trading or speculation purposes. The following are the outstanding forward exchange contract at the balance sheet date:

(Amount in Rs. Millions)

Description	**As at March 31,**				
	2010	**2009**	**2008**	**2007**	**2006**
Nature of hedge instrument	Forward contract	Forward contract	Forward contract	Forward contract	Forward contract
Description of hedge	To take protection against appreciation in USD payable against INR	To take protection against appreciation in USD payable against INR	To take protection against appreciation in USD payable against INR	To take protection against appreciation in USD payable against INR	To take protection against appreciation in USD payable against INR
Amount in USD	1.16	-	-	-	-
Amount in Rs.	52.62	-	-	-	-

10. Provision for warranty

The Company provides replacement warranties for the period ranging from 12 months to 15 months on products sold by it. A warranty provision is made for cost to be borne in future in respect of replacements of products sold during the year. Warranty cost for mobile phones are provided based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and is based on past experience in respect of warranty costs. Management believes that this expenditure will be incurred over the contractual warranty period.

(Amount in Rs. millions)

Description	**For the year ended March 31,**				
	2010	**2009**	**2008**	**2007**	**2006**
Opening balance	82.19	-	-	-	-
Provision made during the year	899.67	87.08	0.97	0.64	0.80
	981.86	**87.08**	**0.97**	**0.64**	**0.80**
Less: Paid/replaced during the year	231.86	4.89	0.97	0.64	0.80
Closing balance	**750.00**	**82.19**	**-**	**-**	**-**

11. Lease disclosure – Incase of assets taken on lease

The Company has taken warehouses under operating leases. These leases are generally for a period of one year and renewable at the mutual consent of both lessor and lessee. There are no escalation clauses and restrictions imposed by lessee in the lease agreements. Lease payments charged to the Profit and Loss account during the year are as follows:

(Amount in Rs. Millions)

Description	For the year ended March 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Lease payments	3.83	4.35	3.53	0.42	0.06

12. Subsequent events

a) **Issue of bonus share**
Subsequent to the year end, the Company has issued 88,800,010 bonus equity shares of Rs. 10 each in the proportion of 17 equity shares for each equity share held and 99,247,070 bonus equity shares of Rs. 10 each in the ratio of 19 equity shares for every 18 equity shares held, on September 20, 2010 and September 21, 2010 respectively, to its existing shareholders as of record date of September 16, 2010 and September 20, 2010 respectively. These bonus shares were issued out of surplus in the Profit and Loss account and the securities premium account of the Company.

b) **Employee stock option plan**
During September 2010, the Company has instituted an Employee Stock Option Plan consequent to which 353,535 equity shares of Rs. 10 each have been granted as stock options to eligible employees. These options have been granted with an exercise price of Rs. 10 each and will vest equally over a period of 3 years.

MICROMAX INFORMATICS LIMITED - CONSOLIDATED SUMMARY STATEMENT OF RESTATED ASSETS AND LIABILITIES AND CONSOLIDATED SUMMARY STATEMENT OF RESTATED PROFIT AND LOSS, FOR THE YEAR ENDED MARCH 31, 2010.

Auditors' report as required by Part II of Schedule II to the Companies Act, 1956

To,

The Board of Directors
Micromax Informatics Limited
9/ 52/ 1, Kirti Nagar Industrial Area,
New Delhi - 110 015,
India

Dear Sirs,

We have examined the Consolidated financial information of Micromax Informatics Limited (the 'Company') and its subsidiary (refer Note 2(b) of Annexure XXVII), (collectively referred to as the 'Group') annexed to this report for the purpose of inclusion in the Draft Red Herring Prospectus (the 'DRHP'). This financial information has been prepared by management and approved by the Board of Directors of the Company for the purpose of disclosure in the DRHP being issued by the Company in connection with the Initial Public Offering ('IPO') for the issue of 21,546,118 equity shares having a face value of Rs 10 each at an issue price to be arrived at by a book building process (referred to as 'the Issue'). This financial information has been prepared in accordance with the requirements of:

i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

ii) The Securities and Exchange Board of India ('SEBI")- (Issue of Capital and Disclosure Requirements) Regulations 2009 (the 'SEBI Regulations'), as amended from time to time issued by SEBI in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments;

iii) The Guidance Note on the Reports in Company Prospectuses (revised) issued by the Institute of Chartered Accountants of India ('ICAI'); and

iv) In accordance with the terms of reference received from the Company requesting us to carry out work in connection with the DRHP being issued by the Company relating to IPO.

A. Consolidated Financial Information as per the Audited Financial Statements:

1. We have examined the attached Consolidated Summary Statement of Restated Assets and Liabilities (Annexure I) of the Group as at March 31, 2010 and the attached Consolidated Summary Statement of Restated Profit and Loss (Annexure II) and also Consolidated Statement of Restated Cash flows (Annexure III) for the year ended March 31, 2010 collectively referred to as 'Consolidated Restated Summary Statements'. These Consolidated Restated Summary Statements have been arrived at after making such adjustments and regroupings to the financial statements of the Group which are appropriate and are more fully described in the Significant Accounting Policies and Notes to Consolidated Restated Summary Statements in Annexure XXVII and XXVIII respectively.

2. The Consolidated Restated Summary statements for the year ended March 31, 2010 are based on the financial statements of the Group. We did not audit the financial statements and other financial information of a subsidiary, whose financial statements reflect total assets of Rs. 1.26 million as at March 31, 2010, total revenue of Rs. Nil and cash flows outflow amounting to Rs. 0.32 million for the year then ended. These financial statements and other financial information have been audited by other auditor whose report has been furnished to us and our opinion in respect thereof is based solely on the reports of such other auditor.

3. Based on our examination of these Consolidated Restated Summary Statements, we state that:

   a) The Consolidated Restated Summary Statements have to be read in conjunction with the Significant Accounting Policies and Notes to Consolidated Restated Summary Statements given in Annexure XXVII and XXVIII respectively;

   b) The Consolidated Restated Summary Statements have been restated with retrospective effect to reflect the accounting policies being adopted by the Group as at March 31, 2010, as stated in the Notes forming part of the Consolidated Restated Summary Statements given in Annexure XXVIII;

c) The Consolidated restated profit/ loss has been arrived at after making such adjustments in the opening reserves and surplus, as described in the Notes forming part of the Restated Summary Statements given in Annexure XXVIII;

d) There are no qualifications in the auditor's report for the years ended March 31, 2010.; and

e) There are no extra-ordinary items which need to be disclosed separately in the Consolidated Restated Summary Statements.

B. Consolidated Other Financial Information:

4. We have examined the following information in respect of the year ended March 31, 2010 of the Group , proposed to be included in the DRHP, as approved by the Board of Directors and annexed to this report:

(i) Consolidated Statement of Restated Fixed Assets and Depreciation (Annexure IV);

(ii) Consolidated Statement of Restated Investments (Annexure V);

(iii) Consolidated Statement of Restated Inventories (Annexure VI);

(iv) Consolidated Statement of Restated Sundry Debtors (Annexure VII);

(v) Consolidated Statement of Restated Cash and Bank Balances (Annexure VIII);

(vi) Consolidated Statement of Restated Loans and Advances (Annexure IX);

(vii) Consolidated Statement of Restated Other Current Assets (Annexure X);

(viii) Consolidated Statement of Restated Deferred Tax Assets/ Liabilities (Annexure XI);

(ix) Consolidated Statement of Restated Secured Loans (Annexure XII);

(x) Consolidated Statement of Restated Current Liabilities and Provisions (Annexure XIII);

(xi) Consolidated Statement of Restated Share Capital (Annexure XIV);

(xii) Consolidated Statement of Restated Reserves and Surplus (Annexure XV);

(xiii) Consolidated Statement of Restated Sale and Other Income (Annexure XVI);

(xiv) Consolidated Statement of Restated Cost of Goods Sold (Annexure XVII);

(xv) Consolidated Statement of Restated Personnel Cost (Annexure XVIII);

(xvi) Consolidated Statement of Restated Selling and Distribution Expenses (Annexure XIX);

(xvii) Consolidated Statement of Restated General and Administration Expenses (Annexure XX);

(xviii) Consolidated Statement of Restated Interest and Finance Charges (Annexure XXI);

(xix) Consolidated Restated Capitalisation Statement (Annexure XXII);

(xx) Consolidated Statement of Restated Tax Shelters (Annexure XXIII);

(xxi) Consolidated Statement of Related Parties and Restated Transactions With Them(Annexure XXIV);

(xxii) Consolidated Statement of Restated Accounting Ratios (Annexure XXV);

(xxiii) Consolidated Statement of Dividends Paid (Annexure XXVI);

(xxiv) Significant Accounting Polices to Consolidated Restated Summary Statements (Annexure XXVII); and

(xxv) Notes to Consolidated Restated Summary Statements (Annexure XXVIII).

5. In our opinion, the 'Consolidated Financial Information as per the audited financial statements' and 'Consolidated Other Financial Information' mentioned above for the year ended March 31, 2010, have been prepared in accordance with Part II of Schedule II to the Act and the SEBI Regulations.

6. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should it be construed as a new opinion on any of the financial statements referred to therein.

7. This report is intended solely for your information and for inclusion in the DRHP in connection with the Initial Public Offer of the equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **David Jones**
Partner
Membership No. 98113

Place: Gurgaon
Date: September 27, 2010

MICROMAX INFORMATICS LIMITED

CONSOLIDATED SUMMARY STATEMENT OF RESTATED ASSETS AND LIABILITIES

ANNEXURE I

(Amount in Rs. millions)

Particulars	As at March 31, 2010
A. Fixed assets	
Gross block	111.09
Less: Accumulated depreciation and amortisation	19.38
Net block	**91.71**
B. Capital work in progress (including capital advances)	**14.61**
C. Investments	**200.81**
D. Current assets, loans and advances	
Inventories	990.72
Sundry debtors	1,219.98
Cash and bank	2,263.56
Loans and advances	912.84
Other current assets	11.96
	5,399.06
E. Liabilities and provisions	
Loan funds:	
Secured loans	11.69
Current liabilities and provisions:	
Current liabilities	2,635.81
Provisions	971.05
	3,618.55
F. Deferred tax liability (net)	**1.40**
Net worth (A+B+C+D-E-F)	**2,086.24**
Net worth represented by:	
Share capital	48.00
Share application money	1,012.50
Reserves and surplus	1,025.74
Net worth	**2,086.24**

Note:

The above statement should be read with the Accounting Policies and Notes to Consolidated Restated Summary Statements in Annexure XXVII and XXVIII respectively.

CONSOLIDATED SUMMARY STATEMENT OF RESTATED PROFIT AND LOSS

ANNEXURE II

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
Income	
Sale	15,653.04
Other income	364.54
Total income	**16,017.58**
Expenditure	
Cost of goods sold	10,768.21
Personnel costs	71.18
Selling and distribution	752.70
General and administrative	1,048.77
Depreciation and amortization	8.96
Interest and finance charges	89.88
Total expenditure	**12,739.70**
Profit before tax and prior period item	3,277.88
Tax expense	
Current tax	1,127.15
Deferred tax	0.66
Net profit after tax and before prior period item	**2,150.07**
Prior period items	**147.26**
Net profit after tax	**2,002.81**
Restatement adjustments	
Provision for retirement benefits (refer note 1 (a) of Annexure XXVIII)	2.39
Inventory valuation adjustment (refer note 1 (b) of Annexure XXVIII)	34.71
Adjustment for insurance expense (refer note 1 (c) of Annexure XXVIII)	(2.72)
Foreign exchange fluctuation gain/ (loss) (refer note 1 (d) of Annexure XXVIII)	30.69
Warranty expense (refer note 1 (e) of Annexure XXVIII)	82.19
Total impact of adjustments	**147.26**

CONSOLIDATED SUMMARY STATEMENT OF RESTATED PROFIT AND LOSS

ANNEXURE II (Cont'd)

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
Tax adjustment	
Income taxes (refer note 2 of Annexure XXVIII)	(48.92)
Net profit as restated	**2,101.15**
Appropriation	
Transfer to general reserve	236.55
Interim dividend	1,282.11
Dividend distribution tax	217.89
	1,736.55
	364.60
Balance as per last balance sheet	424.59
Surplus carried to balance sheet	**789.19**

Note:
The above statement should be read with the Accounting Policies and Notes to Consolidated Restated Summary Statements in Annexure XXVII and XXVIII respectively.

CONSOLIDATED SUMMARY STATEMENT OF RESTATED CASH FLOWS

ANNEXURE III

(Amount in Rs. millions)

Particulars	**For the year ended March 31, 2010**
A. Cash flow from operating activities	
Profit before tax and prior period items, as restated	3,277.88
Adjustments for:	
Depreciation and amortisation	8.96
(Profit)/ loss on sale of fixed assets	(0.01)
Unrealised foreign exchange (gain)/loss	(76.46)
Interest on fixed deposit	(38.98)
Bad debts	3.93
Interest and finance charges	59.82
Interest on delayed payment of tax	30.06
Mark to market	0.50
Operating profit before working capital changes	**3,265.70**
Changes in working capital :	
(Increase)/decrease in inventories	(691.07)
(Increase)/decrease in sundry debtors	(895.36)
(Increase)/decrease in loans and advances	(678.46)
Increase/(decrease) in current liabilities and provisions	2,308.15
Cash generated from operations	**3,308.96**
Direct taxes paid	(987.31)
Net cash from operating activities	**2,321.65**
B. Cash flows from investing activities	
Purchase of fixed assets and changes in capital work in progress	(24.90)
Proceeds from sale of fixed assets	0.62
Increase in fixed deposits with bank	(721.10)
Purchase of investments	(200.04)
Interest received	30.14
Net cash used in investing activities	**(915.28)**
C. Cash flows from financing activities	
Proceeds from share application money	1,012.50
Refund of share application money	(5.00)
Proceeds from borrowings	6.46
Repayment of borrowings	(26.92)
Dividends paid	(1,282.11)
Dividend distribution tax paid	(217.89)
Interest and finance charges	(59.82)
Net cash used in financing activities	**(572.77)**

CONSOLIDATED SUMMARY STATEMENT OF RESTATED CASH FLOWS

ANNEXURE III (Cont'd)

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
D. Net Increase/(decrease) in Cash and Cash Equivalents (A+B+C)	833.60
E. Cash and Cash Equivalents at start of the period	216.50
F. Cash and Cash Equivalents at close of the period (D+E)	**1,050.10**
Notes	
Components of cash and cash equivalents	
Cash and cheques on hand	0.01
Balances with schedules banks	
- In current accounts	1,050.09
Total	**1,050.10**
Balance with bank not considered as cash equivalents:	
Fixed deposit pledged with banks	1,213.46
Total Cash and Bank balance as per balance sheet	**2,263.56**

CONSOLIDATED STATEMENT OF RESTATED FIXED ASSETS AND DEPRECIATION

ANNEXURE IV

Fixed Assets as at March 31, 2010 *(Amounts in Rs. Milllion)*

Particulars	Gross block				Accumulated depreciation/ amortisation				Net block	
	As at April 1, 2009	Additions during the year	Deletions during the year	As at March 31, 2010	Up to March 31, 2009	For the year	Deletions during the year	Up to March 31, 2010	As at March 31, 2010	As at March 31, 2009
TANGIBLES										
Land	33.06	-	-	33.06	-	-	-	-	33.06	33.06
Buildings	21.99	2.02	-	24.01	0.37	1.36	-	1.73	22.28	21.62
Plant and machinery	3.21	0.45	-	3.66	0.35	0.41	-	0.76	2.90	2.86
Office equipments	2.95	0.86	-	3.81	0.28	0.42	-	0.70	3.11	2.67
Computers	8.83	3.69	-	12.52	5.50	1.98	-	7.48	5.04	3.33
Furniture and fittings	3.88	0.96	-	4.84	0.81	0.62	-	1.43	3.41	3.07
Vehicles	12.33	14.13	1.71	24.75	4.08	3.32	1.09	6.31	18.44	8.25
INTANGIBLES										
Softwares	1.65	2.79	-	4.44	0.12	0.85	-	0.97	3.47	1.53
TOTAL	**87.90**	**24.90**	**1.71**	**111.09**	**11.51**	**8.96**	**1.09**	**19.38**	**91.71**	**76.39**

CONSOLIDATED STATEMENT OF RESTATED INVESTMENTS

ANNEXURE V

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Investments	
A. Long term investments (at cost)	
Other than trade, unquoted	
ING Vysya debt fund	0.07
ING Vysya life insurance policy	0.70
B. Short term investments (non-trade, unquoted)	
9,970,388 units of HDFC Cash Management Fund - Treasury Advantage Plan Mutual Fund of Rs 10.03 each	100.02
945,907,485 units of ICICI Prudential Flexible Income Plan Premium Mutual Fund of Rs 10.03 each	100.02
Total	**200.81**
Aggregate amount of unquoted investments	200.81

CONSOLIDATED STATEMENT OF RESTATED INVENTORIES

ANNEXURE VI

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Inventories	
Traded goods	837.71
Spares and accessories	61.25
Terminals	9.00
Goods in transit	82.76
Total	**990.72**

CONSOLIDATED STATEMENT OF RESTATED SUNDRY DEBTORS

ANNEXURE VII

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Sundry debtors	
(Unsecured, considered good, except stated otherwise)	
Debts outstanding for a period exceeding six months	18.65
	18.65
Debts outstanding for a period less than six months	1,201.33
	1,201.33
Total	**1,219.98**

Note:

Amounts due from promoters / promoter group/ directors/ relatives of directors/ associate companies/ group companies

(Amounts in Rs. Millions)

Particulars	Category	As at March 31,				
		2010	2009	2008	2007	2006
Micromax Technologies Private Limited	Group company	164.35	-	-	-	-

CONSOLIDATED STATEMENT OF RESTATED CASH AND BANK BALANCES

ANNEXURE VIII

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Cash and bank balances	
Cash in hand	0.01
Cheques in hand	-
Bank balances with scheduled banks in :	
Current accounts	1,050.09
Fixed deposit accounts (pledged)	1,213.46
Total	**2,263.56**

Notes:

The fixed deposits are pledged against the letter of credit opened with banks.

CONSOLIDATED STATEMENT OF RESTATED LOANS AND ADVANCES

ANNEXURE IX

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Loans and advances	
(Unsecured, considered good, except stated otherwise)	
Advances recoverable in cash or in kind or for value to be received	6.04
Balances with excise and VAT authorities	8.32
Additional custom duties (SAD recoverable)	402.02
Advance to suppliers	492.72
Security deposits	0.64
Gratuity fund	2.45
Service tax recoverable	0.65
Total	**912.84**

Note:

Amounts due from promoters / promoter group/ directors/ relatives of directors/ associate companies/ group companies

(Amount in Rs. millions)

Particulars	Category	As at March 31, 2010
Mr. Rahul Sharma	Promoter/ Director	0.28
Mr. Sumeet Kumar	Promoter/ Director	0.02
Mr. Vikas Jain	Promoter/ Director	0.11

CONSOLIDATED STATEMENT OF RESTATED OTHER CURRENT ASSETS

ANNEXURE X

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Other current assets	
Interest accrued but not due on fixed deposits	11.96
Total	**11.96**

CONSOLIDATED STATEMENT OF RESTATED DEFERRED TAX ASSETS/ (LIABILITIES)

ANNEXURE XI

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Deferred tax assets arising on account of:	
Opening Deferred tax assets	48.17
Sub total(A)	**48.17**
Deferred tax liabilities arising on account of:	
Depreciation	0.65
Tax impact of restatement adjustment	48.92
Sub total(B)	**49.57**
Total (A-B)	**(1.40)**

CONSOLIDATED STATEMENT OF RESTATED SECURED LOANS

ANNEXURE XII

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Vehicle loan from banks **ICICI Bank limited (Car loan)** (secured by hypothecation of respective vehicle)	0.15
Reliance Consumer Finance (secured by hypothecation of respective vehicle)	0.72
HDFC Bank Ltd (secured by hypothecation of respective vehicle)	10.82
Total	**11.69**

CONSOLIDATED STATEMENT OF RESTATED SECURED LOANS

ANNEXURE XII (Cont'd)

The payment terms of the vehicle loans as on March 31, 2010 are as follows:

Particulars of loan	Name of the bank	Nature of loan	Sanction amount (Rs. Million)	Outstanding as on March 31, 2010 (Rs. Million)	Rate of interest p.a. (%)	Repayment (months)
Skoda Laura –II	ICICI Bank Limited	Car Loan	1.20	0.15	9.15%	48 months
BMW	Reliance Consumer Finance	Car Loan	1.63	0.72	13.20%	47 Months
Mercedes Benz	HDFC Bank Limited	Car Loan	3.00	2.00	0.00%	36 months
BMW-520D	HDFC Bank Limited	Car Loan	4.70	4.08	9.81%	36 months
BMW X6	HDFC Bank Limited	Car Loan	3.15	2.74	9.16%	36 months
Mercedes Benz	HDFC Bank Limited	Car Loan	2.05	2.00	0.00%	36 months

Notes:

1. The loan amount, interest and other charges thereon shall be repaid by the borrower in installments as per the repayment schedule attached to the agreement.

2. The borrower may prepay the whole or any part of the outstanding loan (including interest, fees and charges herein) by giving a notice in writing to that effect.

3. Further no rescheduling of the vehicle loan was made during the year ended March 31, 2010

4. In case of default, banker may sell by auction or any private contract or tender, dispatch or consign for realization or otherwise dispose of or deal with the hypothecated vehicle in the manner the bank may think fit.

CONSOLIDATED STATEMENT OF RESTATED CURRENT LIABILITIES

ANNEXURE XIII

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Current liabilities	
A. Current liabilities	
Sundry creditors for goods, services and expenses	2,434.74
Advances from customers	26.72
Security deposits	8.02
Derivative liability	0.50
Other liabilities	165.83
Sub total	**2,635.81**
B. Provisions	
Warranty expense	750.00
Tax (including fringe benefit tax), net of advance tax	221.05
Sub total	**971.05**
Total (A+B)	**3,606.86**

CONSOLIDATED STATEMENT OF RESTATED SHARE CAPITAL

ANNEXURE XIV

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Authorised	
Equity shares of Rs 10 each	50.00
0.0001% participatory compulsorily convertible cumulative preference shares of Rs 2,812 each	1,012.32
Issued, subscribed and paid up	
Equity shares of Rs 10 each, fully paid up	48.00
Total	**48.00**
Number of equity shares (number in millions)	**4.80**

CONSOLIDATED STATEMENT OF RESTATED RESERVES AND SURPLUS

ANNEXURE XV

(Amount in Rs. millions)

Particulars	As at March 31, 2010
Reserves and surplus	
General reserve	
Transfer from Profit and Loss account	236.55
Sub total (A)	**236.55**
Profit and Loss account	789.19
Sub total (B)	**789.19**
Total	**1,025.74**

CONSOLIDATED STATEMENT OF RESTATED SALES AND OTHER INCOME

ANNEXURE XVI

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010	Nature (Recurring/ Non-Recurring)	Related/ Not related to Business Activity
Sales	**15,653.04**		
Other income:			
Profit on sale of fixed assets	0.01	Non-recurring	Related
Profit on foreign exchange fluctuation (net)	317.76	Recurring	Related
Interest on fixed deposits	38.98	Recurring	Related
Service charges	6.17	Recurring	Related
Miscellaneous income	1.62	Recurring	Related
Sub total	**364.54**		
Total	**16,017.58**		
Profit before tax and prior period items	**3,277.88**		
% of Other Income to profit before tax and prior period items	**11%**		

Notes:

1. All items classified under other income were earned in the normal course of business.
2. The classification of "Other income" as recurring or non-recurring is based on the current operations and business activities of the Group, as determined by the management.

CONSOLIDATED STATEMENT OF RESTATED COST OF GOODS SOLD

ANNEXURE XVII

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
Cost of goods sold	
Opening stocks	334.36
Less: Prior period adjustment	34.71
Adjusted opening stock	**299.65**
Add: Purchases	**11,512.69**
Less: Closing stocks*	**907.95**
Total	**10,904.39**
Less: Warranty expense	124.23
Less: Research expense	11.95
Total	**136.18**
Total cost of goods sold	**10,768.21**

* Excluding goods in transit amounting to Rs. 82.76 mn.

CONSOLIDATED STATEMENT OF RESTATED PERSONNEL COSTS

ANNEXURE XVIII

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
Personnel costs	
Salaries, bonus and others benefits	66.49
Contribution to provident and other funds	3.88
Staff welfare expenses	0.81
Total	**71.18**

CONSOLIDATED STATEMENT OF RESTATED SELLING AND DISTRIBUTION EXPENSES

ANNEXURE XIX

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
Selling and distribution expenses	
Advertisement and promotion	501.38
Rebates and discounts	160.60
Freight outward	85.72
Other selling and distribution expenses	5.00
Total	**752.70**

CONSOLIDATED STATEMENT OF RESTATED GENERAL AND ADMINISTRATIVE EXPENSES

ANNEXURE XX

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
General and administrative expenses	
Rent	3.93
Repairs and maintenance:	
Other assets	0.32
Rates and taxes	9.31
Insurance	7.59
Audit fee	3.31
Travelling and conveyance	15.42
Research	12.43
Printing and stationery	32.02
Legal and professional fee	40.50
Electricity	1.29
Warranty	899.67
Bad debt	3.93
Miscellaneous	19.05
Total	**1,048.77**

CONSOLIDATED STATEMENT OF RESTATED INTEREST AND FINANCE CHARGES

ANNEXURE XXI

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
Interest and finance charges	
Bank charges	58.11
Interest on vehicle loan	1.71
Interest on delayed payment of income tax	30.06
Total	**89.88**

CONSOLIDATED RESTATED CAPITALISATION STATEMENT

ANNEXURE XXII

(Amount in Rs. millions)

Particulars	Pre-issue as at March 31 2010	Adjusted for the issue *
Borrowing		
Short-term debt	4.89	
Long-term debt	6.80	
Total debt	11.69	
Shareholders' funds		
Equity share capital	48.00	
Share application money	1,012.50	
Reserves and surplus	1,025.74	
Total shareholders' funds	2,086.24	
Long-term debt/equity ratio	0.0032:1	

Note:

The Long Term Debt/Equity Ratio have been computed as under:

Long Term Debt/ Total Shareholders Funds

Other Notes:

1. Short Term Debt is considered as debt due within 12 months from the balance sheet date.

2. Long Term Debt is considered as debt other than short term debt, as defined above.

3. The figures disclosed above are based on the restated financial statements of the Group.

4. Subsequent to the balance sheet date, 0.0001% Paid Participatory Compulsorily Convertible Cumulative Preference Shares ("PCCPS") have been converted into equity shares. (refer note 3 of Annexure XXVIII.

5. Subsequent to the balance sheet date, Company has issued bonus shares and grated Employee Stock Option Plan (refer note 11 of Annexure XXVIII.

** The corresponding post issue figures are not determinable at this stage pending the completion of the Book Building Process and*

hence have not been furnished. The Post issue capitalisation shall be updated before filing the prospectus.

CONSOLIDATED STATEMENT OF TAX SHELTERS

ANNEXURE XXIII

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
Profit before tax as restated (A)	3,425.14
Tax rate - Statutory rate (B)	33.22
Tax as per actual rate on profits (C = A*B)	**1,137.83**
Adjustments	
Tax impact of permanent differences	
ROC fee	2.24
Insurance benefit taken in previous years	0.92
Interest on income tax	10.22
Change in enacted tax rate	26.02
Total tax impact of permanent difference(D)	**39.39**
Tax impact of timing differences	
Differences between book depreciation and tax depreciation	(0.50)
Tax Impact of restatement adjustments	(48.92)
Total tax impact of timing differences (E)	**(49.42)**
Net adjustments (D+E)=F	**(10.02)**
Adjusted tax liability (C+F)	**1,127.81**
Total tax as per return of income	**1,127.81**

Notes:

The permanent/ timing difference for the year ended March 31, 2010 has been determined on the basis of provisional computation of total income prepared by the Group in line with the final return of income filed for the assessment year 2009-2010 and are subject to any change that may be considered at the time of filing of final return of the income for the assessment year 2010-11.

CONSOLIDATED STATEMENT OF RELATED PARTIES AND RESTATED TRANSACTIONS WITH THEM

ANNEXURE XXIV

(Amount in Rs. millions)

A. LIST OF RELATED PARTIES

i) Key management personnel

1 Mr. Rajesh Agarwal (Managing Director)
2 Mr. Vikas Jain (Director)
3 Mr. Rahul Sharma (Director)
4 Mr. Sumeet Kumar (Director)

ii) Relatives of key management personnel (with whom transactions have taken place during the year)

1 Mr. Vipul Jain (Brother of Mr. Vikas Jain)
2 Mrs. Manju Arora (Mother of Mr. Sumeet Kumar)

iii) Entities over which key management personnel are able to exercise significant influence (with whom transactions have taken place during the year)

1 Micromax Technologies Private Limited
2 Micromax Informatics Limited, Hong Kong

B. Transactions undertaken/ balances outstanding with related parties in ordinary course of business

i) Key management personnel

Sl No.	Particulars	For the year ended March 31, 2010
1	**Managerial Remuneration**	
	Mr. Rahul Sharma	3.90
	Mr. Sumeet Kumar	3.90
	Mr. Vikas Jain	3.90
	Mr. Rajesh Agarwal	3.60
2	**Reimbursement of expenses**	
	Mr. Rahul Sharma	1.73
	Mr. Sumeet Kumar	0.29
	Mr. Vikas Jain	0.87
3	**Dividend paid**	
	Mr. Rahul Sharma	320.53
	Mr. Sumeet Kumar	320.48
	Mr. Vikas Jain	320.48
	Mr. Rajesh Agarwal	320.48
4	**Advance given**	
	Mr. Rahul Sharma	0.28
	Mr. Sumeet Kumar	0.02
	Mr. Vikas jain	0.11

Sl No.	Particulars	As at March 31, 2010
1	**Amounts Payable**	
	Mr. Rahul Sharma	0.24
	Mr. Sumeet Kumar	0.24
	Mr. Vikas Jain	0.24
	Mr. Rajesh Agarwal	0.24

CONSOLIDATED STATEMENT OF RELATED PARTIES AND RESTATED TRANSACTIONS WITH THEM

ANNEXURE XXIV (Cont'd)

ii) Relatives of key management personnel (with whom transactions have taken place during the year)

Sl No.	Particulars	For the year ended March 31, 2010
	Remuneration paid	
1	Mrs. Manju Arora (Mother of Mr. Sumeet Kumar)	0.28
2	**Dividend paid**	
	Mr. Vipul Jain (Brother of Mr. Vikas Jain)	0.05
	Mrs. Manju Arora (Mother of Mr. Sumeet Kumar)	0.05

iii) Entities over which key management pesonnel are able to exercise significant influence (with whom transactions have taken palce during the year)

Sl No.	Particulars	For the year ended March 31, 2010
1	**Purchase of fixed assets**	
	Micromax Technologies Private Limited	6.06
2	**Sale of goods**	
	Micromax Technologies Private Limited	1,238.67
3	**Discounts given**	
	Micromax Technologies Private Limited	45.12

Sl No.	Particulars	As at March 31, 2010
1	**Amounts payable**	
	Micromax Technologies Private Limited	0.16
2	**Amounts Receivable**	
	Micromax Technologies Private Limited	164.35
	Maximum outstanding balances	179.71

CONSOLIDATED STATEMENT OF RESTATED ACCOUNTING RATIOS

ANNEXURE XXV

Particulars	For the year ended March 31, 2010
Weighted average number of equity shares of Rs. 10/- each	
Number of shares at the beginning of the year (number in million)	4.80
Number of shares at the end of the year (number in million) **(A)**	4.80
Weighted average number of outstanding equity shares (re-stated) (number in million) **(B)**	177.60
Weighted average number of outstanding equity shares for computing diluted earnings per share (restated) (number in million) **(C)**	181.55
Restated net profit after tax available for equity shareholders (Rs. in million) **(D)**	2,101.15
Net worth (Rs. in million) **(E)**	2,086.24
Basic earning per share (Rs) (re-stated) **(F = D/B)**	11.83
Diluted earning per share (Rs) (re-stated) **(G = D/C)**	11.57
Return on net worth (%) **(H = D/E)**	100.71
Net asset value per share (Rs) **(I = E/B)**	11.75

Note:

1. As provided in Accounting Standard (AS- 20) – Basic and diluted earnings per share is restated after adjusting for 0.72 million, 3.8 million, 88.80 million and 99.25 million number of bonus shares issued, vide resolution passed at the extra-ordinary general meeting held on July 20, 2006, March 29, 2008, September 16, 2010 and September 16, 2010 respectively and allotted on July 21, 2006, March 29, 2008, September 20, 2010 and September 21, 2010 respectively.
2. Net asset value per share has been calculated by taking restated weighted average number of outstanding equity shares.

The Ratios have been computed as below:-

Earning per share (Basic):	Restated net profit after tax available for equity shareholders Weighted average number of equity shares outstanding during the year (re-stated)
Earning per share (Diluted):	Restated net profit after tax available for equity shareholders Weighted average number of diluted equity shares outstanding during the year (re-stated)
Return on net worth (%):	Restated net profit after tax available for equity shareholders Net worth at the end of the year
Net asset value per share (Rs.):	Net worth at the end of the year Equity shares (restated) outstanding during the year

CONSOLIDATED STATEMENT OF DIVIDENDS PAID

ANNEXURE XXVI

(Amount in Rs. millions)

Particulars	For the year ended March 31, 2010
Number of equity shares (in million)	48.00
Face value of equity shares (Rs.)	10.00
Record date	December 16, 2009
Rate of dividend (%)	
Interim	3,125%
Amount of dividend on equity shares	
Interim	1,282.11
Total corporate dividend tax	217.89

Notes:

Number of equity shares mentioned above represents number of outstanding shares of the Company on record date in years where dividend was declared by the Company. Where no dividend was declared, number of equity shares outstanding at the end of the respective years has been mentioned.

ANNEXURE: XXVII

SIGNIFICANT ACCOUNTING POLICIES TO CONSOLIDATED RESTATED SUMMARY STATEMENTS

1. Background

a. Micromax Informatics Limited ("the Company") was incorporated on March 29, 2000. The Company was initially in the business of manufacturing of fixed wireless terminals and phones. In the year ended March 31, 2009, the Company began the business in trading of third party manufactured mobile phones under its brands namely 'Micromax' and 'Micromax Mobile'.

b. The Consolidated Summary Statement of Restated Assets and Liabilities of the Company and its subsidiary (collectively referred to as "Group") as at March 31, 2010 and the Consolidated Summary Statement of Restated Profits and Losses and Cash Flows for the year ended March 31, 2010 (hereinafter collectively referred to as "Consolidated Restated Summary Statements") have been prepared specifically for inclusion in the offer document to be filed by the Company with the Securities and Exchange Board of India ("SEBI") in connection with its proposed Initial Public Offering.

These Consolidated Restated Summary Statements have been prepared to comply in all material respects with the requirement of Schedule II to the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 issued by SEBI.

2. Significant accounting policies

a. **Basis of preparation**

The Consolidated Restated Summary Statements have been prepared to comply with the accounting standards referred to in the Companies (Accounting Standards) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of section 642 and the relevant provisions of the Act. The Consolidated Restated Summary Statements have been prepared on a going concern basis under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Group unless stated otherwise.

b. **Principles of consolidation**

The Consolidated Restated Summary Statements include the financial statements of Micromax Informatics Limited and its subsidiary Micromax Informatics FZE, UAE Dubai in which the Company effectively holds 100% of its share capital.

The Consolidated Restated Summary Statements have been prepared in accordance with Accounting Standard (AS-21) on "Consolidated Restated Summary Statements" referred to in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of section 642 of the Companies Act, 1956 (the 'Act'). The Consolidated Restated Summary Statements are prepared on the following basis:

i. Consolidated Restated Summary Statements include consolidated balance sheet, consolidated statement of profit and loss, consolidated statement of cash flows and notes to Consolidated Restated Summary Statements, other statements and explanatory material that form an integral part thereof. The Consolidated Restated Summary Statements are presented, to the extent possible, in the same format as adapted by the Company for its standalone financial statements.

ii. The Consolidated Restated Summary Statements include the financial statements of the Company and its subsidiary, which is more than 50 percent owned or controlled as at March 31, 2010.

iii. The Consolidated Restated Summary Statements have been combined on a line by line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Company and its share in the post acquisition increase in the relevant reserves of the entity to be consolidated.

iv. As per Accounting Standard interpretation (ASI)-15 on Notes to the Consolidated Restated Summary Statements, only the notes involving items which are material need to be disclosed. Materiality for the purpose is assessed in relation to the information contained in the Consolidated Restated Summary Statements.

c. **Use of estimates**

The preparation of Consolidated Restated Summary Statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Consolidated Restated Summary Statements and the results of operations during the reporting period. The actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

d. **Fixed assets and intangibles**

Fixed assets are stated at cost less accumulated depreciation. Cost comprises purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification to/ alteration in the fixed assets, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

Computer software, which is not an integral part of the related hardware is classified as intangible asset and is stated at the cost of acquisition less accumulated amortisation and impairment loss.

e. **Depreciation and amortisation**

(i) Depreciation on fixed assets is provided on written down value method at rates, which are either greater than or equal to the corresponding rates in Schedule XIV of the Act based on the management's estimate of useful life, as follows:

Asset	**Estimated useful life (in years)**
Building	28-58
Plant and machinery	6-7
Vehicles	10
Office equipments	6-7
Computers	5-6
Furniture and fittings	15
Softwares (intangibles)	5-6

(ii) Depreciation on asset costing Rs. 5,000 and below is depreciated @ 100% per annum.

f. **Research cost**

Expenditure incurred on research is recognised as an expense when it is incurred.

g. **Inventories**

Inventories including goods in transit are valued at lower of cost and net realisable value. Cost comprises of purchase price (including duties and taxes other than those subsequently recoverable by the Group from the taxing authorities), freight inward and other related incidental expenses incurred in bringing the inventory to its present condition and location and is arrived at on first in first out method.

h. **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(iii) Sales of goods

a. Revenue from sales of goods is recognised when all the significant risk and rewards of ownership of the goods are transferred to the buyer and the Group retains no effective control of the goods transferred to a degree usually associated with ownership; and
b. No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

(iv) Service income for operators business

Revenue is recognised as and when services have been rendered.

(v) Interest income

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

i. **Foreign currency transactions**

Initial recognition:
Foreign currency transactions are recorded at the rates prevailing on the date of transaction.

Subsequent recognition
Foreign currency monetary items are restated at the rate prevailing on the balance sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences:
Exchange differences arising on the settlement of 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.

Forward exchange contract not intended for trading or speculation purpose
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.

j. **Employee benefits**

Provident fund
The Group makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952 which is a defined contribution plan. The Group's contribution paid/payable under the scheme is recognised as an expense in the Profit and Loss account during the period in which the employee renders the related service.

Gratuity
Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is determined by actuarial valuation as on the balance sheet date, using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Profit and Loss Account in the year in which such gains or losses arise.

Other short term benefits
Expense in respect of other short term benefit is recognised on the basis of amount paid or payable for the period during which services are rendered by the employee.

k. **Investment**

Investments that are by their nature readily realisable and intended to be held for not more than a year from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and market value determined on an individual investment basis. Long-term investments are carried at cost; however, provision for diminution in value, other than temporary, is made in the financial statements.

Profit/ loss on sale of investments are computed with reference to their average cost of investment.

l. **Warranty**

The Group offers warranty on its products as per terms of sale. Warranty cost for mobile phones are provided based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period.

m. **Income taxes**

Provision for tax includes current tax and deferred tax. Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year.

Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, deferred tax arising from brought forward losses and depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realized.

n. **Impairment of assets**

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

o. **Operating leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Lease rentals in respect of assets taken on 'operating lease' are charged to the Profit and Loss account on a straight line basis over the lease term.

p. **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. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, 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.

q. **Contingent liabilities and provisions**

The Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Disclosure for a contingent liability is made when there is a present obligation that may, but probably will not, require an outflow of resources. Disclosure is also made in respect of a present obligation as a result of past event that probably requires an outflow of resource, where it is not possible to make a reliable estimate of the outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

ANNEXURE: XXVIII

NOTES TO CONSOLIDATED RESTATED SUMMARY STATEMENTS
(All amounts in Rs. million, unless stated otherwise)

1. Restatement adjustments

(a) In the previous years, the Group had recorded gratuity expense on a cash basis as against the requirements of Accounting Standard ('AS') 15 (Revised 2005) Accounting for retirement benefits which requires accrual basis of accounting. For the year ended March 31, 2010, the Group has recorded gratuity provision in accordance with AS-15. Accordingly, for the purposes of Consolidated Restated Summary Statements, effect of this restatement has been adjusted in opening reserves and surplus.

(b) The closing inventory was erroneously over valued in the previous year. Accordingly, for the purposes of Consolidated Restated Summary Statements, effect of this restatement has been adjusted in opening reserves and surplus.

(c) In the previous years, the insurance expenses were erroneously booked in the year of payment instead of being amortized over the period of insurance. Accordingly, for the purposes of Consolidated Restated Summary Statements, effect of this restatement has been adjusted in opening reserves and surplus.

(d) In the previous years, the creditors denominated in foreign currency were not restated as at the balance sheet date as against the requirements of the Accounting Standard – 11 "The effects of changes in foreign exchange rates". Accordingly, for the purposes of Consolidated Restated Summary Statements, effect of this restatement has been adjusted in opening reserves and surplus.

(e) In the previous year, the Group has not made provision for warranty expense in relation to the unexpired sales as at the year end. Accordingly, for the purposes of Consolidated Restated Summary Statements, effect of this restatement has been adjusted in opening reserves and surplus.

2. Tax impact of adjustments

The Consolidated Restated Summary Statements have been adjusted for the tax impact of the restatement adjustments identified above.

3. During the year ended March 31, 2010, the Company entered into an agreement with TA Associates (the "Investor') for raising additional funds through Wagner Limited, Mauritius ('remitting entity') by way of issuance of 0.0001% Paid Participatory Compulsorily Convertible Cumulative Preference Shares ("PCCPS"). As per the terms of agreement, the Company has received the sum of Rs. 1,012.50 million as share application money for 360,000 PCCPS of Rs. 2,812 each, at a premium of Rs. 0.50 per share, against which PCCPS have been issued subsequent to the balance sheet date. These PCCPS are fully convertible into 423,530 equity shares of Rs 10 each. Subsequent to the balance sheet date, these shares have been converted into equity shares. Post conversion, Investor holds 783,530 equity shares which constitute 15% equity shareholding to the Investor. Further, bonus shares have been issued on these shares as per note 12 (a) below.

4. Contingent liabilities

(Amount in Rs. millions)

Nature of contingent liability	As at March 31, 2010
Income tax case (A.Y 2008-09) pending with CIT (Appeals)	0.06
Delhi VAT case (A.Y 2007-08) pending with the Deputy Commissioner	0.89
Total	**0.95**

5. The following table summarises the components of net benefit expenses recognised for gratuity in the Profit and Loss account and the related amounts recognised in the Balance Sheet for the respective years.

Amount recognised in the Consolidated Summary Statement of Restated Profits and Losses is as under:

(Amount in Rs. millions)

Description	For the year ended March 31, 2010
Current service cost	1.20
Interest cost	0.18
Actuarial (gain)/ loss recognised during the year	1.22
Past service cost	-
Total	**2.60**

Particulars	For the year ended March 31, 2010
Present value of defined benefit obligation as at the start of the year	2.39
Current service cost	1.20
Interest cost	0.18
Actuarial (gain)/ loss recognised during the year	1.22
Present value of defined benefit obligation as at the end of the year	**4.99**

Particulars	For the year ended March 31, 2010
Fair value of plan assets as at April 1, 2009	-
Contribution made during the year	7.44
Expected return on plan assets	-
Benefits paid	-
Present value of defined benefit obligation as at the end of the year	**7.44**

Description	As at March 31, 2010
Fair value of plan assets as at the end of the period	7.44
Present value of obligation as at the end of the period	(4.99)
Net asset/(liability) recognised in the balance sheet	**2.45**

Description	For the year ended March 31, 2010
Discount rate	7.5%
Rate of increase in compensation levels	7.0%
Retirement age	60 years

6. The exposure in foreign currency that have not been hedged by derivative instrument or otherwise for respective years are mentioned below :

(Amount in Rs. millions)

Description	As at March 31, 2010
Included in	Sundry creditors
Currency	USD

Description	As at March 31, 2010
Currency rate (Rs/USD)	45.004
Amount in USD	• 44.49
Amount in Rs.	**2,002.32**

7. Segment reporting

The Group is in the business of trading in mobile phones and wireless terminals which is considered to be the only reportable business segment as “Telecom and mobile business” by the Group. In terms of geographies, the Group primarily sells its products within India and neither identifies nor analyzes risk based on different geographical regions.

8. The Group uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. These foreign exchange forward contracts and options are not used for trading or speculation purposes. The following are the outstanding forward exchange contract at the balance sheet date:

(Amount in Rs. millions)

Description	As at March 31, 2010
Nature of hedge instrument	Forward contract
Description of hedge	To take protection against appreciation in USD payable against INR
Amount in USD	1.16
Amount in Rs.	52.62

9. Provision for warranty

The Group provides replacement warranties for the period ranging from 12 months to 15 months on products sold by it. A warranty provision is made for cost to be borne in future in respect of replacements of products sold during the year. Warranty cost for mobile phones are provided based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and is based on past experience in respect of warranty costs. Management believes that this expenditure will be incurred over the contractual warranty period.

(Amount in Rs. millions)

Description	For the year ended March 31, 2010
Opening balance	82.19
Provision made during the year	899.67
	981.86
Less: Paid/replaced during the year	231.86
Closing balance	**750.00**

10. Lease disclosure – Incase of assets taken on lease

The Group has taken warehouses under operating leases. These leases are generally for a period of one year and renewable at the mutual consent of both lessor and lessee. There are no escalation clauses and restrictions imposed by lessee in the lease agreements. Lease payments charged to the Profit and Loss account during the year are as follows:

(Amount in Rs. millions)

Description	For the year ended March 31, 2010
Lease payments	3.83

11. Subsequent events

a) **Issue of Bonus Share**
Subsequent to the year end, the Company has issued 88,800,010 bonus equity shares of Rs. 10 each in the proportion of 17 equity shares for each equity share held and 99,247,070 bonus equity shares of Rs. 10 each in the ratio of 19 equity shares for every 18 equity shares held, on September 20, 2010 and September 21, 2010 respectively, to its existing shareholders as of record date of September 16, 2010 and September 20, 2010 respectively. These bonus shares were issued out of surplus in the Profit and Loss account and the securities premium account of the Company.

b) **Employee Stock Option Plan:**
During September 2010, the Company has instituted an Employee Stock Option Plan consequent to which 353,535 equity shares of Rs. 10 each have been granted as stock options to eligible employees. These options have been granted with an exercise price of Rs. 10 each and will vest equally over a period of 3 years.

12. Since there was no subsidiary company in the previous years and this is first year of consolidation, the previous years' figures have not been disclosed.

FINANCIAL INDEBTEDNESS

As on March 31, 2010 there was no outstanding borrowings with respect to our financing arrangements except for ₹ 11.69 million outstanding in relation to vehicle loans, details as detailed in "***Financial Statements-Standalone Statement of Restated Secured Loans-Annexure XII***" and "***Financial Statements-Consolidated Statement of Restated Secured Loans-Annexure XII***" on pages 143 and 187, respectively. Set forth below is a brief summary of our current significant outstanding financing arrangements.

A. Non-fund based facilities

Lender	Details	Nature of Facility	Amount outstanding as on March 31, 2010	Interest rate	Repayment Schedule	Security
DBS Bank Limited	(i) Sanction letter dated February 17, 2010 and June 8, 2010 and supplemental deed of hypothecation dated February 22, 2010 and supplemental working capital agreement dated June 8, 2010	(i) Multiline of ₹ 800 million including sub-limits of (a) short term loan of ₹ 50 million; and (b) Letter of credit/buyer's credit undertaking of ₹ 1,000 million; and (ii) short term foreign exchange	Nil	For the facilities only bank charges	-	(i) First *pari passu* charge on our Company's stock and book debts (present and future); (ii) first pari passu change/equitable mortgage on (a) land and building situated at 697, Udyog Vihar, Phase V, Gurgaon, (b) land and building situated at plot no. 234, Industrial area, Bhaddi, Solan and (c) land and building situated at 34B Udyog Vihar, Phase V, Gurgaon; (iii) guarantee of the Promoters; and (iv) 10% cash margin.
Yes Bank Limited	(i) Facility letter dated November 17, 2009, March 9, 2009, March 12, 2009 and February 15, 2010; (ii)deed of hypothecation dated April 30, 2009, supplemental deed of	(i) Letter of credit of ₹ 400 million including a sub-limit of a letter of credit (sight) of ₹ 50 million; (ii) Letter of credit of ₹ 300 million and (iii) buyers credit of ₹ 300 million	Nil	(i) For the letter of credit (₹ 400 million)-within 90 days, (ii) For the letter of credit (₹ 300 million)-within 90 days and (iii) For the buyers credit-within six months		(i) First *pari passu* charge on our Company's stock, book debts and movable fixed assets of the borrower; (ii) equitable mortgage on the Company's properties located at (a) 697, Phase 5, Udyog Vihar, Gurgaon, (b)

Lender	Details	Nature of Facility	Amount outstanding as on March 31, 2010	Interest rate	Repayment Schedule	Security
	hypothecation dated January 7, 2010 and supplemental deed of hypothecation dated March 2, 2010					34B, Phase 4, Udyog Vihar Gurgaon and (c) Plot 234, HPSIDC, Baddi; (iii) unconditional and irrevocable personal guarantees from the Promoters; and (iv) fixed deposit under lien to the extent of 100% of the facility amount.
Standard Chartered Bank	(i) Sanction letter dated June 7, 2010; and (ii) hypothecation agreement dated June 11, 2010	(a) Import letter of credit of ₹ 75 million (unsecured) with a sub-limit of ₹ 15 million for financial guarantees/standy letter of credit and a sub-limit of ₹ 50 million for overdrafts and sub limit of ₹ 75 million for import letter of credit-secured) and (b) Financial guarantees/standby letter of credit (trade) of USD 6 million	Nil	(i) For the import letter of credits/financial guarantees commission would be charged at the rate as negotiated with and agreed by the bank and (ii) for the overdraft facility the interest would be as per the rate negotiated and agreed by the bank payable monthly in arrears.	(i) For the import letter of credit(unsecured)-within 150 days, (sub-limit financial guarantee/standy letter of credit within 90 days, sub-limit overdraft within one day) (ii)For the financial guarantee/standby letter of credit (USD) within 12 months	(i) Pari passu charge on the stock and book debts of our Company both present and future (ii) Pari passu charge/ equitable mortgage on the following properties of our Company: (a) Land and building situated at 697, Udyog Vihar, Phase V, Gurgaon (b) Land and building situated at Plot No 234, Industrial Area Baddi, Solan, HP (c) Land and building situated at 34B Udyog Vihar, Phase V, Gurgaon (d) First pari passu charge on the movable fixed assets of our Company (e) Personal guarantees of the Promoters and (f) 10%

Lender	Details	Nature of Facility	Amount outstanding as on March 31, 2010	Interest rate	Repayment Schedule	Security
						margin in the form of fixed deposit receipt
State Bank of India	(i) Sanction letter dated February 5, 2010; and (ii) Deed of hypothecation of goods and assets dated March 17, 2010	Working capital limits of ₹ 800 million, including (i) Cash credit (fund- based) (there is a one way full interchangeability from fund based to non fund based limits)- ₹ 50 million; and (ii) Letters of credit (non fund based) ₹ 750 million	Nil	At SBI applicable rate, with monthly rests	Working capital limits are repayable on demand	(i) Primary security- stocks, book debts and other current assets ranking *pari passu* with all other banks in multiple banking arrangement (ii) Collateral security- All immovable fixed assets (including the Corporate Office and warehouse at Gurgaon and factory land and building at Bhaddi, Himachal Pradesh and movable fixed assets)
Citibank N.A.	(i) Sanction letter dated May 17, 2010; and (ii) goods security arrangement dated February 4, 2008 as amended on February 10, 2010 and August 6, 2010	Cash credit/WCDL/ULC/FG BC for ₹ 1,180 million (the Cash credit/WCDL is restricted to ₹ 50 million)	Nil	As agreed from time to time and agreed prior to each drawdown	Repayable on demand	(i) First pari passu charge on present and future stocks and book debts of our Company (ii) First pari passu charge on present and fixed assets of our Company (iii) Personal guarantee of Rajesh Agarwal, Rahul Sharma and Sumeet Kumar and the property owners (iv) Deman promissory note and letter of continuity for ₹ 1,180 million (v) Equitable mortgage on pari passu basis on the following

Lender	Details	Nature of Facility	Amount outstanding as on March 31, 2010	Interest rate	Repayment Schedule	Security
						properties: (a) commercial property situated at 697 Udyog Vihar Phase V, Gurgaon, (b) commercial property situated at 34B Udyog Vihar Phase IV, Gurgaon and (c) factory, land and building located at plot no. 234, HPSIDC, District Solan, Tehsil Nalagarh, Baddi, Himachal Pradesh.

Under the terms of the above-mentioned secured loans, we have undertaken not to do any of the following without the prior written consent of our lenders:

(i) enter into any scheme of expansion, merger, amalgamation, compromise or reconstruction;
(ii) sell, assign, mortgage or otherwise dispose off any of the fixed assets of our Company;
(iii) enter into borrowing arrangement either secured or unsecured with any other bank, financial institution, company or otherwise or accept deposits apart from the arrangements indicated in the funds flow statement submitted to the lenders from time to time and approved by such lender;
(iv) create any charge, lien or encumbrance over the security hypothecated in favour of such lender or any part thereof in favor of any other financial institution, bank, company, firm or persons;
(v) enter into any contractual obligation of a long term nature or affecting the company financially to a significant event;
(vi) change the remuneration of directors by means of ordinary remuneration or commission or scaling of their sitting fees;
(vii) permit any change in the ownership or control or constitution of our Company and or make any change in the shareholding or the management or majority of directors;
(viii) make any material amendments in the memorandum of association/articles of association of the Company;
(ix) effect any change in the capital structure of the Company;
(x) undertake any new project, implement any scheme of expansion or acquire fixed assets except those indicated in the funds flow statement submitted to the bank from time to time and approved by the bank;
(xi) invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies);
(xii) declare dividends for any year out of the profits relating to that year or of the previous years. It is however necessary for the Company to ensure first that provisions are made and that no repayment obligations remain unmet at the time of making the request for the approval of the bank for the declaration of dividend;
(xiii) issue guarantee in favour of any entity of any kind by our Company or affiliates of our Company ; and
(xiv) repay monies brought in by the promoters/directors/principal shareholders and their friends.

Further, our Company has also undertaken the following:

(i) not to undertake or permit any reorganization, amalgamation, reconstruction, takeover or any other schemes of compromise or arrangement, nor amend any provision of the major constitutive documents;
(ii) to maintain Promoters' shareholding up to a minimum 51%;
(iii) not to induct a person in the management of the Company who has been identified as a willful defaulter;
(iv) to record a minimum turnover of ₹ 20 million for fiscal 2010 and to achieve minimum net profit of ₹ 2 million in fiscal 2010;
(v) that there would be no material variation in the provisional and audited financials for fiscal 2010; and
(vi) to promptly give notice to its lenders of, (a) all litigation materially affecting the Company, (b) any substantial dispute between the Company and any Government authority/statutory authority/regulatory body or law enforcement authority which may materially affect its business and (c) all litigations affecting the Company including its Directors which have been initiated by any other financial institution and/or bank.

We have received no-objection certificates from our lenders with respect to the facilities detailed above.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read in conjunction with our audited standalone financial statements, as restated, as of and for the years ended March 31, 2010, 2009, 2008, 2007, 2006 prepared in accordance with the Companies Act and the SEBI ICDR Regulations, including the schedules, annexures and notes thereto and the reports thereon, included in the section “**Financial Statements**” on page 123. Unless otherwise stated, the financial information used in this section is derived from our audited standalone financial statements, as restated. The Company currently has one subsidiary, which has no material assets or revenues.*

Indian GAAP differs in certain material respects from U.S. GAAP and IFRS. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices.

The Company's fiscal year ends on March 31 of each year. Accordingly, all references to a particular fiscal year are to the twelve-month period ended March 31 of that year.

*This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section “**Risk Factors**” on page xii.*

Overview

We are the largest Indian domestic mobile handsets company in terms of units shipped during the quarter ended March 31, 2010 and the third largest mobile handset seller in India as at March 31, 2010. We were the fastest growing among India's top five mobile brands during the twelve month period ended March 31, 2010 compared to the twelve month period ended March 31, 2009 in terms of the number of shipments *(Source: IDC's India Quarterly Mobile Handsets Tracker, 1Q 2010, June 2010 release)*. We sold 7.05 million mobile handsets in fiscal 2010. Our handset sales have grown by 123.48% from 1.11 million units in the quarter ended June 30, 2009 to 2.58 million units in the quarter ended March 31, 2010. We also sell mobile data cards for computers under our own brand to service providers in India.

All of our Promoters have a background in engineering and an average of more than 10 years’ experience each in the information technology and telecommunications industry.

In 2009, TA Associates, a private equity firm based in the United States, through its associate, Wagner Limited, acquired a stake in our Company and currently holds 15.00% of the pre-Issue capital of our Company. Furthermore, Sequoia Capital, Sandstone and Madison, through their affiliates, acquired 5.77% of the current pre-Issue capital of our Company in September 2010. For further details see “***Capital Structure***” and “***History and Certain Corporate Matters***” on pages 24 and 96, respectively.

Our earnings before interest, taxation, depreciation and amortization (“**EBITDA**”) of ₹ 3,377.07 million in fiscal 2010 represented growth of 539.37% against ₹ 528.19 million in fiscal 2009, which in turn represented growth of 164.15% compared to EBITDA of ₹ 199.96 million in fiscal 2008. In fiscal 2010, we had total income of ₹ 16,017.58 million, a 358.44% increase compared to total revenues of ₹ 3,493.95 million in fiscal 2009, which in turn represented a 168.46% increase compared to total revenues of ₹ 1,301.50 million in fiscal 2008.

Presentation of Financial Information

Our Company currently has one subsidiary. On March 25, 2010, our Company established a wholly owned subsidiary Micromax Informatics FZE in Dubai. Micromax Informatics FZE'S entire shareholding is held by Micromax Informatics Limited. Micromax Informatics FZE did not have any significant operations in fiscal 2010, and the effect of our subsidiary on our consolidated results of operations and financial condition as of and for the year ended March 31, 2010 was not material. Accordingly, in this section, we have provided a discussion on our results of operations on an unconsolidated basis. The following table provides certain information with respect to our unconsolidated and consolidated results of operations and financial condition as of and for the year ended March 31, 2010. For further information on our consolidated financial statements, as restated, see "***Financial Statements***" on page 123.

(₹million)

Particulars	As of and for the Year Ended March 31, 2010	
	Unconsolidated	**Consolidated**
Total Income	16,017.58	16,017.58
Profit before Tax and Prior Period Items	3,278.23	3,277.88
Profit after Tax, as restated	2,101.50	2,101.15
Total Borrowings	11.69	11.69
Total Assets	5,706.51	5,706.19
Total Liabilities and Provisions	3,619.92	3,619.95

Factors Affecting Results of Operations

Our business, results of operations and financial condition are affected by a number of factors, including the following:

Wireless penetration

Our revenues are dependent on the extent to which wireless services are available in the markets where we sell or intend to sell our products and the ability of third party wireless service providers to expand their subscriber bases. We believe that India's current wireless service penetration rate offers significant growth potential, particularly in rural areas. According to TRAI, wireless teledensity, which is the number of wireless subscriptions expressed as a percentage to the population, in India as of March 31, 2010 was 23.08% in rural areas and 112.03% in urban areas. Wireless penetration rates in Nepal, Sri Lanka, Bangladesh, Ghana and Nigeria also suggest significant growth potential for these markets. Based on data of The World Factbook, wireless teledensity is 15% , 52%, 29%, 48% and 42% in Nepal, Sri Lanka, Bangladesh, Ghana and Nigeria, respectively. These figures are based on The World Factbook's population estimates as of July 2010 and the number of wireless telephones in use in 2008 for Nepal, Sri Lanka, Ghana and Nigeria, and in 2009 for Bangladesh.

Introduction of 3G and other advanced technologies and innovative products enabling VAS applications

The mobile handset market in India is characterized by rapidly evolving technologies and frequent new product introductions and our results of operations are dependent on our ability to introduce, on a continuous and timely basis, innovative products that address changing customer preferences and technological developments. We believe the introduction of advanced wireless technologies, particularly the introduction of 3G services in India, will significantly shape consumer preferences and result in an increase in demand for mobile handsets with 3G capabilities. As technologies advance, the manner in which consumers use handset devices has evolved from solely making telephone calls to include listening to music, sending and receiving SMS messages and emails, watching and recording video, taking pictures, surfing the internet and using as navigation devices, remote controls, gaming devices and personal organizers. Evolving usage patterns will continue to be reflected in changing consumer demands with respect to features and functionalities of mobile devices, resulting in a growing demand for value added services, including subscription based applications. Our sales will therefore continue to be dependent upon our ability to anticipate and respond to changing consumer demands and continuously develop and successfully launch new products with attractive aesthetics and design and innovative features that incorporate and exploit new technologies and related applications. Further, as 3G service increasingly becomes available, we also expect our data card business to contribute towards the growth of our revenues.

We continue to develop a library of revenue or subscription based applications for our JAVA based handsets that provide VAS and help us derive additional revenue, including music, gaming and content subscription based applications, delivery of emails on SMS that target mobile subscribers who do not have access to GPRS services or data connectivity, phonebook backup applications, and personal location trackers. We plan to make these applications available to our customers through revenue sharing arrangements with mobile communication operators.

We continue to focus on product innovation and design to develop innovative products targeted at specific market segments, and must continue to invest in our research and development capabilities through recruitment of engineering and technical personnel, acquisition of technologies and software applications and strengthening our product development team and research and development facilities, which will impact our expenditure and profitability.

As 3G service increasingly becomes available, we also expect our data card business to contribute towards the growth of our revenues.

Brand building and selling and marketing expenses

Although we have consistently gained market share since our entry into the Indian mobile handset market, in order to compete effectively and maintain and increase sales, we continue to invest significant resources on further strengthening the Micromax brand as a quality and innovative technology brand through extensive brand building and marketing campaigns and sponsorship of popular sports events. We believe that brand recognition significantly influence consumer purchasing decisions and, consequently, our sales. While we continue to focus on strengthening our product portfolio based on advanced designs and innovative technologies, we will need to continue to invest significant resources in marketing activity to further establish our brand, which will impact our expenditure and profitability. Advertisement and promotion expenses, relating to advertisement, publicity, entertainment and other sales promotion expenses have increased significantly in recent periods, and increased from ₹ 55.76 million, or 1.85% of our total expenditure, in fiscal 2009 to ₹ 501.38 million, or 3.94% of our total expenditure, in fiscal 2010. We expect advertisement and promotion expenses to continue to increase in the future as we continue to invest in the development of our brand and marketing campaigns for the successful launch of new products. We also incur significant selling expenses such as rebates and discounts extended on our products and other sales promotion activities. Rebates and discounts increased from ₹ 112.70 million in fiscal 2009 to ₹ 160.60 million in fiscal 2010. As a percentage of total expenditure, rebates and discounts however decreased from 3.75% in fiscal 2009 to 1.26% in fiscal 2010.

Consumer preferences, product categories and pricing

The market for wireless devices in India is characterized by rapidly changing consumer preferences and a shortening handset replacement cycle. We believe that the principal factors driving consumer purchasing decisions will continue to be the price to value proposition as consumers seeks reliable, quality products with features and functionalities they desire at a price they can afford. Our revenue will continue to be dependent upon our ability to make available to customers innovative technologies and related applications at an attractive price to value proposition. We therefore continue to offer and introduce a range of mobile handsets at various price points based on various combinations of features and functionalities, including weight, dimensions, memory type and capacity, battery type and life and display type, as well as camera, video, GPS, WiFi, 2G or 3G capability, sound, music, radio, Bluetooth and messaging capabilities. We target specific customer segments and applications, and have successfully launched mobile products targeted at the rural community through our "marathon battery" phone, product lines targeted at ladies, gaming phones targeted at the mobile gaming community, QWERTY, multimedia and smart phones with a range of applications and features, dual reception phones, as well as other innovative handsets such as our "gravity" phones and universal remote phones. With the goal of ensuring positive customer experience, we provide after sales services through over 500 authorized service centers across India. Our ability to address consumer preferences, target customer segments and create new markets through the introduction of handsets with innovative features at attractive price to value propositions will be key factors that will continue to affect our future results of operations.

Operator Tie-ups

Mobile communication operators often bundle their service plans with mobile handsets. While such arrangements have not yet become popular in India, we believe that the introduction of 3G services and other advanced technologies in India and the resultant increase in the demand for mobile handsets capable of catering to value added services, including subscription based applications, will provide significant opportunities for mobile handset sellers to introduce new innovative products through operator tie-ups. We intend to explore arrangements with operators in India and our international markets to bundle our handsets with their services. Although margins of mobile handset providers in such operator linked distribution channels are typically lower than that in regular distribution and sales channels, we believe that such operator linked businesses will result in a significant increase in the volume of sales of our mobile handsets and enable us to capture additional market share. The selling price of, and margins relating to, our products sold through operator tie-ups may vary from that of same or similar mobile handsets sold through our distributors, and our results of operations will be impacted by the relative proportion of sales made through such operator tie-ups and sales through our distributors.

International Markets

We have recently commenced the sale of our mobile handsets internationally, and commenced sales in Nepal in February 2010, in Sri Lanka in June 2010, and in Bangladesh in July 2010. We intend to commence the sale of our mobile handsets in other international markets where we believe we can leverage our track record and experience in India to compete effectively and expand our revenue base, including in the UAE, Brazil, Nigeria and Ghana. We presently expect to launch sales of our mobile handsets in the UAE in October 2010 and have already entered into agreements with a national level distributor there. We believe that the demographics of significant consumer segments in these markets are similar to our focus consumer segments in India. We expect gross margins in international markets that we target to be comparable to our gross margins in India. As we expand internationally, we intend to seek to establish a tax efficient structure to maximize our profit after tax.

Cost of goods sold

We contract with OEM suppliers in China and Taiwan for the manufacture of our mobile handsets and mobile data cards. Cost of goods sold, relating to the cost of procurement of our mobile handsets, data cards, network terminals and spare parts for mobile handsets that we sell, was ₹ 1,027.02 million, ₹ 2,595.62 million and ₹ 10,768.21 million, in fiscal 2008, 2009 and 2010, respectively, and represented 91.95%, 86.33% and 84.53% of our total expenditure in these periods. If the cost of production through our OEM suppliers increase significantly as a result of an increase in price of components or otherwise and we are unable to pass on such increase in production costs to our customers, our profitability and results of operations may be adversely affected. The cost of production of our handsets vary based on the design, configuration and applications for various mobile handset models. As we continue to identify specific market segments and consumer preferences and design and manufacture handsets with advanced technologies and 3G capability, we expect the cost of production of our handsets will increase. In addition, we currently pay applicable customs duty on the import of our mobile handsets and our mobile data cards. Until February 2010, certain special additional customs duty was also payable. Any significant increase in customs duties or the introduction of any additional customs duties or any anti-dumping duties introduced in the future with respect to the import of our mobile handsets or mobile data cards, that we are unable to pass on to our customers, may also adversely affect our results of operations.

Commencement of manufacturing operations

We continue to follow a strategy of operating a scalable asset-light business model where we design our products internally and contract with reliable OEM partners to manufacture our products, which enables us to increase our sales volumes rapidly and without significant additional investment as well as minimize capital expenditures. However, we intend to diversify our manufacturing base by establishing manufacturing facilities in India to balance our dependence on our OEM partners, better manage our operations, control costs, manage quality and minimize risks of operations being adversely affected by trade policies or regulations that affect us or the OEM partners who currently supply our products, including any anti-dumping duty or similar measures introduced by the Government of India with respect to import of mobile handsets. We expect to incur capital expenditure of ₹ 2,260.39 million million in connection with the establishment of our manufacturing facility which will have the capability of producing basic handset models as well as models with smart phone features. The proposed manufacturing facility will enable us to manufacture up to 2.0 million handsets per month based on two, 10 hour shifts per day on an aggregate of nine SMT lines and a box-build assembly . See "***Objects of the Issue***" on page 36.

Foreign currency fluctuations

Changes in currency exchange rates affect our results of operations. Although most of our income is denominated in Indian rupees, currently a small percentage of our income, relating to income from sales in Bangladesh, Nepal and Sri Lanka, is denominated in U.S. dollars. We expect the percentage of income generated in currencies other than Indian rupees to increase in the future with the expansion of our international sales. In addition, a significant portion of our expenditure, relating to purchase of mobile handsets from our OEMs in China and Taiwan, are denominated in U.S. dollars. Such imports were ₹ 10,879.44 million and ₹ 2,356.16 million in fiscal 2010 and 2009, respectively, and represented 85.40% and 78.36%, of our total expenditure in these periods. We expect a significant portion of our expenditure to continue to be denominated in U.S. dollars in the future. We also expect our future capital expenditure in connection with our proposed manufacturing facilities to include expenditure in foreign currencies for imported equipment and machinery. Depreciation of the Indian rupee against the U.S. dollar and other relevant foreign currencies may adversely affect our results of operations by increasing the cost of procurement of mobile handsets imported by us for sale in India or any proposed capital expenditure in foreign currencies.

We selectively enter into foreign exchange forward contracts to hedge our exposure to fluctuations in foreign exchange rates. There can however be no assurance that such measures will enable us to avoid the effect of any adverse fluctuations in the value of the Indian rupee against the U.S. dollar or other relevant foreign currencies. In addition, since we enter into transactions in derivative financial instruments that are sensitive to movements in currency exchange rates, and changes in the fair values of our derivative financial instruments are recognized in our financial statement at the end of each financial reporting period, any resulting decrease in the fair value of such derivative financial instruments could adversely affect our results of operations.

Credit terms and inventory management

Our strong relationships with, and attractive credit terms provided by, our OEM partners, enable us to effectively manage our working capital requirements. Our OEM partners generally provide us with up to 60 days credit terms. Under our distribution model, we offer marginal short-term credit or no credit to our distributors, with most of our distributors paying for our products at the time they accept delivery. In order to effectively manage our inventory, we obtain daily inventory and sales reports from our state and regional distributors detailing the location and models sold, and endeavor to maintain an optimal level of inventory. Our results of operations and cash flows and working capital requirements are impacted by our ability to effectively manage our supply chain and inventories and our ability to balance credit terms obtained from our OEM suppliers with credit terms offered to our distributors, particularly since our operations have grown significantly within a relatively short period of time.

Warranty expenses

We offer a warranty on our products as per terms of sale. Warranty cost for mobile phones are provided based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period, which is 15 months from the date of sale to distributors and 12 months from the date of sale to consumers. Warranty expenses constitute a significant part of our expenditure. In fiscal 2009, warranty expense actually incurred together with provision for warranty was 2.53% of total sales. In fiscal 2010, warranty expense actually incurred together with provision for warranty was 5.74% of total sales. The significant increase in warranty expense in fiscal 2010 compared to fiscal 2009 reflects increased sales resulting in a provision of ₹ 750.00 million to cover future warranty claims on products that have an unexpired warranty period as of March 31, 2010. In order to address consumer preferences, we may introduce longer warranty products on some of our mobile handset products, particularly for models in the higher price categories, which may result in increased warranty expenses. Provisions for warranty expenses may also be affected by increases in cost of spare parts and materials costs, as well as product servicing costs.

Significant Accounting Policies

Our financial statements have been prepared in compliance with the Companies Act, regulations and guidelines issued by SEBI and in accordance with Indian GAAP. Our significant accounting policies are set forth in "***Financial Statements-Significant accounting policies to standalone restated summary statements-Annexure XXVIII***" on page 162.

Indian GAAP requires that we adopt accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements. The estimates and assumptions used in our financial statements are based on management's evaluation of the relevant fact and circumstances as of the date of the financial statements. Any revision to accounting estimates is recognised prospectively in current and future periods. By their nature, these estimates and assumptions are subject to an inherent degree of uncertainty, and there can be no assurance that such estimates and assumptions will prove correct.

While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following critical accounting policies warrant particular attention:

Revenue recognition

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.

Sales of goods. Revenue from sales of goods is recognized when (i) all the significant risk and rewards of ownership of the goods are transferred to the buyer and we retain no effective control of the goods transferred to a degree usually associated with ownership; and (ii) no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

Service income. Revenue is recognized as and when services have been rendered.

Interest. Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Foreign currency transactions

Initial recognition. Foreign currency transactions are recorded at the rates prevailing on the date of transaction.

Subsequent recognition. Foreign currency monetary items are restated at the rate prevailing on the balance sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences. Exchange differences arising on the settlement of 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.

Forward exchange contract not intended for trading or speculation purpose. 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.

Warranty

We offer a warranty on our products as per terms of sale. Warranty cost for mobile phones are provided based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period.

Contingent liabilities and provisions

We create a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Disclosure for a contingent liability is made when there is a present obligation that may, but probably will not, require an outflow of resources. Disclosure is also made in respect of a present obligation as a result of past event that probably requires an outflow of resource, where it is not possible to make a reliable estimate of the outflow. Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Fixed assets and intangibles

Fixed assets are stated at cost less accumulated depreciation. Cost comprises purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification to/ alteration in the fixed assets, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

Computer software, which is not an integral part of the related hardware is classified as intangible asset and is stated at the cost of acquisition less accumulated amortisation and impairment loss.

Depreciation and amortization

Depreciation on fixed assets is provided on written down value method based at rates, which are either greater than or equal to the corresponding rates in schedule XIV of the Companies Act, 1956 based on management's estimate of useful life, as follows:

Assets	Estimated Useful Life (in years)
Building	28-58
Plant and machinery	6-7
Vehicles	10
Office equipment	6-7
Computers	5-6
Furniture and fittings	15
Software (intangible)	5-6

Depreciation assets costing ₹ 5,000 and below is depreciated at the rate of 100.0% per annum.

Inventories

Inventories including goods in transit are valued at lower of cost and net realisable value. Cost comprises of purchase price (including duties and taxes other than those subsequently recoverable from the taxing authorities), freight inward and other related incidental expenses incurred in bringing the inventory to its present condition and location and is arrived at on first in first out method.

Employee benefits

Provident fund. We make contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952 which is a defined contribution plan. Our contribution paid/payable under the scheme is recognized as an expense in the profit and loss account during the period in which the employee renders the related service.

Gratuity. Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is determined by actuarial valuation as on the balance sheet date, using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the profit and loss account in the year in which such gains or losses arise.

Other short term benefits. Expense in respect of other short term benefit is recognised on the basis of amount paid or payable for the period during which services are rendered by the employee.

Research costs

Expenditure incurred on research is recognised as an expense when it is incurred.

Investment

Investments that are by their nature readily realisable and intended to be held for not more than a year from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and market value determined on an individual investment basis. Long-term investments are carried at cost; however, provision for diminution in value, other than temporary, is made in the financial statements.

Profit or loss on sale of investments are computed with reference to their average cost of investment.

Income taxes

Provision for tax includes current tax and deferred tax. Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year.

Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, deferred tax arising from brought forward losses and depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realized.

Impairment of assets

We assess at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, we estimate the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

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. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, 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.

Components of Income and Expenditure

Income

Our income comprises (i) sales and (ii) other income.

Sales

Sales comprise income from sale of mobile handsets, mobile data cards, network terminals and spare parts for mobile handsets. We are phasing out our network terminal business, but will continue to sell existing inventory. Sales represents net sales, i.e. gross sales net of any trade schemes and incentives provided relating to such sales.

Other income

Other income includes interest income on fixed deposits, service charges relating to SIM card embedding charges for operators, any profit on sale of fixed assets, and miscellaneous income relating primarily to scrap sales. Other income also includes any gain on foreign exchange variations relating to our operations.

Expenditure

Our expenditure comprises: (i) cost of goods sold, (ii) personnel costs, (iii) selling and distribution expenses, (iv) general and administrative expenses, (v) depreciation and amortization and (vi) interest and finance charges.

Cost of goods sold

Cost of goods sold relates to cost of procurement of our mobile handsets from our OEM suppliers as well as cost of procurement of mobile data cards and spare parts for mobile handsets that we sell, net of special additional customs duty refund. In fiscal 2010, we made adjustments to our cost of goods sold in the amount of ₹ 124.23 million for warranty expenses and ₹ 11.95 million for research expenses.

Personnel costs

Personnel cost includes salary, bonus and other benefits, contributions to provident and other funds and staff welfare expenses.

Selling and distribution expenses

Selling and distribution expenses include (i) advertisement and promotion expenses related to advertisement, publicity, entertainment, and other sales promotion expenses; (ii) rebates and discounts extended in connection with the sale of our products; (iii) freight outward, representing freight and forwarding charges incurred in connection with shipping products to distributors and (iv) other selling and distribution expenses primarily relating to agency commission for exports, service repair, discounts and customer care expenses.

General and administrative expenses

General and administrative expenses include rent, repairs and maintenance, insurance, rates and taxes, travelling and conveyance expenses, printing and stationery, legal and professional fees and auditors' fees. Warranty expenses, comprising actual warranty costs incurred and any provision made for warranty expenses, is also included in general and administrative expenses. General and administrative expenses also include any loss resulting from fluctuation of foreign exchange, any loss on sale of fixed assets and any bad debt written off.

Depreciation and amortization

Depreciation on fixed assets is provided on written down value method based at rates, which are either greater than or equal to the corresponding rates in schedule XIV of the Companies Act, 1956 based on management's estimate of useful life as specified in "***– Significant Accounting Policies – Depreciation and amortization***" on page 223.

Interest and finance charges

Our Company is a relatively debt free company and our interest and finance charges primarily relate to banking charges incurred in connection with letters of credit arranged for the import of our mobile handsets and other products. Interest and finance charges include bank charges relating to letters of credit and other financing arrangements availed in connection with our operations, and interest on any vehicle loans. Interest and finance charges also include interest on delayed payment of income tax, if any.

Taxation

Income tax expense comprises current tax expense and deferred tax expense or credit computed in accordance with the relevant provisions of the Income Tax Act, as amended. Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of change in tax rates is recognized in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, deferred tax arising from brought forward losses and depreciation are recognized only when there is virtual certainty supported by convincing evidence that such assets will be realized.

Results of Operations

Our audited unconsolidated financial statements, as restated, for fiscal 2006, 2007, 2008, 2009 and 2010 included in this Draft Red Herring Prospectus have been presented in compliance with the Companies Act, Indian GAAP and the ICDR Regulations. The following table sets forth certain information with respect to our results of operations for the periods indicated:

Particulars	**Fiscal**					
	2010		**2009**		**2008**	
	(₹ million)	**Percentage of Total Income (%)**	**(₹ million)**	**Percentage of Total Income (%)**	**(₹ million)**	**Percentage of Total Income (%)**
Income						
Sales	15,653.04	97.72%	3,439.15	98.43%	1,200.78	92.26%
Other income	364.54	2.28%	54.80	1.57%	100.72	7.74%
Total Income	**16,017.58**	100.00%	**3,493.95**	100.00%	**1,301.50**	100.00%
Expenditure						
Cost of goods sold	10,768.21	67.23%	2,595.61	74.29%	1,027.02	78.91%
Personnel costs	71.18	0.44%	47.45	1.36%	27.32	2.10%
Selling and distribution expenses	752.70	4.70%	197.65	5.66%	21.77	1.67%
General and administrative expenses	1,048.42	6.55%	125.05	3.58%	25.43	1.95%
EBITDA	**3,377.07**	**21.08%**	**528.19**	**15.12%**	**199.96**	**15.36%**
Depreciation and amortization	8.96	0.06%	4.61	0.13%	2.44	0.19%
Interest and Finance charges	89.88	0.56%	36.24	1.04%	12.98	1.00%
Total Expenditure	**12,739.35**	79.53%	**3,006.61**	86.05%	**1,116.96**	85.82%
Profit before tax, prior period item and change in accounting policy	3,278.23	20.47%	487.34	13.95%	184.54	14.18%
Tax expense						
Current tax	1,127.15	-	136.40	-	27.06	-
Deferred tax	0.66	-	0.61	-	0.05	-
Fringe benefit tax	-	-	0.73	-	0.50	-
Net profit after tax, before prior period items and change in accounting policy	**2,150.42**	-	**349.60**	-	**156.93**	-
Prior period items	147.26	-	-	-	-	-
Net profit after tax	**2,003.16**	-	**349.60**	-	**156.93**	-
Restatement Adjustments						
Provision for retirement benefits	2.39	-	(1.71)	-	(0.29)	-
Purchase adjustment	-	-	-	-	8.68	-
Inventory valuation adjustment	34.71	-	(34.71)	-	-	-
Adjustment for insurance expenses	(2.72)	-	1.53	-	(1.68)	
Foreign exchange fluctuation gain / (loss)	30.69	-	(30.67)	-	(4.75)	-
Warranty expense	82.19	-	(82.19)			
Total impact of restatement adjustments	**147.26**	-	**(147.75)**	-	**1.96**	-
Tax adjustment	(48.92)	-	49.08	-	(0.65)	
Deferred tax	-	-	-	-	-	-
Net profits as restated	**2,101.50**	-	**250.93**	-	**158.24**	-

Fiscal 2010 compared to Fiscal 2009

Income

Total income increased by ₹ 12,523.63 million, or 358.44%, from ₹ 3,493.95 million in fiscal 2009 to ₹ 16,017.58 million in fiscal 2010, primarily due to an increase in sale of our products, particularly our mobile handsets.

Sales

Sales comprise income from sale of mobile handsets, mobile data cards, network terminals and spare parts for mobile handsets. Sales increased by ₹ 12,213.89 million, or 355.14%, from ₹ 3,439.15 million in fiscal 2009 to ₹ 15,653.04 million in fiscal 2010, primarily due to an increase in revenue from sales of mobile handsets. Sales contributed 98.43% and 97.72% of our total income in fiscal 2009 and 2010, respectively.

Sale of mobile handsets represented 86.80% and 97.82% of our sales in fiscal 2009 and 2010, respectively. Sale of mobile handsets was ₹ 15,311.47 million in fiscal 2010, compared to sale of mobile handsets of ₹ 2,985.08 million in fiscal 2009. We sold 7,052,290 mobile handsets in fiscal 2010 compared to 1,532,984 mobile handsets in fiscal 2009, which implies an average selling price for our mobile handsets of ₹ 1,974.23 and ₹ 2,171.13 in fiscal 2009 and 2010, respectively. The increase in sale of mobile handsets was driven primarily by increased sales of our "marathon battery" phones, QWERTY phones, multimedia phones and utility phones. Increased sales volumes in fiscal 2010 also resulted from a combination of launch of new mobile handset models, including utility phones, smart phones, universal remote phone and 3G phones, and the significant expansion of our distribution network. The increase in the average selling price of our mobile handsets in fiscal 2010 was primarily due to increased sales of our QWERTY phones and multimedia phones.

Sale of mobile data cards was ₹ 185.30 million in fiscal 2009 and ₹ 281.59 million in fiscal 2010, indicating growth of 51.96%. The significant increase in sale of mobile data cards was due to selling a greater number of mobile data cards in fiscal 2009. Sale of mobile data cards represented 5.39% and 1.80% of our sales in fiscal 2009 and 2010, respectively, because in fiscal 2010, growth in revenue was primarily driven by sales of mobile handsets.

Sale of network terminals was ₹ 15.28 million in fiscal 2010, compared to ₹ 246.21 million in fiscal 2009, on account of continuing to effect in fiscal 2010 our strategic decision to phase out our network terminal business in fiscal 2009. Sale of network terminals represented 7.16% and 0.10% of our sales in fiscal 2009 and 2010, respectively.

Other Income

Other income increased by ₹ 309.74 million, or 565.22%, from ₹ 54.80 million in fiscal 2009 to ₹ 364.54 million in fiscal 2010, primarily resulting from gains from foreign exchange fluctuations. Other income contributed 1.57% and 2.28% of our total income in fiscal 2009 and 2010, respectively.

We recognized a gain from foreign exchange fluctuations (net) of ₹ 317.76 million in fiscal 2010, while we incurred a loss on foreign exchange fluctuation of ₹ 84.08 million in fiscal 2009.

Expenditure

Total expenditure increased by ₹ 9,732.74 million, or 323.71%, from ₹ 3,006.61 million in fiscal 2009 to ₹ 12,739.35 million in fiscal 2010, primarily due to the significant increase in volume of mobile handsets purchased, reflecting the growth in our business and operations.

Cost of Goods Sold

Cost of goods sold increased by ₹ 8,172.60 million, or 314.86%, from ₹ 2,595.61 million in fiscal 2009 to ₹ 10,768.21 million in fiscal 2010, reflecting the increase in our operations. Cost of goods sold, expressed as a percentage of total income, decreased from 74.28% in fiscal 2009 to 67.23% in fiscal 2010. This was primarily due to higher sales of new models, such as QWERTY phones, with greater gross margins and refunds of special additional customs duty netted off from purchases in fiscal 2010.

Cost of goods sold increased significantly in fiscal 2010 from that in fiscal 2009 primarily due to a significant increase in the purchase of mobile handsets from our OEM suppliers reflecting our increased operations in fiscal 2010. Mobile phone purchases was ₹ 10,879.44 million in fiscal 2010, compared to ₹ 2,356.16 million in fiscal 2009. We purchased 7,510,977 mobile handsets from our OEM suppliers in fiscal 2010, compared to 1,626,885 mobile handsets in fiscal 2009. Cost of goods sold also increased in fiscal 2010 as we introduced several higher specification, more expensive handset models. Data card purchases was ₹ 220.62 million in fiscal 2010, compared to ₹ 176.87 million in fiscal 2009.

In fiscal 2010, we made adjustments to our cost of goods sold for ₹ 124.23 million in warranty expenses and ₹ 11.95 million in research expenses. Warranty expense includes consumption of spares of ₹ 104.50 million and new mobiles used for repairs of ₹ 19.70 million. Research expenses included ₹11.95 million of demonstration stock used for testing and separated from cost of goods sold.

Personnel Costs

Personnel costs increased by ₹ 23.73 million, or 50.01%, from ₹ 47.45 million in fiscal 2009 to ₹ 71.18 million in fiscal 2010. Personnel costs, expressed as a percentage of total income, decreased from 1.36% in fiscal 2009 to 0.44% in fiscal 2010 because the rate of our income growth outpaced the rate of our personnel cost growth.

Salaries, bonus and other benefits increased by ₹ 22.42 million, or 50.87%, from ₹ 44.07 million in fiscal 2009 to ₹ 66.49 million in fiscal 2010, on account of an increase in number of employees as well as an increase in general salary levels. The Company incurred an expense of ₹ 2.60 million towards gratuity in fiscal 2010 and ₹ 1.71 million in fiscal 2009.

Selling and Distribution Expenses

Selling and distribution expenses increased by ₹ 555.05 million, or 280.82%, from ₹197.65 million in fiscal 2009 to ₹ 752.70 million in fiscal 2010, primarily on account of a significant increase in advertisement and promotion expenses. Selling and distribution expenses, expressed as a percentage of total income, decreased from 5.66% in fiscal 2009 to 4.70% in fiscal 2010 because total income grew faster than the selling and distribution expense.

Advertisement and promotion expenses increased by ₹ 445.62 million, or 799.18%, from ₹ 55.76 million in fiscal 2009 to ₹ 501.38 million in fiscal 2010, representing 1.62% and 3.20% of total sales in fiscal 2009 and 2010, respectively. In fiscal 2010, we invested significant resources on advertisement and publicity expenses, including title sponsorships and co-presenting sponsorships for various sports events, particularly for cricket, engaging celebrity brand ambassadors and various sales promotion activities for the launch of our products. We launched more than 20 new models of mobile handsets in fiscal 2010, and incurred significant advertisement and sales promotion expenses in connection with the successful launch of these products.

Rebates and discounts increased by ₹ 47.90 million, or 42.50%, from ₹ 112.70 million in fiscal 2009 to ₹ 160.60 million in fiscal 2010 reflecting increased sales in fiscal 2010.

Freight outward increased by ₹ 59.15 million, or 222.62%, from ₹ 26.57 million in fiscal 2009 to ₹ 85.72 million in fiscal 2010.

General and Administrative Expenses

General and administrative expenses increased by ₹ 923.37 million, or 738.40%, from ₹ 125.05 million in fiscal 2009 to ₹ 1,048.42 million in fiscal 2010, primarily on account of provision for warranty expenses. General and administrative expenses, expressed as a percentage of total income, increased from 3.58% in fiscal 2009 to 6.55% in fiscal 2010 due to general and administrative expense increasing at a greater rate than total income over these periods.

Warranty expenses, comprising actual warranty costs incurred and any provision made for warranty expenses, was the largest component of general and administrative expenses. Warranty expenses were ₹ 899.67 million in fiscal 2010, compared to ₹ 87.08 million in fiscal 2009. The significant increase in warranty expense in fiscal 2010 compared to fiscal 2009 is primarily due to a provision of ₹ 750.00 million to cover future warranty claims on products that have an unexpired warranty period as of March 31, 2010.

Research expenses increased from ₹ 0.39 million in fiscal 2009 to ₹ 12.43 million in fiscal 2010.

Printing and stationery expenses increased by ₹27.97 million, or 690.62%, from ₹ 4.05 million in fiscal 2009 to ₹ 32.02 million in fiscal 2010. Legal and professional fees and travelling and conveyance expenses also increased significantly in fiscal 2010 compared to that in fiscal 2009.

However, we incurred a foreign exchange loss of ₹ 84.08 million in fiscal 2009. In fiscal 2010, we recorded a foreign exchange gain of ₹ 317.76 million as reflected in our other income.

EBITDA

Our earnings before interest, taxes, depreciation and amortization was ₹ 3,377.07 million in fiscal 2010, compared to ₹ 528.19 million in fiscal 2009. Our earnings before interest, taxes, depreciation and amortization, expressed as a percentage of total income, increased from 15.12% in fiscal 2009 to 21.08% in fiscal 2010.

Depreciation and Amortization

Depreciation and amortization increased by ₹ 4.35 million, or 94.36%, from ₹ 4.61 million in fiscal 2009 to ₹ 8.96 million in fiscal 2010, reflecting an increased fixed assets base. Depreciation and amortization, expressed as a percentage of total income, was 0.13% in fiscal 2009 and 0.06% fiscal 2010.

Interest and Finance Charges

Our interest and finance charges primarily relate to bank charges for letters of credit availed in connection with the import of our mobile handset and other products. We generally do not avail of any fund based financing arrangements. Interest and finance charges increased by ₹ 53.64 million, or 148.01%, from ₹ 36.24 million in fiscal 2009 to ₹ 89.88 million in fiscal 2010. Interest and finance charges, expressed as a percentage of total income, decreased from 1.04% in fiscal 2009 to 0.56% in fiscal 2010. Bank charges in fiscal 2010 was ₹ 58.11 million, compared to ₹ 18.42 million in fiscal 2009. The increase in bank charges in fiscal 2010 was primarily on account of the Company availing a higher amount of letters of credit in connection with greater imports. Interest on delayed payment of income tax was ₹ 30.06 million in fiscal 2010, compared to ₹ 11.15 million in fiscal 2009.

Profit before Tax, Prior Period Items and Change in Accounting Policy

As a result of the foregoing, our profit before tax, prior period items and change in accounting policy was ₹ 487.34 million and ₹ 3,278.23 million in fiscal 2009 and 2010, respectively.

Tax Expense

Current tax increased by ₹ 990.75 million, or 726.36%, from ₹ 136.40 million in fiscal 2009 to ₹ 1,127.15 million in fiscal 2010 on account of the increase in taxable profit. Deferred tax in fiscal 2010 was ₹ 0.66 million, compared to ₹ 0.61 million in fiscal 2009.

Net Profit after Tax

Net profit after tax was ₹ 2.003.16 million in fiscal 2010, compared to net profit after tax of ₹ 349.60 million in fiscal 2009. We accounted for adjustments for prior period items of ₹ 147.26 million in fiscal 2010.

Net Profits as Restated

Our net profits as restated in fiscal 2010 was ₹ 2,101.50 million, which was higher than our net profit after tax in fiscal 2010 by ₹ 98.34 million. The difference was primarily attributable to restatement adjustments for inventory valuation, gains from foreign exchange fluctuation and adjustments for warranty expenses.

Our net profits as restated in fiscal 2009 was ₹ 250.93 million, which was lower than our net profit after tax in fiscal 2009 by ₹ 98.67 million. The difference was primarily attributable to restatement adjustments for inventory valuation, loss from foreign exchange fluctuation and adjustments for warranty expenses.

For further information on the restatement adjustments, see Annexure XXIX of our Notes to Standalone Restated Summary Statements on page 166 and "***- Results of Operations - Restatement Adjustments***" on page 232.

Fiscal 2009 compared to Fiscal 2008

We believe that our results of operations for fiscal 2008 are not directly comparable to fiscal 2009 because our revenues in fiscal 2008 principally comprised revenues from sale of network terminals, whereas our revenues in fiscal 2009 were primarily from sales of mobile handsets.

Income

Total income increased by ₹ 2,192.45 million, or 168.46%, from ₹ 1,301.50 million in fiscal 2008 to ₹ 3,493.94 million in fiscal 2009 primarily due to an increase in sales of our mobile handsets and mobile data cards, offset by a decrease in our sales of network terminals.

Sales

Sales increased by ₹ 2,238.37 million, or 186.41%, from ₹ 1,200.78 million in fiscal 2008 to ₹ 3,439.15 million in fiscal 2009, primarily due to an increase in revenue from sales of mobile handsets. Sales contributed 92.26% and 98.43% of our total income in fiscal 2008 and 2009, respectively.

Sale of mobile handsets represented 7.48% and 86.80% of our sales in fiscal 2008 and 2009, respectively. We commenced sale of mobile handsets in January 2008, and our revenues in fiscal 2008 principally comprised revenues from sale of network terminals. Our revenues in fiscal 2008 reflect approximately one month of sales of mobile handsets and therefore are not comparable to our results of operations in fiscal 2009. Sale of mobile handsets was ₹ 2,985.08 million in fiscal 2009 compared to ₹ 89.81 million in fiscal 2008.
Sale of mobile data cards was ₹ 185.30 million in fiscal 2009, compared to sale of mobile data cards of ₹ 2.78 million in fiscal 2008. The significant increase in sale of mobile data cards was due to selling a greater number of mobile data cards in fiscal 2009. Sales of mobile data cards represented 0.23% and 5.39% of our sales in fiscal 2008 and 2009, respectively, because in fiscal 2009, growth in revenue was primarily driven by sales of mobile handsets.

Sale of network terminals was ₹ 246.21 million in fiscal 2009, compared to ₹ 1,026.29 million in fiscal 2008, on account of our strategic decision to phase out our network terminal business in fiscal 2009. Sale of network terminals represented 85.47% and 7.16% of our sales in fiscal 2008 and 2009, respectively.

Other Income

Other income decreased by ₹ 45.92million, or 45.59%, from ₹ 100.72 million in fiscal 2008 to ₹ 54.80 million in fiscal 2009, primarily on account of a decrease in service charges and certain gains from foreign exchange fluctuations recorded in fiscal 2008. Other income contributed 7.74% and 1.57% of our total income in fiscal 2008 and 2009, respectively.

Service charges decreased by ₹ 32.66 million, or 47.64%, from ₹ 68.56 million in fiscal 2008 to ₹ 35.90 million in fiscal 2009, on account of our phasing out of network terminal sales, which were supported with set-up services.

We recognized a gain from foreign exchange fluctuation of ₹ 25.71 million in fiscal 2008, while we recognized a loss on foreign exchange fluctuation in fiscal 2009.

Interest on fixed deposits increased by ₹ 11.67 million, or 408.04%, from ₹ 2.86 million in fiscal 2008 to ₹ 14.53 million in fiscal 2009 on account of an increase in bank deposits resulting from increased cash from operations.

Expenditure

Total expenditure increased by ₹ 1,889.65 million, or 169.18%, from ₹ 1,116.96 million in fiscal 2008 to ₹ 3,006.61 million in fiscal 2009, primarily due to the significant increase in cost of purchase of our mobile handsets, reflecting the growth in our mobile handset business.

Cost of Goods Sold

Cost of goods sold increased by ₹ 1,568.59 million, or 152.73%, from ₹ 1,027.02 million in fiscal 2008 to ₹ 2,595.61 million in fiscal 2009, reflecting the increase in our mobile handset business. Cost of goods sold, expressed as a percentage of total income, decreased from 78.91% in fiscal 2008 to 74.29% in fiscal 2009.

Cost of goods sold increased in fiscal 2009 due to an increase in the purchase of mobile handsets and mobile data cards from our OEM suppliers in fiscal 2009, reflecting primarily the growth of our mobile handset business in fiscal 2009. Sales in fiscal 2008 also did not represent a full year of operations for our mobile handset business. We purchased 1,626,885 mobile handsets from our OEM suppliers in fiscal 2009 and we purchased 136,265 mobile data cards in fiscal 2009.

Personnel Costs

Personnel costs increased by ₹ 20.13 million, or 73.68%, from ₹ 27.32 million in fiscal 2008 to ₹ 47.45 million in fiscal 2009. Personnel costs, expressed as a percentage of total income, decreased from 2.10% in fiscal 2008 to 1.36% in fiscal 2009.

Salaries, bonus and other benefits increased by ₹ 19.23 million, or 77.42%, from ₹ 24.84 million in fiscal 2008 to ₹ 44.07 million in fiscal 2009, on account of an increase in number of employees as well as an increase in general salary levels.

Selling and Distribution Expenses

Selling and distribution expenses increased by ₹ 175.88 million, or 807.90%, from ₹ 21.77 million in fiscal 2008 to ₹ 197.65 million in fiscal 2009, primarily on account of the significant increase in advertisement and promotion expenses. Selling and distribution expenses, expressed as a percentage of total income, increased from 1.67% in fiscal 2008 to 5.66% in fiscal 2009.

Advertisement and promotion expenses increased by ₹ 54.63 million, or 4,834.51%, from ₹ 1.13 million in fiscal 2008 to ₹ 55.76 million in fiscal 2009. We commenced our mobile handset business in January 2008, and in fiscal 2009, we invested significant resources on advertisement and publicity expenses in connection with the development of the Micromax brand and the launch of our mobile handset products. We launched more than 10 new models of mobile handsets in fiscal 2009, and incurred significant advertisement and sales promotion expenses in connection with the launch of these products.

Rebates and discounts increased by ₹ 105.88 million, or 1,552.49%, from ₹ 6.82 million in fiscal 2008 to ₹ 112.70 million in fiscal 2009, as we introduced various trade schemes and other sales promotion schemes in connection with the introduction of our products.

General and Administrative Expenses

General and administrative expenses increased by ₹ 99.62 million, or 391.74%, from ₹ 25.43 million in fiscal 2008 to ₹ 125.05 million in fiscal 2009, primarily on account of losses arising from foreign exchange fluctuation. General and administrative expenses, expressed as a percentage of total income, increased from 1.95% in fiscal 2008 to 3.58% in fiscal 2009.

We incurred a foreign exchange loss of ₹ 84.08 million in fiscal 2009. In fiscal 2008, we recorded a foreign exchange gain of ₹ 25.71 million as reflected in our other income.

EBITDA

Our earnings before interest, taxes, depreciation and amortization was ₹ 528.19 million in fiscal 2009, compared to ₹ 199.96 million in fiscal 2008. Our earnings before interest, taxes, depreciation and amortization, expressed as a percentage of total income, decreased from 15.36% in fiscal 2008 to 15.12% in fiscal 2009.

Depreciation and Amortization

Depreciation and amortization increased by ₹ 2.17 million, or 88.93%, from ₹ 2.44 million in fiscal 2008 to ₹ 4.61 million in fiscal 2009, reflecting our increased operations. Depreciation and amortization, expressed as a percentage of total income, decreased from 0.19% in fiscal 2008 to 0.13% in fiscal 2009.

Interest and Finance Charges

Interest and finance charges increased by ₹ 23.26 million, or 179.20%, from ₹ 12.98 million in fiscal 2008 to ₹ 36.24 million in fiscal 2009. Interest and finance charges, expressed as a percentage of total income, was 1.00% and 1.04% in fiscal 2008 and fiscal 2009 respectively.

Bank charges in fiscal 2009 was ₹ 18.42 million, compared to ₹ 8.02 million in fiscal 2008. The increase in bank charges in fiscal 2009 was primarily on account of the Company availing a higher amount of letters of credit in connection with greater imports and over-payment of commission on cash-back letters of credit.

Interest on delayed payment of income tax was ₹ 11.15 million in fiscal 2009, compared to ₹ 0.72 million in fiscal 2008.

Profit before Tax, Prior Period Items and Change in Accounting Policy

As a result of the foregoing, our our profit before tax, prior period items and change in accounting policy was ₹ 184.54 million and ₹ 487.34 million in fiscal 2008 and 2009, respectively.

Tax Expense

Current tax increased by ₹ 109.34 million, or 404.07%, from ₹ 27.06 million in fiscal 2008 to ₹ 136.40 million in fiscal 2009 on account of the increase in taxable profit. Deferred tax in fiscal 2009 was ₹ 0.61 million, compared to ₹ 0.05 million in fiscal 2008. We also incurred fringe benefit tax of ₹ 0.73 million in fiscal 2009, compared to ₹ 0.50 million in fiscal 2008.

Net Profit after Tax

Net profit after tax was ₹ 349.60 million in fiscal 2009, compared to net profit after tax of ₹ 156.93 million in fiscal 2008.

Net Profits as Restated

Our net profits as restated in fiscal 2009 was ₹ 250.93 million, which was lower than our net profit after tax in fiscal 2009 by ₹ 98.67 million. The difference was primarily attributable to restatement adjustments for inventory valuation, loss from foreign exchange fluctuation and adjustments for warranty expenses.

Our net profits as restated in fiscal 2008 was ₹ 158.24 million, which was higher than our net profit after tax in fiscal 2008 by ₹ 1.31 million. The difference was primarily attributable to restatement adjustments for purchase adjustments, offset by adjustments for loss from foreign exchange fluctuation.

For further information on the restatement adjustments, see Annexure XXIX of our Notes to Standalone Restated Summary Statements on page 166 and "***- Results of Operations - Restatement Adjustments***" below.

Restatement Adjustments

Following are the restatement adjustments carried out for the preparation of our restated unconsolidated financial statements in compliance with the ICDR Regulations:

- During the years ended March 31, 2009, 2008, 2007 and 2006, the Company had recorded gratuity expense on a cash basis as against the requirements of Accounting Standard ('AS') 15 (Revised 2005) Accounting for retirement benefits which requires accrual basis of accounting. For the year ended March 31, 2010, the Company has recorded gratuity provision in accordance with AS-15. Accordingly, for the purposes of Standalone Restated Summary Statements, this treatment has been applied retrospectively.

- Certain purchases which pertained to year ended March 31, 2008 were erroneously recorded in the year ended March 31, 2007. Accordingly, for the purposes of Standalone Restated Summary Statements, the adjustment has been recorded in the relevant year.

- The closing inventory was erroneously over valued as at March 31, 2009. Accordingly, for the purposes of Standalone Restated Summary Statements, the carrying amount of inventories as at March 31, 2009 has been restated with corresponding effect in the subsequent year.

- During the years ended March 31, 2009, 2008 and 2007, insurance expenses were erroneously booked in the year of payment instead of being amortized over the period of insurance. Accordingly, for the purposes of Standalone Restated Summary Statements, the carrying amount of prepaid expenses as at each balance sheet date has been restated and correct expense has been recorded in Profit and Loss accounts of the respective years.

- During the years ended March 31, 2009, 2008 and 2007, the creditors denominated in foreign currency were not restated as at the balance sheet date as against the requirements of the Accounting Standard – 11 "The effects of changes in foreign exchange rates". Accordingly, for the purposes of Standalone Restated Summary Statements, the carrying amount of creditors denominated in foreign currency have been restated as at each balance sheet date and corresponding impact of foreign exchange fluctuation has been recorded in Profit and Loss accounts of the respective years.

- During the year ended March 31, 2009, the Company has not made provision for warranty expense in relation to the unexpired sales as at the year end. Accordingly, for the purposes of Standalone Restated Summary Statements, the provision for warranty has now been restated as at each balance sheet date and corresponding impact of the warranty expense has been recorded in profit and loss account for the year.

For further details regarding the restatements and material reclassifications, see Annexure XXIX of our restated standalone financial statements on page 166.

Liquidity and Capital Resources

Historically, our primary liquidity requirements have been to finance our working capital requirements. To fund these costs, we have relied primarily on cash generated from operations and secured revolving credit lines from banks and financial institutions. As of March 31, 2010, our cash and bank balances were ₹ 2,262.29 million.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

(₹ million)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Net cash from operating activities	2,321.65	756.74	(83.62)
Net cash used in investing activities	(916.55)	(494.14)	(40.26)
Net cash used in financing activities	(572.77)	(67.23)	59.10
Net increase/(decrease) in cash and cash equivalents	832.33	195.37	(64.78)

Operating activities

Net cash from operating activities in fiscal 2010 was ₹ 2,321.65 million. Our working capital adjustments for fiscal 2010 were ₹ 42.91 million, primarily consisting of on increase in current liabilities and provisions of ₹ 2,308.13 million and an increase in inventories of ₹ 691.07 million, both due to increased purchases, and an increase in sundry debtors of ₹ 895.37 million and an increase in loans and advances of ₹ 678.79 million on account of advance to suppliers and the recoverable additional customs duty.

Net cash from operating activities in fiscal 2009 was ₹ 756.74 million. Our working capital adjustments for fiscal 2008 were ₹ 417.99 million, primarily consisting of an increase in current liabilities and provisions of ₹ 972.13 million and an increase in inventories of ₹ 227.85 million, both due to increased purchases, and an increase in sundry debtors of ₹ 105.26 million and increase in loans and advances of ₹ 221.03 million on account of advance to suppliers.

Net cash used in operating activities in fiscal 2008 was ₹ 83.62 million. Our working capital adjustments for fiscal 2008 were ₹ 262.69 million, primarily consisting of a decrease in current liabilities and provisions of ₹ 140.86 million due to our phasing out of our network terminal business and reduced outstanding creditors related to our mobile handset business, and an increase in sundry debtors of ₹ 106.13 million.

Investing activities

Net cash used in investing activities in fiscal 2010 was ₹ 916.55 million, resulting primarily from an increase in fixed deposits with bank of ₹ 721.10 million due to an increase in cash from operations, purchase of investments of ₹ 201.31 million relating to marketable securities, purchase of fixed assets and movement in capital work-in-progress of ₹ 24.90 million, which was partially offset by interest received of ₹ 30.14 million.

Net cash used in investing activities in fiscal 2009 was ₹ 494.14 million, resulting primarily from an increase in fixed deposits with bank of ₹ 455.78 million due to an increase in cash from operations and purchase of fixed assets and movement in capital work-in-progress of ₹ 52.42 million, which was partially offset by interest received of ₹ 12.28 million and proceeds from the sale of fixed assets of ₹ 1.78 million.

Net cash used in investing activities in fiscal 2008 was ₹ 40.26 million, resulting primarily from purchase of fixed assets and movement in capital work-in-progress of ₹ 36.21 million and an increase in fixed deposits with bank of ₹ 7.55 million, which was partially offset by interest received of ₹ 2.37 million and proceeds from the sale of fixed assets of ₹ 1.13 million.

Financing activities

Net cash used in financing activities in fiscal 2010 was ₹ 572.77 million, resulting from dividend payments to our shareholders of ₹ 1,282.11 million, dividend distribution tax paid of ₹ 217.89 million, interest and finance charges paid on our borrowings of ₹ 59.82 million and repayment of long-term borrowings of ₹ 26.92 million, which were partially offset by share application money received of ₹ 1,012.50 million from the issue of PCCPS to Wagner Limited.

Net cash used in financing activities in fiscal 2009 was ₹ 67.23 million, resulting from repayment of long-term borrowings of ₹ 34.39 million, and interest and finance charges paid on our borrowings of ₹ 25.09 million.

Net cash generated from financing activities in fiscal 2008 was ₹ 59.10 million, resulting primarily from proceeds from long-term borrowings of ₹ 58.21 million, which was partially offset by interest and finance charges paid on our borrowings of ₹ 12.26 million.

Indebtedness

The following table summarizes our outstanding indebtedness as of the dates indicated:

(₹million)

Particulars	As of March 31,2010	As of March 31,2009	As of March 31,2008
Unsecured loans	-	7.00	9.90
Secured loans	11.69	25.14	54.88
Total	**11.69**	**32.14**	**64.78**

The following table provides certain information relating to our total indebtedness as of March 31, 2010:

(₹ million)

Particulars	Payment due by				
	Total indebtedness as of March 31, 2010	Less than 1 year	1-3 years	3-5 years	More than 5 years
Unsecured loans	-	-	-	-	-
Secured loans (car loans)	11.69	4.95	6.94	-	-

For further information, see "***Financial Indebtedness***" on page 212.

Capital Expenditure

We historically have not made any material capital expenditures.

We expect to incur capital expenditure in fiscal 2011 and fiscal 2012 primarily in connection with our planned manufacturing facilities. For further information, see "***Objects of the Issue***" on page 36. Our capital expenditure plans are based on management estimates and are subject to a number of variables, including availability of financing on acceptable terms, desirability of current plans and macroeconomic factors such as the economy or factors affecting the our industry.

Contractual Obligations

The following table sets forth certain information relating to future payments due under known contractual obligations and commercial commitments as of March 31, 2010, aggregated by type of contractual obligation:

(₹ million)

Particulars	Payment due by				
	Total contractual obligations as of March 31, 2010	Less than 1 year	1-3 years	3-5 years	More than 5 years
Purchase Obligation (obligation to purchase land, Sector 35, Gurgaon)	26.95	21.56	5.39	-	-
Long-term debt obligation (secured car loans)	11.69	4.95	6.74	-	-
Total	**38.64**	**26.51**	**12.13**		

Contingent Liabilities and Off Balance Sheet Arrangements

Contingent liabilities as of March 31, 2010 included the following:

(₹ million)

Particulars	Amount
Income tax proceedings	0.06
Delhi VAT proceedings	0.89
Total	**0.95**

For further information, see Annexure XXVIII to our restated standalone financial statements on page 162.

We selectively enter into foreign exchange forward contracts to hedge our exposure to fluctuations in foreign exchange rates. There can however be no assurance that such measures will enable us to avoid the effect of any adverse fluctuations in the value of the Indian rupee against the U.S. dollar or other relevant foreign currencies. These foreign exchange forward contracts are not used for trading or speculation purposes and are fair valued at each balance sheet date. The resultant gain or loss (except relating to effective hedges) from these transactions are recognised in the profit and loss account. The gain or loss on effective hedges is recorded in the hedging reserve (reported under reserves and surplus) until the transactions are complete. On completion, the gain or loss is transferred to the profit and loss account of that period.

We do not have any other off-balance sheet arrangements, derivative instruments or other relationships with unconsolidated entities that would have been established for the purpose of facilitating off-balance sheet arrangements.

Related Party Transactions

We have entered into and expect to enter into transactions with a number of related parties, including our key management personnel and relatives thereof, and with Micromax Technologies Private Limited, a Group Entity. For further information relating to our related party transactions, see "***Financial Statements-Standalone Statement of Related Parties and Related Transactions with them-Annexure XXV***" and "***Financial Statements of Related Parties and Related Transactions with them–Consolidated Statement-Annexure XXIV***" on pages 157 and 200, respectively.

Qualitative Disclosure about Market Risks

General

Market risk is the risk of loss of future earnings, to fair values or to future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the foreign currency exchange rates, interest rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including investments, foreign currency payables and debt.

Exchange Rate Risk

Changes in currency exchange rates affect our results of operations. Although most of our income is denominated in Indian rupees, currently a small percentage of our income, relating to income from sales in Bangladesh, Nepal and Sri Lanka, is denominated in U.S. dollars. We expect the percentage of income generated in currencies other than Indian rupees to increase in the future with the expansion of our international sales. In addition, a significant portion of our expenditure, relating to purchase of mobile handsets from our OEMs in China and Taiwan, are denominated in U.S. dollars. Such imports were ₹ 10,879.44 million and ₹ 2,356.16 million in fiscal 2010 and 2009, respectively, and represented 85.40% and 78.36%, of our total expenditure in these periods. We expect a significant portion of our expenditure to continue to be denominated in U.S. dollars in the future. We also expect our future capital expenditure in connection with our proposed manufacturing facilities to include expenditure in foreign currencies for imported equipment and machinery. Depreciation of the Indian rupee against the U.S. dollar and other relevant foreign currencies may adversely affect our results of operations by increasing the cost of procurement of mobile handsets imported by us for sale in India or any proposed capital expenditure in foreign currencies.

We selectively enter into foreign exchange forward contracts to hedge our exposure to fluctuations in foreign exchange rates. There can however be no assurance that such measures will enable us to avoid the effect of any adverse fluctuations in the value of the Indian rupee against the U.S. dollar or other relevant foreign currencies. For further information relating to derivative instruments that we have entered into, see "***-Contingent Liabilities and Off Balance Sheet Arrangements***" on page 235. In addition, since we enter into transactions in derivative financial instruments that are sensitive to movements in currency exchange rates, and changes in the fair values of our derivative financial instruments are recognized in our financial statement at the end of each financial reporting period, any resulting decrease in the fair value of such derivative financial instruments could adversely affect our results of operations.

Inflation

In recent years, although India has experienced fluctuation in inflation rates, inflation has not had material impact on our business and results of operations.

Known Trends or Uncertainties

Other than as described in this Draft Red Herring Prospectus, particularly in the sections "***Risk Factors***" and "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page xii and page 217, respectively, to our knowledge, there are no trends or uncertainties that have or had or are expected to have a material adverse impact on our income from continuing operations.

Unusual or Infrequent Events or Transactions

Except as described in this Draft Red Herring Prospectus, to our knowledge, there have been no events or transactions that may be described as “unusual” or “infrequent”.

Seasonality of Business

Our sales may vary from fiscal period to fiscal period depending on the festival season in various parts of India, but we do not characterize our business as seasonal.

Future Relationship between Costs and Income

Other than as described in the sections “***Risk Factors***” and “***Management’s Discussion and Analysis of Financial Condition and Results of Operations***” on pages xii and 217, respectively, to our knowledge, there are no known factors which will have a material adverse impact on our operations and finances.

Significant Dependence on a Single or Few Customers

We have a wide customer base in the form of distributors and our business is not dependent on any significant distributor or distributors.

Competitive Conditions

We expect competition in the Indian mobile handset market from existing and potential competitors to intensify. For further details regarding our competitive conditions and our competitors, see the sections “***Risk Factors***” and “***Our Business***” on pages xii and 69, respectively.

Significant developments after March 31, 2010 that may affect our future results of operations

Except as stated in this Draft Red Herring Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Draft Red Herring Prospectus which materially and adversely affect or are likely to affect, the operations or profitability of our Company, or the value of our assets or our ability to pay our material liabilities within the next twelve months. Except as stated in this Draft Red Herring Prospectus, there is no development subsequent to March 31, 2010 that we believe is expected to have a material impact on the reserves, profits, earnings per share and book value of our Company.

Recent Accounting Pronouncements

There are no recent accounting pronouncements that are expected to impact our accounting policies or the manner of our financial reporting. However, the Institute of Chartered Accountants of India has announced a road map for the adoption of, and convergence of Indian GAAP with, IFRS, pursuant to which we will be required to prepare their annual and interim financial statements under IFRS beginning with financial year commencing April 1, 2013. Because there is significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw in forming judgments regarding its implementation and application, we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting.

SECTION VI - LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, Subsidiary, Directors, Promoters, or Group Entities and there are no defaults, non payment or overdue of statutory dues, over-dues to banks or financial institutions, rollover/re-scheduling of loans or any other liability, dues payable to holders of any debentures, bonds and fixed deposits and arrears of preference shares of our Company defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic, civil or any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company. Further, our Company, our Subsidiary, our Directors or our Promoters or Group Entities have not been declared as willful defaulter by RBI, have not been debarred from dealing in securities and / or accessing the capital markets by SEBI and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, Subsidiary, our Promoters, Group Entities or our Directors, that may have a material adverse effect on our business or financial position, nor, so far as we are aware, are there any such proceedings pending or threatened.

Contingent liability not provided for:

We had contingent liabilities not provided for in the following amounts, as disclosed in our restated financial statements. For details see "***Financial Statements***" on page 123.

I. Litigation involving our Company

Litigation against our Company

Statutory notices

There is one statutory notice pending against our Company aggregating approximately ₹ 11.86 million.

(i) The Commissioner of Customs (Preventive) issued a show cause notice (C. No. VIII (SB) 9/41/Inv./Part-5/2010/4703) dated April 29, 2010 to our Company to show cause for importing Micro Secure Digital Cards ("**Micro SD Cards**") under the Customs Tariff Head of 85235100 and not 85235220, and why differential customs duty of approximately ₹ 11.86 million for the period between October 30, 2009 and January 16, 2010 should not be payable by our Company and why 81 pieces of Micro Memory SD Cards should not be confiscated. Our Company replied by letter dated June 14, 2010 contending that the Micro Memory SD Cards would be categorized under the Customs Tariff Head of 85235100 and not 85235220. The matter is currently pending.

Income tax proceedings

There is one income tax related proceeding pending against our Company aggregating approximately ₹ 0.06 million.

(i) Our Company received an assessment order from the Office from the Deputy Commissioner of Income Tax, Circle 6(1), New Delhi dated June 30, 2010 under section 143(3) of the Income Tax Act, 1961 for the assessment period April 1, 2008 to March 31, 2009 reassessing the income of our Company by addition of ₹ 0.12 million on account of non payment of employee/employer contribution towards provident fund and employees' state insurance within the prescribed time, disallowing certain expenditures under section 14A of the Income Tax Act, 1961 incurred by our Company amounting to ₹ 0.02 million which was deducted as expense and disallowance of website development expense amounting to ₹ 0.05 million from the computation of total income. The total taxable income has been reassessed to ₹ 79.81 million and the net tax payable by our Company has been assessed as ₹ 64,589. Our Company has filed an appeal before the Commissioner of Income Tax (Appeals) on account of the disallowances made and the reassessment of income .

Delhi VAT related proceedings

There is one VAT related proceeding pending against our Company aggregating approximately ₹ 0.89 million.

(i) Our Company received a notice from the Office of the Value Added Tax Officer, Government of National Capital Territory of Delhi dated March 25, 2010 for the assessment period April 1, 2006 to March 31, 2007 raising a demand of ₹ 0.89 million. Our Company has filed an appeal before the Deputy Commissioner of Sales Tax on June 14, 2010 challenging such notice. The matter is currently pending.

Civil cases

There are two civil cases pending against our Company. The claim is not quantifiable.

(i) Keshav Pasi filed a civil suit for permanent injunction (no. 120/2010) before the Court of Civil Judge (Junior Division), Kashipur. Our Company had appointed Keshav Pasi as a distributor on a trial basis for a period of three months i.e. up to March 31, 2010 for the district Kumaon, Uttarakhand. Subsequently, our Company appointed another distributor in place of Keshav Pasi. Keshav Pasi has claimed that our Company cannot appoint any other person clearing all dues owed to him and that our Company can only appoint another distributor after taking back the stock of our Company. Our Company is in the process of filing a written statement before the Court of Civil Judge (Junior Division), Kashipur. The matter is currently pending.

(ii) Rudra Traders filed an application (Arbitration Case No. 10/2010) against our Company before the High Court of Himachal Pradesh, Shimla under Section 9 of the Arbitration and Conciliation Act, 1996, as amended, seeking interim relief restraining our Company from terminating the distributor agreement dated April 1, 2009, wherein Rudra Traders were appointed as the distributors for certain territories, and our Company to start supplying mobile handsets in terms of the distributor agreement dated April 1, 2009. The matter is currently pending and no arbitration proceedings have been initiated.

Labour cases

There is one labour case pending against our Company. The claim is not quantifiable.

(i) Prakash Chandra Arya filed a case (no. 7/2009) against our Company before the Labour Court, Karkardoma Courts, Delhi alleging that his employment was wrongfully terminated without payment of wages. He has prayed for reinstatement of his employment with back wages. The matter is currently pending.

Consumer cases

There are 109 consumer cases pending against our Company aggregating ₹ 3.96 million along with interest and costs, as applicable.

(i) Manoj Kumar filed a complaint (no. 192/2010) against Arora Tele Business and our Company before the District Consumer Disputes Redressal Forum, Ferozepur seeking replacement of an alleged faulty mobile handset or refund of the cost of the handset of ₹ 3,750 and compensation and costs amounting to ₹ 61,000. The matter is currently pending.

(ii) Rakesh Joshi filed a complaint (no. 136/2010) against Deepak Watch & Radio House and our Company before the District Consumer Disputes Redressal Forum, Bhopal seeking replacement or repair of an alleged faulty mobile handset and compensation of ₹ 1,10,000. The matter is currently pending.

(iii) Sharmila filed a complaint (no. 282/2010) against our Company before the District Consumer Disputes Redressal Forum, Alwar seeking replacement of mobile handset, compensation of ₹ 15,000 and litigation costs of ₹ 3,300. The matter is currently pending.

(iv) Manoj Sharma filed a complaint against Star Communication, Micromax Care Centre and our Company before the District Consumer Disputes Redressal Forum, Bhiwani seeking replacement of an alleged faulty mobile handset and compensation and costs amounting to ₹ 20,000. The matter is currently pending.

(v) Gurdas Singh filed a complaint (no. 90/2010) against Network Communication and our Company before the District Consumer Dispute Redressal Forum, Bathinda seeking replacement of an alleged faulty mobile handset or refund of the cost of the handset with interest and compensation and costs amounting to ₹ 55,500. The matter is currently pending.

(vi) Balaji Traders filed a complaint (no. 259/2010) against Marudhar Traders and our Company before the District Consumer Dispute Redressal Forum, Jodhpur seeking replacement of a faulty mobile handset or refund of ₹ 4,300, compensation of ₹ 15,000 and litigation costs of ₹ 2,500. The matter is currently pending.

(vii) Prabhat Kumar Shukla filed a complaint (no. 24/2010) against Gupta Radios and Telecom Company and the Managing Director of our Company before the District Consumer Dispute Redressal Forum, Farrukhabad seeking replacement of an alleged faulty mobile handset and compensation and costs amounting to ₹ 100,000. The matter is currently pending.

(viii) Rajesh Kumar filed a complaint (no. 174/2010) against our Company before the District Consumer Dispute Redressal Forum, Gurgaon seeking refund of ₹ 2,200 for a faulty mobile handset and costs. The matter is currently pending.

(ix) Raju Kumar Singh filed a complaint (no. 36/2010) against our Company before the District Consumer Dispute Redressal Forum, Baliya seeking repair or refund for a faulty mobile handset of ₹ 3,400, compensation of ₹ 25,000 and litigation costs of ₹ 10,000. The matter is currently pending.

(x) Mahesh Kumar filed a complaint (no. 2/2010) against Sharik Communications and Micromax Service Centre before the District Consumer Disputes Redressal Forum, Solan seeking refund of ₹ 3,000 being the cost of an alleged faulty mobile handset, compensation of ₹ 30,000 and costs. The matter is currently pending.

(xi) Jindra Pal filed a complaint (no. 81/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Sriganganagar seeking replacement or refund of ₹ 1,650 for a faulty mobile handset, compensation of ₹ 50,000 and litigation costs of ₹ 5,500. The matter is currently pending.

(xii) Mukesh Kalra filed a complaint (no. 66/2010) against our Company before the District Consumer Disputes Redressal Forum, Sriganganagar seeking replacement or refund of ₹ 4,250 for a faulty mobile handset, compensation of ₹ 50,000 and litigation costs of ₹ 5,500. The matter is currently pending.

(xiii) Sachdev Singh filed a complaint (no. 134/2010) against our Company before the District Consumer Disputes Redressal Forum, Gurgaon seeking replacement of an alleged faulty mobile handset an compensation of ₹ 50,000 with interest and costs. The matter is currently pending.

(xiv) Annapurna filed a complaint (no. 9/2010) against our Company before the District Consumer Disputes Redressal Forum, Ujjain seeking refund of ₹ 3,400 for a faulty mobile handset and compensation of ₹ 50,000. The matter is currently pending.

(xv) K.K. Krishna Kumar filed a complaint (no. 398/2009) against Radhakrishna Pillai of Rex Super Shop, in which our Company has been impleaded as a party through an interim application (no. 21/2010), before the District Consumer Disputes Redressal Forum, Alappuzha seeking repair of his allegedly faulty mobile handset. The matter is currently pending.

(xvi) Shiv Kumar filed a complaint (no. 826/2009) against our Company and J.M.D. Telecom before the District Consumer Disputes Redressal Forum, Karnal seeking replacement of an alleged faulty mobile handset or refund of the cost of the handset of ₹ 4,200 and compensation and costs amounting to ₹ 22,000. The matter is currently pending.

(xvii) Hukami Ram filed a complaint (no. 5/2010) against Khosla Electronics, Ashish Sood and our Company before the District Consumer Disputes Redressal Forum, Kangra seeking refund of the cost of an alleged faulty handset of ₹ 6,500, refund of ₹ 1,600 charged for repairing such handset and compensation amounting to ₹ 20,000. The matter is currently pending.

(xviii) Surya Kamal Mishra filed a complaint (no. 47/2010) against our Company and Range Tele Services before the District Consumer Disputes Redressal Forum, Delhi seeking refund of the cost of an alleged faulty handset including interest of ₹ 13,000, and compensation amounting to ₹ 50,000. The matter is currently pending.

(xix) Sameer Panda filed a complaint (no. 91/2009) against Sai Electronics and our Company before the District Consumer Disputes Redressal Forum, Sambalpur for deficiency of services and seeking refund of the money paid and that the mobile handset, sent for repairs be returned to him. The matter is currently pending.

(xx) Imran Khan filed a complaint (no. 574/2009) against our Company, Mobile Station and Magesh Mobile Repairing before the District Consumer Disputes Redressal Forum, Ujjain seeking refund of ₹ 2,400 for a faulty mobile handset, compensation of ₹ 15,000 and litigation costs of ₹ 3,000. The matter is currently pending.

(xxi) Padam Kumar filed a complaint (no. 473/2009) against our Company and others before the District Consumer Disputes Redressal Forum, Sawai Madhopur seeking replacement or refund of ₹ 5,000 for a faulty mobile handset, compensation of ₹ 10,000 and litigation costs of ₹ 1,500. The matter is currently pending.

(xxii) Omprakash filed a complaint (no. 30/2009) against our Company, and others before the District Consumer Disputes Redressal Forum, Lakhimpur Khiri seeking replacement of a faulty mobile handset and compensation of ₹ 20,000. The matter is currently pending.

(xxiii) Mangi Lal Tiwari filed a complaint (no. 32/2009) against our Company, and others, before the District Consumer Disputes Redressal Forum, Jhalawar seeking replacement of a faulty mobile handset or refund of ₹ 5,200, compensation of ₹ 20,000 and litigation costs of ₹ 2,000. The matter is currently pending.

(xxiv) Karunakar Dwivedi filed a complaint (no. 131/2009) against our Company, and others before the District Consumer Disputes Redressal Forum, Barabanki seeking replacement of a faulty mobile handset and compensation of ₹ 3,000 and litigation costs of ₹ 5,500. The matter is currently pending.

(xxv) Santosh Agarwalla filed a complaint (no. 127/2009) against R.K. Cell Point and our Company before the District Consumer Disputes Redressal Forum, Boudh seeking replacement of an alleged faulty mobile handset or refund the cost of the handset of ₹ 4,200 and compensation and costs of ₹ 4,000. The matter is currently pending.

(xxvi) Chandradeep filed a complaint (no. 259/2009) against our Company and another before District Consumer Disputes Redressal Forum, Baliya seeking replacement or refund of ₹ 3,450 for a faulty mobile handset and compensation of ₹ 50,000 and litigation costs of ₹ 2,000. The matter is currently pending.

(xxvii) Randeep Kumar filed a complaint (no. 228/2008) against our Company and another before the District Consumer Disputes Redressal Forum, Muzzafarnagar, seeking replacement of his mobile phone or refund of ₹ 2,550 and compensation of ₹ 10,000. The matter is currently pending.

(xxviii) Jogender filed a complaint (no. 742/2009) against our Company and another before the District Consumer Disputes Redressal Forum, Faridabad seeking ₹ 3000 towards the price of the defective handset along with a sum of ₹ 50,000 as compensation with interest at 24% p.a. and ₹ 5,500 as cost of the litigation. The matter is currently pending.

(xxix) Lalit Gahlot filed a complaint (no. 1163/09) against our Company and another before the District Consumer Disputes Redressal Forum, Jodhpur seeking refund of ₹ 4,065 for a faulty mobile handset, compensation of ₹ 10,000 and litigation costs of ₹ 1,500. The matter is currently pending.

(xxx) S. K. Pandey field a complaint (no.521/F109) against our Company and another before the District Consumer Disputes Redressal Forum, Satna seeking repaid of handset or refund of ₹ 3,650 and compensation of ₹ 50,000.The matter is currently pending.

(xxxi) Ram Sahai Rajput filed a complaint (no. 92/2009) against our Company and another before the District Consumer Disputes Redressal Forum, Mahoba, seeking replacement of a faulty mobile handset and compensation of ₹ 50,000 for business losses and ₹ 5,000 for mental agony. The matter is currently pending.

(xxxii) Varish Khan filed a complaint (no. 96/2009) against our Company and others before the District Consumer Forum, Bhojpur seeking refund of ₹ 2,450 and for ₹ 5,000 for a faulty mobile handset for mental agony and harassment and litigation costs of ₹ 3,000. The matter is currently pending.

(xxxiii) Ratna Kumari filed a complaint (no. 50/2010) against our Company and another before the District Consumer Disputes Redressal Forum, Hajipur seeking replacement of a faulty mobile handset and compensation of ₹ 29,000 and ₹ 28,000 for mental agony and ₹ 1,100 for litigation costs. The matter is currently pending.

(xxxiv) Sandeep Kumar filed a complaint (no. 20/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Solan seeking replacement of the defective handset or refund of the price of the handset of ₹ 7,420 along with interest and compensation of ₹ 20,000. The matter is currently pending.

(xxxv) Ram Dass filed a complaint (no. 479/2009) against our Company before the District Consumer Disputes Redressal Forum, Panipat seeking replacement of a faulty mobile handset and compensation of ₹ 50,000. The matter is currently pending.

(xxxvi) Ram Niwas filed a complaint (no. 51/2010) against our Company before the District Consumer Disputes Redressal Forum, Dhaulapur seeking replacement of a faulty mobile handset or refund of ₹ 3,100 and compensation of ₹ 5,000. The matter is currently pending.

(xxxvii) Sanjeev Kumar filed a complaint (no. 311/2010) against our Company before the District Consumer Disputes Redressal Forum, Janakpuri seeking ₹ 3,450 along with interest for the defective handset and additionally ₹ 100,000 as compensation. The matter is currently pending.

(xxxviii) Krishna Dutt Mishra filed a complaint (no. 250/2010) against our Company and another before the District Consumer Disputes Redressal Forum, Allahabad seeking refund of ₹ 4,200 for a faulty mobile handset and compensation of ₹ 50,000. The matter is currently pending.

(xxxix) Surrender Singh filed a complaint (no. 257/2010) against our Company and another before the District Consumer Disputes Redressal Forum, Faridabad seeking ₹ 3800 with interest towards the defective handset and suitable additional sum as compensation. The matter is currently pending.

(xl) Rakesh Kumar filed a complaint (no. 480/2010) against our Company before the District Consumer Disputes Redressal Forum, Jaipur seeking ₹ 4,400 for the defective handset and ₹ 140 for the defective charger along with interest and compensation of ₹ 50,000. The matter is currently pending.

(xli) Sunil Kumar filed a compliant (no. 547/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Gurgaon seeking refund for a faulty mobile handset and litigation costs. The matter is currently pending.

(xlii) Santosh Kumar Behera filed a complaint (no. 20/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Malkangiri seeking replacement of a faulty mobile handset and compensation of ₹ 20,000 and litigation costs of ₹ 5,000. The matter is currently pending.

(xliii) Chetan Palli Ravana filed a complaint (no. 116/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Rayagada seeking replacement of faulty mobile handset and compensation. The matter is currently pending.

(xliv) Vijender Singh filed a complaint (no. 164/2010) against our Company and others before the District Consumer Redressal Forum, I.S.B.T, Delhi seeking replacement of an alleged faulty mobile handset and compensation of ₹ 50,000 (inclusive of costs). The matter is currently pending.

(xlv) Prakesh S. More filed a complaint (no. 322/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Kolhapur seeking refund of ₹ 4,900 for a faulty mobile handset, litigation costs of ₹ 3,500, and ₹ 5,000 for compensation. The matter is currently pending.

(xlvi) Prakash N. Bhanushali filed a complaint (no. 168/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Valsad seeking refund of ₹ 4,200 for a faulty mobile handset, compensation of ₹ 4,000 and litigation costs of ₹ 1,000. The matter is currently pending.

(xlvii) Sudhakar Kalappa Pattar filed a compliant (no. 292/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Belgaum seeking refund of ₹ 3,150 for a faulty mobile handset, compensation of ₹ 40,000 and costs. The matter is currently pending.

(xlviii) Harwinder Singh filed a complaint (no. 238/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Gurdaspur seeking replacement or refund of ₹ 4,500 for a faulty mobile handset and compensation along with litigation costs of ₹ 20,000. The matter is currently pending.

(xlix) Sanjay P. Kerba Kanole filed a complaint (no. CC/10/158) against our Company and others before District Consumer Disputes Redressal Forum, Nander seeking refund of ₹ 4,000 for a faulty mobile handset, compensation of ₹ 50,000 and litigation costs of ₹ 5,000. The matter is currenly pending.

(l) Ashish Kulnare filed a complaint (no. 349/2010) against our Company and others District Consumer Disputes Redressal Forum, Bhopal seeking compensation of ₹ 70,000 and refund of ₹ 6,390 for a faulty mobile handset and litigation costs of ₹ 6,000. The matter is currently pending.

(li) Rajesh Sardar filed a complaint (no. 17/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Malkangiri seeking replacement of an alleged faulty mobile handset, ₹ 10,000 for compensation and ₹ 5,000 for litigation costs. The matter is currently pending.

(lii) B.S. Chauhan filed a complaint (no. 36/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Nahan, H.P. seeking refund of ₹ 3,200 for a faulty mobile handset and ₹ 10,000 for compensation. The matter is currently pending.

(liii) Yogesh Kumar Yadav filed a compliant (no. 398/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Alwar, Rajasthan, seeking replacement or refund for an alleged faulty mobile handset of ₹ 2,850 and compensation of ₹ 7,850 (inclusive of costs). The matter is currently pending.

(liv) Jeevan Prakash filed a complaint (no. 479/2010) against our Company and others, before the District Consumer Disputes Redressal Forum, Saini Enclave, Delhi, seeking refund of ₹ 4,249, and compensation of approximately ₹ 0.11 million (inclusive of costs). The matter is currently pending.

(lv) Ashu filed a complaint (no. 481/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Saini Enclave, Delhi seeking refund of ₹ 2,550 for an alleged faulty mobile handset and compensation of approximately ₹ 0.11 million (inclusive of costs). The matter is currently pending.

(lvi) Gunda Siva Jyothi (no.39/2010) against our Company and others before the East Godavari Consumer Disputes Redressal Forum-I, Kakinada, seeking replacement of an alleged faulty mobile handset and ₹ 8,000 as compensation for mental agony and ₹ 2,000 as costs of the suit. The matter is currently pending

(lvii) Arvinder Kaur filed a complaint (no. 356/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Ferozepur, seeking compensation of ₹ 50,000 and refund of ₹ 3,100 along with costs for an alleged faulty mobile hand set. The matter is currently pending.

(lviii) Amarjit Singh filed a complaint (no. 316/10) against our Company and others before the District Consumer Disputes Redressal Forum, Kurukshetra, seeking compensation of ₹ 50,000 and replacement of an alleged faulty mobile handset. The matter is currently pending (lix) Prashant Raaghav filed a complaint (no. 219/2010) against our Company and others before the Consumer Redressal Forum, Meerut seeking refund of ₹ 3,650 along with interest, compensation of ₹ 0.07 million and costs. The matter is currently pending.

(lx) Sunil Kumar filed a complaint (no. 73/2010) against our Company and others before the Consumer Redressal Disputes Forum, East Champaran, Bihar, seeking replacement or refund of an alleged faulty mobile handset and compensation of ₹ 34,000. The matter is currently pending.

(lxi) Durgesh Pal filed a complaint (no. 457/10) against our Company and others before the District Consumer Disputes Redressal Forum, Saini, Enclave, Delhi seeking replacement of an alleged faulty mobile device and compensation as per the discretion of the court. The matter is currently pending.

(lxii) Amit Sekhari filed a complaint (no. 466/10) against our Company and others before the District Consumer Redressal Forum, District Forum-III, West, seeking compensation of ₹ 10,000 and refund of ₹ 4,490 for an alleged faulty mobile handset. The matter is currently pending

(lxiii) Madan Kumar filed a complaint (no. 476/10) before the District Consumer Redressal Forum, Rohtak, Haryana, against our Company and other seeking compensation of ₹ 15,000 and a leather pouch on account of an alleged representation by our Company for providing a leather pouch on the purchase Q7 model of our mobile hand sets.

(lxiv) Atmaram filed a complaint (no. 67/10) against our Company and others, before the District Consumer Redressal Forum, Solan Himachal Pradesh, seeking refund of an amount of ₹ 3,700 along with interest from November 23, 2009 till the date of payment and compensation of ₹ 0.03 million along with costs. The matter is currently pending.

(lxv) Harjit Singh filed a complaint (no. 625/10) against our Company and others before the District Consumer Redressal Forum, Fatehgarh Sahib, seeking refund of ₹ 3,100 and compensation of ₹ 40,000 and costs for an alleged faulty mobile hand set.

(lxvi) Rajbir Saini filed a complaint (no. 1568/2010) against our Company and others before the District Consumer Redressal Forum, Kurukshetra, seeking replacement of an alleged faulty mobile handset or refund an amount of ₹ 3,000 for the faulty mobile handset along with compensation of ₹ 30,000 (inclusive of costs). The matter is currently pending.

(lxvii) Dr. Ramesh Singh Chauhan filed a complaint (no. 243/10) against our Company and others before the District Consumer Redressal Forum, Reva, Madhya Pradesh seeking refund for an alleged faulty mobile handset of ₹ 4,000 and compensation together amounting to ₹ 66,000 (inclusive of costs). The matter is currently pending.

(lxviii) Naresh Gudheniyan filed a complaint (no. 136/10) against our Company and others before the District Consumer Redressal Forum, Dhaulpur, Rajasthan, seeking repair or replacement of an alleged faulty mobile hand set and compensation of ₹ 100 per day since the date of filing the suit and costs.

(lxix) Naresh Kumar filed a complaint (no. 342/10) against our Company and others before the District Consumer Redressal Forum, Kurukshetra, seeking replacement of an alleged faulty mobile handset along with compensation of ₹ 15,000 along with costs. The matter is currently pending.

(lxx) Radhakrishna Yadav filed a complaint (no. 622/10) against our Company and others before the District Consumer Redressal Forum, Lucknow, seeking replacement of an alleged faulty mobile handset along with compensation amounting to ₹ 0.45 million along with costs. The matter is currently pending.

(lxxi) Manjunatha filed a complaint (no. 1450/2010) against our Company and others before the IV Additional District Consumers Disputes Redressal Forum, Bangalore, seeking refund of ₹ 4,000 for an alleged faulty mobile hand set and compensation of ₹ 30,000 (inclusive of costs). The matter is currently pending.

(lxxii) Lakshman K filed a complaint (no. 568/10) against our Company and others before the District Consumer Disputes Redressal Form (East), Saini, Delhi, seeking refund of ₹ 3,800 and compensation of ₹ 10,000 (inclusive of costs). The matter is currently pending

(lxxiii) Amit Kumar filed a complaint (no. 284/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Panipat, seeking replacement of an alleged faulty mobile hand set or to refund the price of the mobile hand set and compensation of ₹ 7,200 (along with costs). The matter is currently pending.

(lxxiv) Dinesh Patil filed a complaint (no. 94/2010) against our Company and others before the District Consumer Disputes Redressal (Additional) Forum, Surat, seeking refund of ₹ 4,000 for an alleged faulty mobile hand set and compensation of ₹ 40,000 along with costs. The matter is currently pending.

(lxxv) Vikas Kumar Shukla filed a complaint (no. 49/10) against our Company and others before the District Consumer Disputes Redressal Forum, Bethiya, seeking refund of ₹ 3,190 for an alleged faulty mobile hand set and compensation of ₹ 6,000. The matter is currently pending.

(lxxvi) Yogesh Kumar filed a complaint (no. 535/10) against our Company and others before the Consumer Disputes Redressal Forum District Forum- III (West), seeking refund of ₹ 2,900 along with interests and costs for an alleged faulty mobile hand set. The matter is currently pending.

(lxxvii) Rajendra Prasad Gupta filed a complaint (no. 403/10) against our Company and others before the Consumer District Redressal Forum, Jabalpur, Madhya Pradesh, seeking replacement of an alleged faulty mobile handset along with compensation of ₹ 11, 500 (along with costs). The matter is currently pending.

(lxxviii) Rakesh Kawat filed a complaint (no. 433/2010) against our Company and others before the Consumer District Redressal Forum, Saranshan, seeking refund of ₹ 2,950 for an alleged faulty mobile hand compensation for ₹ 50,000 along with costs. The matter is currently pending.

(lxxix) Sivanu Jain filed a complaint (no. 329/2010) against our Company and others before the District Consumer Redressal Forum, Bhatinda, seeking replacement of an alleged faulty mobile hand set, compensation of ₹ 23,300 along with costs. The matter is currently pending.

(lxxx) R.K. Saxena filed a complaint (no. 548/10) against our Company and others before District Consumer Redressal Forum, Bhopal, seeking replacement of an alleged faulty mobile hand set along with compensation of ₹ 65,000 and costs. The matter is currently pending.

(lxxxi) Pawan Sharma filed a complaint (no. 195/10) against our Company and others before the District Consumer Disputes Redressal Forum, Delhi, seeking for action to be taken against the Company and the service centre for an alleged faulty mobile handset. The matter is currently pending.

(lxxxii) Arun Kumar filed a complaint (no. 216/10) against our Company and others before the District Consumer Disputes Redressal Forum, Manna, seeking replacement of an alleged faulty mobile hand set along with compensation of ₹ 18,000 (with interests and costs). The matter is currently pending.

(lxxxiii) Sumit Gaud filed a complaint (no. 173/10) against our Company and others before the District Consumer Disputes Redressal Forum, Dehradun, seeking either a replacement of an alleged faulty mobile set or refund thereof of ₹ 4,150 and compensation of ₹ 55, 000 (inclusive of costs). The matter is currently pending.

(lxxxiv) Vijay Sisodia filed a complaint (no. 599/10) against our Company and others before the District Consumer Disputes Redressal Forum, District Forum-III (West) seeking replacement of an alleged faulty mobile hand set and compensation of ₹ 50,000. The matter is currently pending.

(lxxxv) Atmaram Chaudhary filed a complaint (no. 147/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Barmer, seeking replacement of an alleged faulty mobile hand set and compensation of ₹ 36,000 (inclusive of costs). The matter is currently pending.

(lxxxvi) Ajoy Kumar Srivastava filed a complaint (no. 24/10) against our Company and others before the District Consumer Disputes Redressal Forum, Sitamarhi, Bihar, seeking replacement of an alleged faulty mobile hand set or in the alternative award compensation of ₹ 10,000 along with costs and damages. The matter is currently pending.

(lxxxvii) Satindra Singh filed a complaint (no. 579/10) against our Company and others before the Consumer Disputes Redressal Forum District Forum-III (West), Delhi, seeking replacement of an alleged faulty mobile hand set along with payment of compensation and costs for the suit. The matter is currently pending.

(lxxxviii) Naresh Kumar filed a complaint (no. 342/10) against our Company and others before the District Consumer Disputes Redressal Forum, Kurukshetra, seeking replacement of an alleged faulty mobile handset and compensation of ₹ 15,000 along with costs. The matter is currently pending.

(lxxxix) Ashok Sharma filed a complaint (no. 455/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Faridabad, seeking replacement of an alleged faulty mobile hand set or in the alternative pay a refund of ₹ 5,950 as the cost of the mobile hand set and interest on such payment, and compensation of ₹ 65,000 (inclusive of costs). The matter is currently pending.

(xc) Ashok Kumar Tiwari filed a complaint (no. 445/10) against our Company and others before the District Consumer Disputes Redressal Forum, Jabalpur, seeking refund of ₹ 2,750 (with interest) for an alleged faulty mobile hand set and compensation of ₹ 16,000. The matter is currently pending.

(xci) Sandhyarani Choudhari filed a complaint (no. 179/2010) against our Company and others before District Consumer Forum, Rayagada, Orissa, seeking replacement or in the alternative refund for an alleged faulty mobile hand set and replacement and compensation of ₹ 5,000 along with costs. The matter is currently pending.

(xcii) Pradip Kumar filed a complaint (no. 236/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Badha, Uttar Pradesh, seeking replacement or refund of ₹ 2,300 for an alleged faulty mobile handset and compensation of ₹ 24,000 along with costs. The matter is currently pending

(xciii) Ravi Singhal filed a complaint (no. 185/10) against our Company and others before the District Consumer Disputes Redressal Forum, Murana, Madhya Pradesh seeking replacement or in the alternative refund of ₹ 5,000 and compensation of ₹ 1,500 along with costs. The matter is currently pending.

(xciv) Om Kalyan filed a complaint (no. 385/10) against our Company and others before the District Consumer Disputes Redressal Forum, Kurukshetra, seeking replacement of an alleged faulty mobile handset and compensation of ₹ 20,000 and costs. The matter is currently pending.

(xcv) Lalit Rawat filed a complaint (no. 114/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Nainital seeking replacement of an alleged faulty mobile handset or in the alternative refund of ₹ 4,100 and compensation of ₹ 6,000. The matter is currently pending.

(xcvi) Sanjay Kumar filed a complaint (no. 42/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Hazaribhag, seeking refund of an alleged faulty mobile handset for ₹ 2,125 and compensation of ₹ 45,000. The matter is currently pending.

(xcvii) Bhupesh Yadav filed a complaint (no. 528/2009) against our Company and others before the District Consumer Disputes Redressal Forum, Rewari, seeking replacement of an alleged faulty mobile hadset and compensation of ₹ 2,000. The matter is currently pending.

(xcviii) Kapil filed a complaint (no. 164/10) against our Company and others before the Consumer Disputes Redressal Forum, Barmer seeking replacement of an alleged faulty mobile handset and compensation of ₹ 11,500. The matter is currently pending.

(xcix) Balram Verma filed a complaint (989/10) against our Company and others before the Consumer Disputes Redressal Forum, Indore, seeking replacement of an alleged faulty mobile handset and compensation of ₹ 20,000. The matter is currently pending.

(c) Manish Dinkar filed a complaint (879/10) against our Company and others before the Consumer Disputes Redressal Forum, Jaipur seeking replacement of an alleged faulty mobile handset or in the alternative refund of ₹ 4, 300 and compensation of ₹ 61,000. The matter is currently pending.

(ci) Satyendra Meena filed a complaint (no. 271/2010) against our Company and others before the Consumer Disputes Redressal Forum, Jaipur seeking replacement of an alleged faulty mobile handset or in the alternative refund of ₹ 3,700 and compensation of ₹ 4,55, 000. The matter is currently pending.

(cii) Dilpreet Singh filed a complaint (no. 1034/2010) against our Company and others before the Consumer Disputes Redressal Forum, Delhi seeking compensation of ₹ 50, 000 for an alleged faulty mobile handset. The matter is currently pending.

(ciii) Harvinder Singh filed a complaint (no. 1034/2010) against our Company and others before the District Consumer Disputes Redressal Forum, I, Chandigarh, seeking replacement of an alleged faulty mobile handset or in the alternative refund along with interest of the cost of the handset along with compensation of ₹ 55,000 (inclusive of costs). The matter is currently pending.

(civ) Bhupinder Insan filed a complaint (no. 229/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Sirsa, seeking replacement of an alleged faulty mobile handset and compensation of ₹ 10,000. The matter is currently pending.

(cv) Parveen Kumar filed a complaint (no. 1058/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Delhi, seeking replacement of an alleged faulty mobile handset or in the alternative refund along with interest of the cost of the handset i.e. ₹ 4,600 along with compensation of ₹ 12, 000 (inclusive of costs). The matter is currently pending.

(cvi) Nishant Yadav filed a complaint (no. 566/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Rewari, seeking refund of an alleged faulty mobile handset along with compensation of ₹ 25,500 (inclusive of costs) along with interest. The matter is currently pending.

(cvii) Karnail Singh filed a complaint (no. 440/2010) against our Company and others before the District Consumer Disputes Redressal Forum, Kurukshetra, seeking replacement of an alleged faulty mobile handset along with compensation of ₹ 25,500 (inclusive of costs). The matter is currently pending.

(cviii) Gurpiar Singh filed a complaint (no.524/2010) against our Company and others before the District Consumer Redressal Forum, Sangrur, seeking refund of ₹ 4,000 for an alleged faulty mobile handset along with compensation of ₹ 36,000. The matter is currently pending.

(cix) Anita filed a complaint (no. 288/2010) against our Company and others before the District Consumer Redressal Forum, Hisar, seeking replacement of an alleged faulty mobile handset along with compensation of ₹ 10,000. The matter is currently pending.

Legal Notices

We have received six legal notices from the concerned Consumer Disputes Redressal Forum with respect to complaints filed by Ghauri Mehmud Ayuub Gaffarbhai Teli (no. CC/10/362/2010), Robert Lewis (no. 547/2010), P. Singh (no. 538/10) Santosh Kumar (No. 849/10), Hari Shankar (476/2010) and Mohammed Yussuf (230/2010) seeking compensation and refund or replacement of alleged faulty mobile handsets. As of the date of this DRHP, we are yet to receive the copies of the complaints filed.

Litigation filed by our Company

Civil cases

There is one civil suit filed by our Company.

(i) S. Ram Kumar had filed an application before the Office of the Commissioner of Customs, Chennai which was registered on January 27, 2009 alleging that his patent no. 214388 was being infringed due to import of dual SIM mobile handsets. Our Company filed an civil suit (no. 1/2009) against S. Ram Kumar ad-interim injunction for restraining S. Ram Kumar from initiating any action or adopting measures to prevent or hinder the import, sale and use of the dual SIM card phone models (Micromax GS255, Micromax GC700, Micromax X115, Micromax X225, Micromax X250 and Micromax X555) by our Company on the basis that these models do not infringe the S. Ram Kumar's patent no. 214388 which relates to mobile handsets with multiple SIM cards. The District Judge, Gurgaon by an order dated May 5, 2009 allowed the injunction against S. Ram Kumar. S. Ram Kumar filed an appeal (FAO no. 2757 of 2009) before the High Court of Punjab and Haryana against the order dated May 5, 2009. The High Court of Punjab and Haryana by its order dated August 13, 2009 dismissed the appeal. The matter is currently pending before the Office of the Commissioner of Customs, Chennai.

II. Litigation involving our Subsidiary

There are no pending litigation involving our Subsidiary.

III. Litigation involving our Directors

There are no pending litigation involving our Directors.

IV. Litigation involving our Promoters

There are no pending litigation involving our Promoters.

V. Litigation involving our Group Entities

There are no pending litigation involving our Group Entities.

VI. Amount owed to Small Scale Undertakings/Creditors

As of March 31, 2010, our Company does not owe any amount to any micro, small and medium enterprises which is outstanding for more than 30 days.

VII. Material Developments

Except as stated in the "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 217 in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of its consolidated assets or our ability to pay material liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

We have received the necessary consents, licenses, permissions and approvals from GoI and various governmental agencies required for our present business and except as disclosed in this Draft Red Herring Prospectus no further material approvals are required for carrying on our present business operations.

Unless otherwise stated, all the approvals listed below are valid as of the date of this Draft Red Herring Prospectus.

The main objects clause of the Memorandum of Association and objects incidental to the main objects enable our Company to undertake its existing activities.

I. Approvals in relation to the Issue

(a) *Corporate approvals*

- The Board has pursuant to a resolution dated September 16, 2010, authorized the Issue, subject to the approval of the shareholders of our Company under Section 81(1A) of the Companies Act.

- The shareholders of our Company have pursuant to a resolution dated September 16, 2010, authorized the Issue, under Section 81(1A) of the Companies Act.

(b) *Approvals from the Stock Exchanges*

- In-principle approval from the NSE dated [●], 2010.

- In principle approval from the BSE dated [●], 2010.

II. Incorporation and other details

(a) *Micromax Informatics Limited*

- Certificate of incorporation dated March 29, 2000, to our Company as 'Micromax Informatics Private Limited' from the Registrar of Companies, National Capital Territory of Delhi and Haryana.

- Fresh certificate of incorporation dated August 23, 2001, consequent upon change of name from "Micromax Informatics Private Limited" to "Micromax Informatics Limited" on conversion to public limited company, to our Company from the Registrar of Companies, National Capital Territory of Delhi and Haryana.

(b) *Micromax FZE*

- Certificate of incorporation dated January 21, 2010, to Micromax FZE under the regulations regarding the establishment of a Free Zone Establishment with registration number RAKFTZA-FZE-4003969.

III. Approvals in relation to our business and operations

A. *IEC*

Importer Exporter Code (IEC No. 0503028665) issued by the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, Government of India, on August 7, 2003 which was further renewed on May 1, 2008 for a period of five years.

B. *Approvals in relation to our distribution offices, warehouses and manufacturing units*

(a) Bangalore, Karnataka

- Value added tax registration certificate (TIN: 29250770006), dated January 9, 2008, issued by the Assistant Commissioner of Commercial Taxes, Bangalore, valid with effect from August 28, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 29250770006) dated January 9, 2008, issued by the Assistant Commissioner of Commercial Taxes, Bangalore, valid with effect from August 28, 2007, until cancelled.

(b) Solan, Himachal Pradesh

- Value added tax registration certificate (TIN: SOL-III-11483) dated June 7, 2007, issued by the Assessing Authority, Parwanoo Circle, Solan, Himachal Pradesh, valid with effect from June 4, 2007, until cancelled.
- Central sales tax registration certificate (TIN: No. SOL-CST-11305) dated June 7, 2007, issued by the Assessing Authority, Parwanoo Circle, Solan, Himachal Pradesh, valid with effect from June 7, 2007, until cancelled.
- Registration for manufacturing excisable goods (No. AABCR8863NXM001) dated July 16, 2007, issued by the Assistant Commissioner, Central Excise Division, Shimla, until cancelled.

Approvals applied for

- Application (Entrepreneurs' Memorandum Number- 020091215115) dated May 21, 2007, to the Department of Industries, Office of the Member Secretary, SWCA, Parwanoo, Solan, Himachal Pradesh, for single window clearance to set up a manufacturing enterprise under Section 8(1) of the Micro, Small and Medium Enterprises Development Act, 2006.

(d) Ahmedabad, Gujarat

- Value added tax registration certificate and central sales tax registration certificate (TIN: 24072903588) dated September 2, 2003, issued by the Assistant Commissioner, Commercial Tax, Unit-5, Ahmedabad, valid with effect from June 9, 2008, until cancelled.

(e) Chennai, Tamil Nadu

- Value added tax registration certificate (TIN: 33950844536) dated November 22, 2007, issued by the Commercial Tax Officer, Alandur Assessment Circle, Chennai, valid with effect from November 22, 2007, until cancelled.
- Central sales tax registration certificate (CST No: 984837, TIN: 33950844536) dated December 2, 2008, issued by the Commercial Tax Officer, Chennai, valid with effect from December 2, 2008, until cancelled.

(f) Chandigarh, Union Territory

- Value added tax registration certificate (TIN: 04920032268) dated September 5, 2007, issued by the Assistant Excise and Taxation Commissioner, Union Territory of Chandigarh, valid with effect from August 21, 2007, until August 13, 2012.
- Central sales tax registration certificate (TIN: 04920032268) dated September 5, 2007, issued by the Assistant Excise and Taxation Commissioner, Union Territory of Chandigarh, valid with effect from August 21, 2007, until August 13, 2012.

(g) Bhubaneshwar, Odisha

- Value added tax registration certificate (TIN: 21581119593) dated September 13, 2007, issued by the Assistant Commissioner of Sales Tax, Puri Range, Bhubaneshwar, valid with effect from August 29, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 21581119593) dated September 13, 2007, issued by the Sales Tax Officer, Bhubaneshwar (I) Circle, Bhubaneshwar, valid with effect from August 29, 2007, until cancelled.

(h) Vythila, Kerala

- Value added tax registration certificate (TIN: 32071131101C) dated October 4, 2007, issued by the Registering Authority, Department of Commercial Taxes, Government of Kerala, valid with effect from September 26, 2007, until cancelled.

(i) Ghaziabad, Uttar Pradesh

- Value added tax registration certificate (TIN: 0918900203607) dated May 14, 2009, issued by the Registering Authority, Department of Commercial Taxes, Government of Uttar Pradesh, valid with effect from May 16, 2007, until cancelled.
- Central sales tax registration certificate (CST No.: GB 5397413, TIN: 0918900203607) dated May 29, 2007, issued by the Department of Commercial Taxes, Government of Uttar Pradesh, valid with effect from May 16, 2007, until cancelled.

(j) Dehradun, Uttarakhand

- Value added tax and central sales tax registration certificate (TIN: 05008703350) dated February 25, 2009, issued by the Assistant Commissioner, AC-IV, Dehradun, valid with effect from February 2, 2009, until cancelled.

(k) Jammu, Jammu and Kashmir

- Value added tax registration certificate (TIN: 01451200359) dated August 29, 2007, issued by the Assessing Authority, Commercial Tax Officer, Jammu, valid with effect from August 23, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 01451200359) dated August 29, 2007, issued by the Assessing Authority, Commercial Tax Officer, Jammu, valid with effect from August 23, 2007, until cancelled.

(l) Jaipur, Rajasthan

- Value added tax registration certificate (TIN: 08902112475) dated April 15, 2008, issued by the Assistant Commissioner, Vitth Bhawan, Jaipur, valid with effect from August 21, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 08902112475) dated April 15, 2008, issued by the Assistant Commissioner, Vitth Bhawan, Jaipur, valid with effect from August 21, 2007, until cancelled.

(m) Indore, Madhya Pradesh

- Value added tax registration certificate and central sales tax registration certificate (TIN: 23900203607), dated June 28, 2007, issued by the Office of the Sales Tax Officer, valid with effect from June 28, 2007, until cancelled.

(n) Hyderabad, Andhra Pradesh

- Value added tax registration certificate (TIN: 28351478980) dated August 25, 2007, issued by the Commercial Tax Officer, VAT Registering Authority, Begumpet, Hyderabad, valid with effect from August 25, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 28351478980) dated August 25, 2007, issued by the Assistant Commissioner, Central Registration Unit, Hyderabad, valid with effect from September 1, 2007, until cancelled.

(o) Guwahati, Assam

- Value added tax registration certificate (TIN: 18600086782) dated September 4, 2007, issued by the Assistant Commissioner of Taxes, Guwahati, Unit-D, valid with effect from September 4, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 18149925579) dated September 7, 2007, issued by the Superintendent of Taxes, Guwahati, valid with effect from August 31, 2007, until cancelled.

(p) Sas Angar, Punjab

- Value added tax registration certificate (TIN: 03522039095) dated November 26, 2007, issued by the Excise and Taxation Officer, Mohali, valid with effect from November 7, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 03522039095) dated November 28, 2007, issued by the Excise and Taxation Officer, Mohali valid with effect from November 28, 2007, until cancelled.

(q) Thane, Maharashtra

- Value added tax registration certificate (TIN: 27550625150V) dated September 3, 2007, issued by the Sales Tax Officer (VAT), Thane, valid with effect from September 3, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 27550625150C) dated September 3, 2007, issued by the Sales Tax Officer, Thane, valid with effect from September 3, 2007, until cancelled.

(r) Patna, Bihar

- Value added tax registration certificate (TIN: 10125905079) dated July 15, 2008, issued by the Deputy Commissioner of Commercial Taxes, Patna, valid with effect from January 16, 2008, until cancelled.
- Central sales tax registration certificate (TIN: 10126097197) dated July 15, 2008, issued by the Deputy Commissioner of Commercial Taxes, Patna, valid with effect from February 29, 2008, until cancelled.

(s) Kolkata, West Bengal

- Value added tax registration certificate (TIN: 19658954014) dated September 10, 2007, issued by the Assistant Commissioner, Sales Tax, Behala Circle, Kolkata, valid with effect from September 10, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 19698954208) dated September 10, 2007, issued by the Assistant Commissioner, Sales Tax, Behala Circle, Kolkata, valid with effect from September 10, 2007, until cancelled.

(t) Raipur, Chhattisgarh

- Value added tax registration certificate (TIN: 22191504687) dated August 23, 2007 issued by the Office of the Commercial Tax Department, Chhattisgarh valid with effect from August 23, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 22781104383) dated August 23, 2007, issued by the Office of the Commercial Tax Department, Chhattisgarh valid with effect from August 23, 2007, until cancelled.

(u) Ranchi, Jharkhand

- Value added tax registration certificate (TIN: 20290305868) dated September 28, 2007, issued by the Registering Authority, Commercial Taxes Department, Government of Jharkhand, valid with effect from September 5, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 20290305868(C)) dated October 3, 2007, issued by the Deputy Commissioner, Commercial Taxes Department, Government of Jharkhand, valid with effect from September 5, 2007, until cancelled.

(v) Udyog Vihar, Gurgaon, Haryana

- Value added tax registration certificate (TIN: 06871827490) dated September 5, 2007, issued by the Assessing Authority, Gurgaon, Commercial Taxes Department, Government of Haryana, valid with effect from August 21, 2007, until cancelled.
- Central sales tax registration certificate (TIN: 06871827490) dated September 5, 2007, issued by the Assessing Authority, Gurgaon, Commercial Taxes Department, Government of Haryana, valid with effect from August 21, 2007, until cancelled.

(w) Kirti Nagar, New Delhi

- Value added tax registration certificate (TIN: L/099/2600250235/0302) dated May 9, 2002 amended on August 16, 2004, issued by the Sales Tax Officer, Ward-99, Delhi, valid with effect from March 26, 2002, until cancelled.
- Central sales tax registration certificate (TIN: LC/099/2600250235/0302) as amended on September 20, 2010, issued by the Sales Tax Officer, Ward-99, Delhi, valid with effect from January 18, 2003, until cancelled.

C. *Approvals relating to Intellectual Property*

Pending approvals

- Applications (Nos. 131619 and 131620) dated April 1, 2010, for registration of trademarks "micromax" and "micromax mobile" in the People's Republic of Bangaldesh, in class 9 of the Trademarks Act, 1999, to the Trade Marks Registry, Bangladesh.
- Application (No. 01938396) dated March 18, 2010, for registration of the logo "micromax" in class 9 of the Trademark Rules, in respect of "telecommunication equipments" to the Registrar of Trademarks, Delhi.
- Application dated March 6, 2010, for registration of the trademark "micromax mobile" in the Federal Democratic Republic of Nepal, in International class 9.
- Application (No. 1921990) dated February 15, 2010, for registration of the logo "micromax mobile" in class 38 of the Trademark Rules, 2002, (the "**Trademark Rules**") in respect of "telecommunication equipments" to the Registrar of Trademarks, Delhi.
- Application (No. 1905684) dated December 21, 2009, for registration of the logo "micromax" in class 38 of the Trademark Rules, in respect of "telecommunication equipments" to the Registrar of Trademarks, Delhi.
- Application (No. 1649427) dated Feb 2, 2008, for the registration of the word "MICROMAX" in class 9 of the Trademark Rules, in respect of "telecommunication devices" to the Registrar of Trademarks, Delhi.
- Application (No. 1649428) dated February 2, 2008, for the registration of the word "X-treme" in class 9 of the Trademark Rules, in respect of "telecommunication devices" to the Registrar of Trademarks, Delhi.

D. *Approvals in relation to labour laws*

- Registration (Code No. DL/31338) issued by the Assistant/Regional Provident Fund Commissioner, New Delhi, for applicability of the Employees' Provident Funds & Miscellaneous Provisions Act, 1952, with effect from December 1, 2005.
- Registration for implementation of the Employees' State Insurance Act, 1948, (Code No. C/CDO/11-40-81490-101) dated July 5, 2006, issued by the Regional Office, Employees' State Insurance Corporation, with effect from December 1, 2005.

E. *Miscellaneous*

- Taxation Account Number (DELM06369G) issued by the Income Tax Department.
- Permanent Account Number (AABCR8863N) issued by the Income Tax Department.
- Certificate of registration (Service Tax Code: AABCR8863NST001) dated April 16, 2002, issued by the Central Excise Officer, Delhi, under Section 69 of the Finance Act, 1994 to the Company for maintenance and services at 9/52 Kirti Nagar, Industrial Area, Delhi 110 015.
- Central Excise Registration Certificate (Registration No. AABCR8863NXM002) dated May 12, 2008, issued by the Assistant Commissioner of Central Excise, Shimla, for "Manufacturing of excisable goods" at Plot No. 234, HPSIDC, Baddi, Solan, Himachal Pradesh.
- Central Excise Registration Certificate (Registration No. AABCR8863NXD002) dated August 20, 2007, issued by the Deputy Commissioner of Central Excise, MoD-III, New Delhi, registered for operating as a dealer of excisable goods at 9/52/1, Kirti Nagar Industrial Area, Ramesh Nagar, West Delhi, Delhi.

- Registration certificate (Registration No. AABCR8863NXM001) dated July 12, 2007, issued by the Assistant Commissioner Central Excise Division, Shimla, for manufacturing excisable goods, at Swaraj Building, Sector-4, Village Ambota, Parwanoo, Solan, Himachal Pradesh.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

- Our Board of Directors has, pursuant to a resolution passed at its meeting held on September 16, 2010 authorized the Issue.
- Our shareholders have, pursuant to a resolution dated September 16, 2010 under section 81(1A) of the Companies Act, authorized the Issue.
- We have received in-principle approvals from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated [●] and [●], respectively. [●] is the Designated Stock Exchange.

Prohibition by SEBI, RBI or governmental authorities

Our Company, our Promoters, Promoter Group, Directors or our Group Entities, have not been prohibited from accessing the capital markets for any reasons under any order or direction passed by SEBI or any other authorities.

None of our Promoters, Directors was or also is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by the SEBI.

None of our Directors is associated with the securities market and there has been no action taken by the SEBI against any of our Directors or any entity where our Directors are involved in as promoters or directors.

Neither our Company, our Promoters, Group Entities, nor our Directors, have been identified as willful defaulters by the RBI or other authorities. There are no violations of securities laws committed by any of them in the past or pending against them.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 26(2) of the SEBI ICDR Regulations which states as follows:

"*An issuer not satisfying any of the conditions stipulated in sub-regulation (1) may make an initial public offer if:*

(a) (i) the issue is made through the book building process and the issuer undertakes to allot at least fifty per cent. of the net offer to public to qualified institutional buyers and to refund full subscription monies if it fails to make allotment to the qualified institutional buyers ;
or
(ii) at least fifteen per cent. of the cost of the project is contributed by scheduled commercial banks or public financial institutions, of which not less than ten per cent shall come from the appraisers and the issuer undertakes to allot at least ten per cent of the net offer to public to qualified institutional buyers and to refund full subscription monies if it fails to make the allotment to the qualified institutional buyers;

(b) (i) the minimum post-issue face value capital of the issuer is ten crore rupees;
or
(ii) the issuer undertakes to provide market-making for at least two years from the date of listing of the specified securities, subject to the following:

(A) the market makers offer buy and sell quotes for a minimum depth of three hundredspecified securities and ensure that the bid-ask spread for their quotes does not, at any time, exceed ten per cent.;
(B) the inventory of the market makers, as on the date of allotment of the specified securities, shall be at least five per cent. of the proposed issue."

We are an unlisted company not complying with the conditions specified in regulation 26(1) of the SEBI ICDR Regulations and are therefore required to meet both the conditions detailed in regulation 26 (2)(a) and regulation 26 (2)(b) of the SEBI Regulations.

We are eligible for the Offer as per regulation 26(2) of the SEBI Regulations as:

- The Issue is being made through the Book-Building process, with at least 50% of Issue being allotted to QIBs, failing which the entire subscription monies shall be refunded; and
- The minimum post-Issue face value capital of the Company shall be ₹ 100 million.

Further, in accordance with regulation 26(4) of the SEBI ICDR Regulations, we shall ensure that the number of Allottees, i.e., persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000; otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 10 Working Days from the date of Bid/ Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% *per annum* on application money, as prescribed by applicable law.

Disclaimer Clause of SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS BEING, JM FINANCIAL CONSULTANTS PRIVATE LIMITED, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED, EDELWEISS CAPITAL LIMITED AND NOMURA FINANCIAL ADVISORY AND SECURITIES (INDIA) PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD 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, JM FINANCIAL CONSULTANTS PRIVATE LIMITED, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED, EDELWEISS CAPITAL LIMITED AND NOMURA FINANCIAL ADVISORY AND SECURITIES (INDIA) PRIVATE LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 29, 2010 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 MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

(a) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(b) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE

CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(c) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

(3) WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

(4) WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. – NOTED FOR COMPLIANCE.

(5) WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAVE BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF THE PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

(6) WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.

(7) WE UNDERTAKE THAT SUB-REGULATION (4) of REGULATION 32 AND CLAUSE (c) AND (d) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER’S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS’ CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER’S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH PROCEEDS OF THE PUBLIC ISSUE- NOT APPLICABLE.

(8) WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE ‘MAIN OBJECTS’ LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.

(9) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION - NOTED FOR COMPLIANCE.

(10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE – NOT APPLICABLE.

(11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS), REGULATIONS 2009, HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.

(12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:

(a) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY AND

(b) AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME."

(13) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHILE MAKING THE ISSUE.

(14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER'S EXPERIENCE, ETC.

(15) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

The filing of the Draft Red Herring Prospectus does not, however, absolve the Company from any liabilities under section 63 or section 68 of the Companies Act, 1956 or from the requirement of obtaining such statutory and other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up, at any point of time, with the BRLMs any irregularities or lapses in the Draft Red Herring Prospectus.

Caution – Disclaimer from our Company and the BRLMs

Our Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisement or any other material issued by or at the instance of above mentioned entities and anyone placing reliance on any other source of information, including our website, www.micromaxinfo.com, would be doing so at his own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Agreement entered into among the BRLMs and our Company dated September 28, 2010 and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Neither our Company nor the Syndicate shall be liable to the Bidders for any failure in uploading the Bids due to faults in any software/hardware system or otherwise.

The BRLMs and their respective associates and affiliates may engage in transactions with, and perform services for, our Company and our Group Entities, affiliates or associates in the ordinary course of business and have engaged, or may in future engage, in commercial banking and investment banking transactions with our Company and our Group Entities, affiliates or associates for which they have received, and may in future receive, compensation.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to our Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorized under their constitutions to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including Eligible NRIs, Foreign Institutional Investors ("**FIIs**") and other eligible foreign investors (viz. Foreign Venture Capital Investors ("**FVCIs**"), multilateral and bilateral development financial institutions). This Draft Red Herring Prospectus does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations. Accordingly, our Company's Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this DRHP as "U.S. QIBs"; for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this DRHP as "QIBs"), in transactions exempt from the registration requirements of the U.S. Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the U.S. Securities Act.

Equity Shares Issued and Sold within the United States

Each purchaser that is acquiring the Equity Shares issued pursuant to this Issue within the United States, by its acceptance of this Draft Red Herring Prospectus and of the Equity Shares, will be deemed to have acknowledged, represented to and agreed with the Company, the BRLMs that it has received a copy of this Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Equity Shares issued pursuant to this Issue in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Equity Shares issued pursuant to this Issue have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(3) the purchaser (i) is a U.S. QIB, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act, and (iii) is acquiring such Equity Shares for its own account or for the account of a qualified institutional buyer with respect to which it exercises sole investment discretion;

(4) the purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate;

(5) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the States of the United States;

(6) the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Equity Shares;

(7) the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

(8) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Company determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

    THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

(9) the Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; and

(10) the purchaser acknowledges that the Company, the BRLMs their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

All Other Equity Shares Issued and Sold in this Issue

Each purchaser that is acquiring the Equity Shares issued pursuant to this Issue outside the United States, by its acceptance of the Red Herring Prospectus and of the Equity Shares issued pursuant to this Issue, will be deemed to have acknowledged, represented to and agreed with the Company, the BRLMs that it has received a copy of the Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorized to consummate the purchase of the Equity Shares issued pursuant to this Issue in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Equity Shares issued pursuant to this Issue have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(3) the purchaser is purchasing the Equity Shares issued pursuant to this Issue in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act;

(4) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares issued pursuant to this Issue, was located outside the United States at the time the buy order for such Equity Shares was originated and continues to be located outside the United States and has not purchased such Equity Shares for the account or benefit of any person in the United Sates or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States;

(5) the purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate;

(6) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a U.S. QIB in a transaction meeting the requirements of Rule 144A or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the States of the United States;

(7) the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless the Company determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

(8) the Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; and

(9) the purchaser acknowledges that the Company, the BRLMs their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State) who receives any communication in respect of, or who acquires any Equity Shares under, the offers contemplated in this Red Herring Prospectus will be deemed to have represented, warranted and agreed to and with each Underwriter and the Company that:

1. it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

2. in the case of any Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Equity Shares acquired by it in the placement have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Underwriters has been given to the offer or resale; or (ii) where Equity Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Equity Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Disclaimer Clause of the BSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the BSE. The disclaimer clause as intimated by the BSE to our Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the RoC.

Disclaimer Clause of the NSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the NSE. The disclaimer clause as intimated by the NSE to our Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the RoC.

Filing

A copy of the Draft Red Herring Prospectus was filed with SEBI at Corporation Finance Department, SEBI Bhavan, Plot No. C4-A, G Block, 3rd Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the office of the Registrar of Companies, National Capital Territory of Delhi and Haryana at 4th Floor, IFCI Tower, 61, Nehru Place, New Delhi 110 019, India.

Listing

Applications will be made to the Stock Exchanges for permission to deal in and for an official quotation of our

Equity Shares. [●] will be the Designated Stock Exchange with which the basis of Allotment will be finalized for the Issue.

If the permission to deal in and for an official quotation of our Equity Shares is not granted by either of the Stock Exchanges mentioned above we will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after the Company becomes liable to repay it, *i.e.*, from the date of refusal or within 10 Working Days from the Bid/ Issue Closing Date, whichever is earlier, then our Company and every officer in default will, on and from the expiry of eight days, be liable to repay such application money, with interest at the rate of 15% *per annum*, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 12 Working Days of the Bid/ Issue Closing Date.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"*Any person who:*

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) the BRLMs and Syndicate Member, Registrar to the Issue and the legal advisors, to act in their respective capacities, have been obtained, as applicable, and would be filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

The Auditors, Walker Chandiok & Co., Chartered Accountants, have given their written consent to the inclusion of their report in the form and context in which it appears in "***Financial Statements***" on page 123 and of their report relating to tax benefits accruing to our Company in the form and context in which it appears in "***Statement of Tax Benefits***" on page 46 and such consent and report have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

[●], the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, has given its written consent to the inclusion of its report in the form and context in which it appears in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus with the RoC and Designated Stock Exchange.

Expert Opinion

Except the report of [●] in respect of the IPO grading of this Issue which will be annexed with the Red Herring Prospectus and except for the Examination Report of the Auditors of our Company on the restated financial information included in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

Issue Related Expenses

The total expenses of the Issue are estimated to be approximately ₹ [●] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue shall be borne by our Company.

The estimated Issue expenses are as under:

(₹million)

S. No.	Activity Expense	Amount	Percentage of Total Issue Expenses	Percentage of Total Issue size
1.	Lead management fees*	[●]	[●]	[●]
2.	Underwriting and selling commission*(including commission to SCSBs for ASBA Applications)	[●]	[●]	[●]
3.	Registrar's fees*	[●]	[●]	[●]
4.	Advertisement and marketing expenses*	[●]	[●]	[●]
5.	Printing and distribution expenses*	[●]	[●]	[●]
6.	IPO Grading expenses*	[●]	[●]	[●]
7.	Advisors*	[●]	[●]	[●]
8.	Bankers to the Issue*	[●]	[●]	[●]
9.	Others (Monitoring agency fees, SEBI filing fees, bidding software expenses, depository charges, listing fees, etc.) *	[●]	[●]	[●]
	Total estimated Issue Expenses	**[●]**	**[●]**	**[●]**

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

Fees payable to the BRLMs and the Syndicate Member

The total fees payable to the BRLMs and the Syndicate Member(s) (including underwriting commission and selling commission) will be as per their respective engagement letters with our Company.

Fees payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue for processing of Bid-cum-Application Forms, data entry, printing of CAN, allotment advice, refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the agreement dated [●] between us and the Registrar to the Issue, a copy of which is available for inspection at our Registered Office.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to make refunds or send Allotment advice by registered post/speed post/under certificate of posting.

Particulars Regarding Public or Rights Issues during the Last Five Years

Our Company has not made any previous public and rights issues in India or abroad in the five years preceding the date of this Draft Red Herring Prospectus.

Commission or brokerage on previous issues

Since this is the initial public issue of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure public subscription for any of our Equity Shares since our incorporation.

Previous Issues of Shares Otherwise than for Cash

Our Company has not made any previous issues of Equity Shares for consideration otherwise than for cash.

Capital Issues in the Last Three Years

Our Company, Subsidiary and Group Entities have not made any public or rights issues in the last three years.

Promise v/s Performance

Our Company, Subsidiary and Group Entities have not made any previous rights and public issues.

Outstanding Debentures or Bond Issues or Redeemable Preference Shares

Our Company has no outstanding debentures or bonds or redeemable preference shares, as of the date of this Draft Red Herring Prospectus.

Partly Paid Up Shares

There are no partly paid up Equity Shares of our Company.

Stock Market Data of our Equity Shares

This being an initial public offer of the Equity Shares of our Company, the Equity Shares of our Company are not listed on any stock exchange and hence no stock market data is available.

Mechanism for Redressal of Investor Grievances

The agreement to be entered into between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of three years from the last date of dispatch of the letters of Allotment, or refund orders, demat credit or where refunds are being made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

Disposal of Investor Grievances by our Company

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible. No investor complaints have been received during the immediately preceding three years prior to filing of this Draft Red Herring Prospectus with SEBI.

We have also appointed Anita Goel, Chief Financial Officer and Company Secretary as the Compliance Officer for this Issue and she may be contacted in case of any pre- Issue or post Issue related problems, at the following address:

Micromax Informatics Limited
#697, Udyog Vihar, Phase V
Gurgaon 122 015, Haryana, India
Tel.: + (91 124) 400 9600
Fax: + (91 124) 400 9603
E-mail: investor@micromaxinfo.com
Website: www.micromaxinfo.com

Change in Auditors

Name of Auditor	Date of change	Reason
Sandeep Kuldeep & Co., Chartered Accountants	September 30, 2008*	Reappointment
Sandeep Kuldeep & Co., Chartered Accountants	March 25, 2010	Resignation
Walker Chandiok & Co., Chartered	March 25, 2010	Appointment

Name of Auditor	Date of change	Reason
Accountants		

**Reappointed by a shareholders' resolution*

Capitalization of Reserves or Profits

Except as stated in "***Capital Structure***" on page 24, we have not capitalized our reserves or profits in the last five years.

Revaluation of Assets

There has been no revaluation of assets of our Company in the last five years.

SECTION VII - ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being Issued are subject to the provisions of the Companies Act, our Memorandum of Association and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, the Bid cum Application Form, the Revision Form and other terms and conditions as may be incorporated in the Allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to all applicable laws, regulations, guidelines, rules and notifications relating to the issue of capital and listing of securities issued from time to time by SEBI, GoI, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum of Association and Articles of Association and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividends. The Allottees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. For further details, please refer to **"*Main Provisions of the Articles of Association*"** on page 304.

Mode of Payment of Dividends

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is ₹ 10 each and the Issue Price is ₹ [●] per Equity Share. The Anchor Investor Issue Price is ₹ [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares. The Floor Price is ₹ [●] per Equity Share and the Cap Price is ₹ [●] per Equity Share.

Compliance with the SEBI

Our Company shall comply with applicable disclosure and accounting norms specified by the SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, our Equity Shareholders shall have the following rights:

- Right to receive dividends, 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, subject to any statutory and other preferential claims being satisfied;
- Subject to applicable law including any RBI rules and regulations, right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges, and our Memorandum of Association and Articles of Association.

Upon the listing of the Equity Shares on the Stock Exchange, all our Equity Shareholders have the same voting rights. For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividends, forfeiture and lien and/or consolidation/splitting, see "***Main Provisions of Our Articles of Association***" on page 304.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be Allotted only in dematerialized form. As per the existing SEBI ICDR Regulations, 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. Allotment in this Issue will be only in electronic form in multiples of [●] Equity Shares, subject to a minimum Allotment of [●] Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

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 a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue 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 holder of Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with our Company. Nominations registered with respective depositories of the applicant would prevail. If the investors want to change their nomination, they are requested to inform their respective depository participant.

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

It is to be distinctly understood that there is no reservation for Eligible NRIs or FIIs registered with SEBI or FVCIs registered with SEBI. Such Eligible NRIs, FIIs registered with SEBI or FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation.

Bid/Issue Program*

BID/ISSUE OPENS ON	**[●]**
BID/ISSUE CLOSES ON	**[●]**

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

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue including the devolvement of Underwriters within 60 days from the Bid/ Issue Closing Date, our Company shall within 70 days of Bid/ Issue Closing Date refund the entire subscription amount received. If such money is not repaid within eight days from the day the Company becomes liable to repay, the Company and every officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest at the rate of 15% *per annum* as prescribed under section 73 of the Companies Act.

Further in terms of Regulation 26(4) of the SEBI ICDR Regulations, our Company shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

Arrangement for Disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on Transfer of Shares

Except for lock-in of the pre- Issue Equity Shares, Promoter's minimum contribution in the Issue as detailed in the section ***"Capital Structure"*** on page 24 and as disclosed in "***History and Certain Corporate Matters-Shareholders' Agreement***" on page 98, there are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. See "***Main Provisions of our Articles of Association***" on page 304.

Option to receive Equity Shares in Dematerialized Form

Investors should note that Allotment of Equity Shares to all successful Bidders will only be 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.

ISSUE STRUCTURE

The Issue of 21,546,118 Equity Shares of ₹ 10 each, at a price of ₹ [●] for cash aggregating ₹ [●] million is being made through the Book Building Process. The Issue shall constitute 10.03% of the post-Issue equity share capital of our Company.

	QIB Bidders[1]	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation[2]	At least 10,773,059 Equity Shares, or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	Not less than 3,231,917 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 7,541,142 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue size available for allocation	At least 50% of the Issue shall be allocated to QIBs. However, 5% of the QIB Portion, excluding the Anchor Investor Portion, shall be available for allocation proportionately to Mutual Funds only. The unsubscribed portion in the Mutual Funds portion will be available to QIBs[3]	Not less than 15% of the Issue or Issue size less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of the Issue available for allocation or the Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: (a) 538,653 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 10,773,059 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 100,000	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 100,000	[●] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹ 100,000[*, #]
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Allotment Lot	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply[3]	Public financial institutions specified in Section 4A of the Companies Act, FIIs (and their sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual), scheduled commercial banks, mutual	Resident Indian individuals, HUFs (in the name of Karta), companies, corporate bodies, Eligible NRIs, scientific institutions societies and trusts, and any FII sub-account registered with SEBI, which is a foreign corporate or foreign	Resident Indian Individuals, HUFs (in the name of the Karta) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed ₹ 100,000 in value

	QIB Bidders[1]	Non-Institutional Bidders	Retail Individual Bidders
	funds registered with SEBI, multilateral and bilateral development financial institutions, FVCIs registered with SEBI, venture capital funds registered with the SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of ₹ 250 million, pension funds with a minimum corpus of ₹ 250 million, insurance funds set up and managed by the army, navy and air force of the Union of India and the National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of GoI published in the Gazette of India	individual	
Terms of Payment	The entire Bid Amount shall be payable at the time of submission of the Bid cum Application Form to the Syndicate. In case of ASBA Bidders, the SCSB shall be authorized to block such funds in the ASBA Account as detailed in the ASBA Bid cum Application Form.		

[1] *Our Company may allocate up to 30% of the QIB Portion to Anchor Investors at the Anchor Investor Issue Price in accordance with the SEBI ICDR Regulations. At least one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Price. Allocation to Anchor Investors shall be on a discretionary basis subject to minimum number of (i) two Anchor Investors, where allocation in the Anchor Investor Portion is up to ₹ 2500 million and (ii) five, where the allocation under the Anchor Investor Portion is more than ₹ 2500 million. An Anchor Investor shall make a minimum Bid of such number of Equity Shares that the Bid Amount is at least ₹ 100 million.*

[2] *In terms of Rule 19 (2) (b) of the SCRR, this is an Issue for less than 25% of the post– Issue capital of our Company. The Issue is being made though the 100% Book Building Process, wherein at least 50% of the Issue shall be allocated to QIBs on a proportionate basis. If at least 50% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 15% and 35% of the Issue will be available for Allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price.*
In the event the aggregate demand in the QIB Portion has been met, any under subscription in any category, other than the QIB category, would be allowed to be met with spill-over from other categories or combination of categories at the discretion of our Company in consultation with the BRLMs, and the Designated Stock Exchange.

[3] *If the Bid cum Application Form is submitted in joint names, the Bidders 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.*

* *Retail Discount, if any, will be applicable to all Retail Individual Bidders bidding in the Retail Portion.*

[#] *A discount of ₹ [●] or up to 10% to the Issue Price may be offered to Retail Individual Bidders. Retail Individual Bidders Bidding at a price within the Price Band have to make payment based on their highest bid price option. Retail Individual Bidders bidding at Cut-Off Price have to ensure payment at the upper end of the Price Band. Retail Individual Bidders should note that discount is not offered on application but on allotment. The excess amount paid on application would be refunded to such Bidders after Allotment along with any other refund, if any.*

Withdrawal of the Issue

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

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

Letters of Allotment or Refund Orders or Instructions to SCSBs

Our Company shall give credit of Equity Shares Allotted, if any, to the beneficiary account with Depository Participants within two Working Days from the date of Allotment. Our Company shall ensure dispatch of refund orders, if any, of value up to ₹ 1,500 by under certificate of posting, and shall dispatch refund orders above ₹ 1,500, if any, by registered post or speed post or Direct Credit, National Electronic Fund Transfer ("**NEFT**"), Real Time Gross Settlement ("**RTGS**") or National Electronic Clearing Service ("**NECS**") at the sole or First Bidder's sole risk within two Working Days from the date of Allotment. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBAs.

Interest in case of delay in dispatch of Allotment Letters/Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI ICDR Regulations, our Company undertakes that:

- Allotment shall be made only in dematerialized form within 12 Working Days from the Bid/ Issue Closing Date;
- Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or NECS, shall be done within two Working Days from the date of Allotment;
- Instructions to the relevant SCSB to unblock the funds in the relevant ASBA Account for withdrawn, rejected or unsuccessful or partially successful ASBAs, within 12 Working Days of the Bid/ Issue Closing Date; and
- Our Company shall pay interest at 15% per annum if Allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner within eight days from the day the Company becomes liable to repay.

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

Refunds will be made through any of the modes as described in the Red Herring Prospectus and bank charges, if any, for encashing cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Bid/Issue Program*

BID/ISSUE OPENS ON	**[●]**
BID/ISSUE CLOSES ON	**[●]**

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

Bids and any revision in Bids will be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the Bidding centers mentioned in the Bid cum Application Form **except that on the Bid/ Issue Closing Date, Bids excluding ASBA Bids shall be accepted only between 10.00 a.m. and 3.00 p.m.** (Indian Standard Time) and uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders; and (ii) 5.00 p.m. which may be extended up to such time as permitted by the Stock Exchanges in case of Bids by Retail Individual Bidders where the Bid Amount is up to ₹ 100,000. Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/ Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in IPOs, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, the Company, the Syndicate shall not be responsible. Bids will be accepted only on Working Days, *i.e.*, Monday to Friday (excluding any public holiday).

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

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

In case of revision in the Price Band, the Bidding Period will be extended for three additional Working Days after revision of Price Band subject to the Bidding 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 Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

ISSUE PROCEDURE

This section applies to all Bidders. All Bidders other than Anchor Investors may participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to them before submitting a Bid through the ASBA process. All Bidders are required to pay the full Bid Amount or instruct the relevant SCSB to block the full Bid Amount at the time of Bidding.

Book Building Procedure

This is an Issue for less than 25% of our Company's post-Issue capital pursuant to Rule 19(2)(b)(ii) of the SCRR read with Regulation 41(1) of the SEBI Regulations. The Company is eligible for the Issue in accordance with Regulation 26(2) of the SEBI Regulations. Further, this Issue is being made through the 100% Book Building Process, wherein at least 50% of the Issue shall be Allotted to QIBs on a proportionate basis. In case we do not receive subscriptions of at least 50% of the Issue from QIBs, the subscription monies shall be refunded.

Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. If the aggregate demand in the QIB category has been met, any under subscription in any category, other than the QIB category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLMs and the Designated Stock Exchange.

Bidders are required to submit their Bids through the Syndicate or their affiliates. QIB Bids, in case of non-ASBA Bids, should be submitted to the BRLMs or their affiliates, in case of application through Bid cum Application forms. ASBA Bidders are required to submit their Bids to SCSBs.

Investors should note that Allotment to successful Bidders will be only in the dematerialized form. Bid cum Application Forms which do not have the details of the Bidders' depository accounts including Depository Participant Identity ("DP ID"), Permanent Account Number ("PAN") and Beneficiary Account Number ("BAN") will be treated as incomplete and rejected. Bidders will not have the option of receiving Allotment in physical form. On Allotment, the Equity Shares will be traded only on the dematerialized segment of the Stock Exchanges.

Bid cum Application Form

Bidders should use only the specified Bid cum Application Form bearing the stamp of a member of the Syndicate or a Designated Branch (except in case of electronic ASBA Bid cum Application Forms), as the case may be, for the purpose of making a Bid in terms of the Red Herring Prospectus. Before being issued to Bidders, the Bid cum Application Form (except in relation to ASBA Bidders) will be serially numbered.

ASBA Bidders should submit the ASBA Bid cum Application Form, either in physical or electronic mode, to the SCSB with whom the ASBA Account is maintained. An ASBA Bidder shall use the ASBA Bid cum Application Form obtained from the Designated Branches for the purpose of making a Bid. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Bid cum Application Form at the relevant Designated Branch. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Bid cum Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Bids. The SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the ASBA Bid cum Application Form.

The Bid cum Application Form will contain information about the Bidder and the price and number of Equity Shares that the Bidder wishes to Bid for. Bidders will have the option to make a maximum of three Bids in the Bid cum Application Form and such options will not be considered multiple Bids.

On filing of the Prospectus with the RoC, the Bid cum Application Form will be treated as a valid application form. On completion and submission of the Bid cum Application Form to a member of the Syndicate (and in the case of an ASBA Bid cum Application Form, to the SCSB or through the internet banking facility available with the SCSBs or such other electronically enabled mechanism for Bidding), the Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as may be required under the SEBI ICDR Regulations and other applicable law, for filing the Prospectus with the RoC and as required by SEBI and/or the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Forms for various categories is as follows:

Category	**Colour of Bid cum Application Form including ASBA Bid cum Application Form****
Resident Indians including Eligible NRIs applying on a non-repatriation basis	[●]
Non-Residents including Eligible NRIs, FVCIs and FIIs applying on a repatriation basis, excluding Anchor Investors	[●]
Anchor Investors*	[●]

**Bid cum Application Forms for Anchor Investors will be made available at our Registered Office and the members of the Syndicate.*

Who can Bid?

(i) Indian nationals resident in India, who are not minors or otherwise incompetent to contract, in single or joint names (not more than three);
(ii) Hindu Undivided Families ("**HUFs**"), in the individual name of the *Karta*. Such Bidders should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs will be considered at par with those from individuals;
(iii) Companies, corporate bodies and societies registered under applicable law in India and authorized to invest in equity shares under their respective constitutional or charter documents;
(iv) Mutual Funds registered with SEBI;
(v) Eligible NRIs (whether on a repatriation basis or on a non repatriation basis), subject to applicable law;
(vi) Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to RBI regulations and the SEBI ICDR Regulations and other applicable law);
(vii) FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
(viii) Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only in the Non-Institutional Bidders category;
(ix) Venture capital funds registered with SEBI;
(x) Foreign Venture Capital Investors registered with SEBI;
(xi) State Industrial Development Corporations;
(xii) Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their respective constitutional or charter documents to hold and invest in equity shares;
(xiii) Scientific and/or industrial research organizations authorized to invest in equity shares;
(xiv) Insurance companies registered with Insurance Regulatory and Development Authority;
(xv) Subject to applicable laws, Provident funds with a minimum corpus of ₹ 250 million and who are authorized under their constitutional documents to hold and invest in equity shares;
(xvi) Subject to applicable laws, Pension Funds with a minimum corpus of ₹ 250 million and who are authorized under their constitutional documents to hold and invest in equity shares;
(xvii) National Investment Fund;
(xviii) Insurance funds set up and managed by the army, navy or air force of the Union of India; and
(xix) Multilateral and bilateral development financial institutions.

As per existing regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this DRHP as "U.S. QIBs"; for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this DRHP as "QIBs"), in transactions exempt from the registration requirements of the U.S. Securities Act and (b) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Participation by Associates and affiliates of the BRLMs and Syndicate Members

The BRLMs and the Syndicate Members are not entitled to Bid for Equity Shares in this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members are entitled to Bid for Equity Shares in the Issue, including in the QIB Portion (excluding the Anchor Investor Portion) and Non-Institutional Portion where allocation will be on a proportionate basis, either on their own account or on behalf of their clients. However, the BRLMs and the Syndicate Members and their associates and affiliates are not eligible to Bid for Equity Shares in the Anchor Investor Portion.

Bids by Mutual Funds

As per the SEBI ICDR Regulations, 5% of the QIB Portion (excluding the Anchor Investor Portion), is reserved for Mutual Funds on a proportionate basis. An eligible Bid by a Mutual Fund in the Mutual Fund Portion will first be considered for allocation proportionately in the Mutual Fund Portion. If demand in the Mutual Fund Portion is greater than 538,653 Equity Shares, allocation will be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds will be available for allocation proportionately, after excluding the allocation in the Mutual Fund Portion, in the QIB Portion. One-third of the Anchor Investor Portion is reserved for domestic Mutual Funds subject to valid Bids being received at or above the price at which allocation is made to Anchor Investors.

As per current regulations, the following restrictions apply to investments by Mutual Funds:

No Mutual Fund scheme may invest more than 10% of its net asset value in equity shares or equity related instruments of any company, provided that the limit of 10% will not apply to investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes may own over 10% of any company's paid-up share capital carrying voting rights.

Bids by asset management companies or custodians of Mutual Funds should clearly indicate the name of the concerned scheme for which the Bid is submitted.

Multiple Bids

In case of a Mutual Fund, a separate Bid may be made in respect of each scheme of a Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of a Mutual Fund will not be treated as multiple Bids, provided that such Bids clearly indicate the scheme for which the Bid is submitted.

Bids by Non Residents including Eligible NRIs and FIIs on a repatriation basis

There is no reservation for Eligible NRIs or FIIs or FVCIs registered with SEBI. Such Eligible NRIs, FIIs and FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation.

Bids by Eligible NRIs

(i) Bid cum Application Forms for Eligible NRIs applying on a repatriation basis ([●] in colour) will be available at our Registered Office and with the members of the Syndicate or SCSBs, as the case may be.

(ii) Only Bids accompanied by payment in freely convertible foreign exchange will be considered for Allotment. Eligible NRIs who intend to make payment through Non Resident Ordinary ("**NRO**") accounts or by debits to their Non-Resident External ("**NRE**") or Foreign Currency Non-Resident ("**FCNR**") accounts should use the Bid cum Application Form meant for Resident Indians ([●] in colour).

Bids by Eligible NRIs for a Bid Amount of up to ₹ 100,000 will be considered in the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than ₹ 100,000 will be considered in the Non-Institutional Portion for the purposes of allocation.

Bids by FIIs

As per current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our Company's post-Issue capital (*i.e.* 10% of 214,816,728 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account will not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to our Company, the total foreign investment including FII investment cannot exceed 49% of our total issued capital as approved by the shareholders of our Company.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "**SEBI FII Regulations**"), an FII, as defined in the SEBI FII Regulations, may issue, deal or hold, offshore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII is also required to ensure that no further issue or transfer of any offshore derivative instrument issued by it is made to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI ICDR Regulations. Associates and affiliates of the Underwriters, including the BRLMs and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such offshore derivative instrument does not constitute any obligation of, claim on, or interest in, our Company.

Bids by SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, each, as amended, prescribe investment restrictions on Venture Capital Funds and FVCIs respectively registered with the SEBI. Accordingly, the holding in any company by any individual venture capital fund or FVCI registered with the SEBI should not exceed 25% of the corpus of the venture capital fund or FVCI. However, venture capital funds or FVCIs may invest not over 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers.

Bids by Anchor Investors

Our Company may consider participation by Anchor Investors in the QIB Portion for up to 30% of the QIB Portion in accordance with the SEBI ICDR Regulations. Only QIBs as defined in Regulation 2(1) (zd) of the SEBI ICDR Regulations and not otherwise excluded pursuant to Schedule XI of the SEBI ICDR Regulations are eligible to invest. The QIB Portion will be reduced in proportion to the allocation under the Anchor Investor Portion. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares will be added to the QIB Portion. In accordance with the SEBI ICDR Regulations, the key terms for participation in the Anchor Investor Portion are provided below.

(i) Anchor Investors Bid cum Application Forms will be made available for the Anchor Investor Portion at our Registered Office and with the members of the Syndicate.

(ii) The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount exceeds ₹ 100 million. A Bid cannot be submitted for more than 30% of the QIB Portion. In case of a Mutual Fund registered with SEBI, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of ₹ 100 million.

(iii) One-third of the Anchor Investor Portion will be reserved for allocation to domestic Mutual Funds.

(iv) The Bidding for Anchor Investors will open one Working Day before the Bid Opening Date and will be completed on the same day.

(v) Our Company in consultation with the BRLMs, will finalize allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allottees in the Anchor Investor Portion will not be less than:

- two, where the allocation under Anchor Investor Portion is up to ₹ 2,500 million; and
- five, where the allocation under Anchor Investor Portion is over ₹ 2,500 million.

(vi) Allocation to Anchor Investors will be completed on the Anchor Investor Bidding Date. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, will be made available in public domain by the BRLMs before the Bid/Issue Opening Date.

(vii) Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.

(viii) If the Issue Price is greater than the Anchor Investor Issue Price, the additional amount being the difference between the Issue Price and the Anchor Investor Issue Price will be payable by the Anchor Investors by the Pay-in-Date. If the Issue Price is lower than the Anchor Investor Issue Price, Allotment to successful Anchor Investors will be at the higher price, i.e., the Anchor Investor Issue Price.

(ix) The Equity Shares Allotted in the Anchor Investor Portion will be locked in for a period of 30 days from the date of Allotment.

(x) None of the BRLMs or any person related to the BRLMs or our Promoter will participate in the Anchor Investor Portion. The parameters for selection of Anchor Investors will be clearly identified by the BRLMs and made available as part of the records of the BRLMs for inspection by SEBI.

(xi) Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion will not be considered as multiple Bids.

Any additional details regarding participation in the Issue under the Anchor Investor Portion will be disclosed in the advertisement for the Price Band which will be published by our Company at least two Working Days prior to the Bid Opening Date, in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located).

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of ₹ 250 million (subject to applicable law) and pension funds with a minimum corpus of ₹ 250 million a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In addition to the above, certain additional documents are required to be submitted by the following entities:

(i) With respect to Bids by FVCIs, FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.

(ii) With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged with the Bid cum Application Form.

(iii) With respect to Bids made by provident funds with minimum corpus of ₹ 250 million (subject to applicable law) and pension funds with a minimum corpus of ₹ 250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form.

Our Company in their absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company and the BRLMs deem fit.

Our Company and the Syndicate are not liable for any amendment, modification or change in applicable law, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or as specified in this Red Herring Prospectus. Our Company and the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated above.

Maximum and Minimum Bid Size

(i) ***For Retail Individual Bidders***: The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter, to ensure that the Bid Amount payable by the Bidder does not exceed ₹ 100,000. In case of revision of Bids, Retail Individual Bidders should ensure that the Bid Amount does not exceed ₹ 100,000. If the Bid Amount is over ₹ 100,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to be Bid at the Cut-Off Price, the Bid will be considered for allocation in the Non-Institutional Portion. The option to Bid at the Cut-Off Price is available only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the Issue Price.

(ii) ***For Other Bidders (Non-Institutional Bidders and QIBs excluding Anchor Investors)***: The Bid must be for a minimum of such number of Equity Shares in multiples of [•] such that the Bid Amount exceeds ₹ 100,000. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them under applicable law.

In case of revision in Bids, Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than ₹ 100,000 for being considered for allocation in the Non-Institutional Portion. If the Bid Amount reduces to ₹ 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion will be considered for allocation in the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at the Cut-Off Price. **A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.**

(iii) ***For Bidders in the Anchor Investor Portion***: The Bid must be for a minimum of such number of Equity Shares in multiples of [•] such that the Bid Amount at least ₹ 100 million. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion will not be considered as multiple Bids. Under the Anchor Investor Portion, a Bid cannot be submitted for more than 30% of the QIB Portion. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.**

Information for the Bidders:

(i) The Red Herring Prospectus will be filed by our Company with the RoC at least three days before the Bid/Issue Opening Date.

(ii) Subject to the provisions of section 66 of the Companies Act, 1956, the Company shall, after registering the red herring prospectus with the Registrar of Companies, make a pre-issue advertisement in one English national daily newspaper with wide circulation and one Hindi national daily newspaper with wide circulation (Hindi also being the regional language in the State where our Registered Office is located).

(iii) Copies of the Bid cum Application Form and the Red Herring Prospectus will be available with the members of the Syndicate. Any investor (who is eligible to invest in our Equity Shares) may obtain the Red Herring Prospectus and/or the Bid cum Application Form from our Registered Office or any member of the Syndicate. ASBA Bid cum Application Forms may be obtained by Bidders from the SCSBs and electronic ASBA Bid cum Application Forms will be available on the websites of the SCSBs. Further, the SCSBs will ensure that the abridged prospectus is made available on their websites.

(iv) The Issue Period shall be for a minimum of three Working Days. In case the Price Band is revised, the Issue Period shall be extended, by an additional three Working Days, subject to the total Issue Period not exceeding 10 Working Days. The revised Price Band and Issue Period will be widely disseminated by notification to the SCSBs and Stock Exchanges, and by publishing in two national newspapers (one each in English and Hindi), each with wide circulation and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(v) The Syndicate (in accordance with the terms of the Syndicate Agreement) and the Designated Branches will accept Bids during the Bidding Period in accordance with the terms of the Red Herring Prospectus, provided that the BRLMs will accept the Bids from Anchor Investors only on the Anchor Investor Bidding Date.

(vi) Eligible Bidders interested in Bidding for the Equity Shares may approach any member of the Syndicate or their authorized agent(s) to register their Bids. Eligible Bidders other than Anchor Investors, may also approach the Designated Branches to register their Bids under the ASBA process.

(vii) The Bids should be submitted on the prescribed Bid cum Application Form only. Bids by ASBA Bidders will be accepted by the SCSBs in accordance with the SEBI ICDR Regulations and any other circulars issued by SEBI in this regard. Bid cum Application Forms should bear the stamp of the members of the Syndicate or Designated Branch. Bid cum Application Forms (except electronic ASBA Bid cum Application Forms) which do not bear the stamp of a member of the Syndicate or the Designated Branch are liable to be rejected.

(viii) With effect from August 16, 2010, the demat accounts of Bidders for whom PAN details have not been verified shall be "suspended for credit" and no credit of Equity Shares pursuant to the Issue will be made into the accounts of such Bidders.

Instructions for completing the Bid Cum Application Form

Bids and revisions of Bids must be:

(i) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.

(ii) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained here, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders must provide details of valid and active DP-ID, client ID and PAN clearly and without error. Invalid accounts, suspended accounts or where such account is classified as invalid or suspended may not be considered for Allotment. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders should note that the members of the Syndicate and/or the SCSBs (as appropriate) will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.

(iii) Information provided by the Bidders will be uploaded in the online IPO system by the members of the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/Allotment. Bidders are advised to ensure that the details are correct and legible.

(iv) For Retail Individual Bidders (including Eligible NRIs), the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of ₹ 100,000. In case the Bid Amount is over ₹ 100,000 due to revision of the Bid or revision of the Price Band or on exercise of the option to Bid at the Cut-Off Price, the Bid will be considered for allocation in the Non-Institutional Bidders portion. The option to Bid at the Cut-Off Price is available only to Retail Individual Bidders indicating their agreement to Bid and purchase at the Issue Price as determined at the end of the Book

Building Process.

(v) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds ₹ 100,000. Anchor Investors must ensure that their Bids must make a minimum Bid of such number of Equity Shares that the Bid Amount is at least ₹ 100 million. Bids cannot be made for over the Issue size.

(vi) Bids by Eligible NRIs, FVCIs and FIIs on a repatriation basis will be in the names of individuals, or in the names of such FIIs, respectively, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

(vii) In a single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(viii) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

(ix) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the account holder as provided in the ASBA Bid cum Application Form.

Submission of Bid cum Application Form

Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts will be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form will be submitted to the Designated Branches. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.

No separate receipts will be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate or the SCSB, as the case may be, will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

General Instructions

Dos:

(i) Check if you are eligible to apply as per the terms of the Red Herring Prospectus under applicable law;

(ii) Ensure that you have Bid within the Price Band;

(iii) Read all the instructions carefully and complete the Resident Bid cum Application Form ([●] in colour), the Non-Resident Bid cum Application Form ([●] in colour), the Anchor Investor Bid cum Application Form ([●] in colour) and the ASBA Bid cum Application Form ([●] in colour), as the case may be;

(iv) Ensure that the details about the PAN, Depository Participant and Beneficiary Account are correct, and the Beneficiary Account is activated, as Allotment of Equity Shares will be in dematerialized form only;

(v) Ensure that the Bids are submitted at the Bidding centres only on forms bearing the stamp of a member of the Syndicate or the SCSB in case of ASBA Bidders (except in case of electronic ASBA Bid cum Application Forms);

(vi) Ensure that you have mentioned the correct ASBA Account number in the ASBA Bid cum Application Form.

(vii) With respect to ASBA Bidders, ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilized by the ASBA Bidder for Bidding has a bank account. Further, ensure that the ASBA Bid cum Application Form is signed by the account holder if the Bidder is not the account holder;

(viii) Ensure that the full Bid Amount is paid for Bids submitted to the members of the Syndicate and funds equivalent to the Bid Amount are blocked by the SCSBs in case of Bids submitted through the ASBA process;

(ix) Ensure that you have funds equal to the Bid Amount in the ASBA Account of the respective Designated Branch of the SCSB;

(x) Ensure that you have correctly checked the authorisation box in the ASBA Bid cum Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds in the ASBA Account equivalent to the Bid Amount mentioned in the ASBA Form.

(xi) Instruct your respective banks to not release the funds blocked in the ASBA Accounts;

(xii) Ensure that you request for and have received a TRS for all your Bid options;

(xiii) Ensure that you receive an acknowledgement from the Designated Branch for the submission of your ASBA Bid cum Application Form;

(xiv) Submit revised Bids to the same member of the Syndicate or Designated Branch of the SCSB, as the case may be, through whom the original Bid was placed and obtain a revised TRS/ acknowledgment, as the case may be;

(xv) Except for Bids (i) on behalf of the Central or State Government and the officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Bidders should mention their PAN allotted under the I.T. Act. Applications in which the PAN is not mentioned will be rejected;

(xvi) Ensure that the Demographic Details (as defined below) are updated, true and correct in all respects; and

(xvii) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. If the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(i) Do not Bid for lower than the minimum Bid size;

(ii) Do not submit a Bid without payment of the entire Bid Amount;

(iii) Do not Bid/revise the Bid to less than the Floor Price or higher than the Cap Price;

(iv) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate or the Designated Branch;

(v) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest and in relation to ABSA Bidders in any other mode other than blocked amounts in the ASBA Accounts;

(vi) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate or Designated Branch, as applicable;

(vii) Do not Bid at the Cut-off Price (for QIB Bidders and Non-Institutional Bidders);

(viii) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceed the Issue size and/or investment limit or maximum number of Equity Shares that can be held under applicable law or the maximum amount permissible under applicable regulations;

(ix) Do not submit more than five ASBA Bid cum Application Forms per bank account;

(x) Do not Bid for amount exceeding ₹ 100,000 in case of a Bid by Retail Individual Bidders;

(xi) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground;

(xii) Do not submit incorrect details of DP ID, Client ID and PAN or give details for which demat account is suspended or for which such details cannot be verified by the Registrar.

Method and Process of Bidding

(i) Our Company and the BRLMs will declare the Bid/Issue Opening Date and Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with the RoC and publish these dates at least two Working Days prior to the Bid/Issue Opening Date in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located).

(ii) The Price Band and the minimum Bid lot size for the Issue will be decided by our Company in consultation with the BRLMs, and advertized at least two Working Days prior to the Bid/Issue Opening Date in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located).

(iii) The BRLMs will accept Bids from the Anchor Investors on the Anchor Investor Bidding Date, *i.e.* one Working Day prior to the Bid/Issue Opening Date. Bidders, except Anchor Investors, who are interested in subscribing to the Equity Shares should approach any of the members of the Syndicate, their authorized agents or SCSBs to register their Bids, during the Bidding Period. The members of the Syndicate will accept Bids from the all Bidders and will have the right to vet the Bids, during the Bidding Period in accordance with the terms of the Syndicate Agreement and the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.

(iv) The Bidding Period will be for at least three Working Days and not exceeding 10 Working Days (including the days for which the Issue is open in case of revision in Price Band). If the Price Band is revised, the revised Price Band and the Bidding Period will be published in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located), together with an indication of such change on the websites of the BRLMs and SCSBs and at the terminals of the Syndicate Members.

(v) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details see "***Bids at Different Price Levels***" below, within the Price Band and specify the demand (*i.e.*, the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(vi) Except in relation to the Bids received from the Anchor Investors, the members of the Syndicate or the SCSBs will enter each Bid option into the electronic Bidding system as a separate Bid and generate a Transaction Registration Slip ("**TRS**"), and SCSBs will generate an acknowledgement for each price and demand option and will, on demand, give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(vii) With respect to ASBA Bidders, on receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB will verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB will reject such Bids and will not upload such Bids with the Stock Exchanges. If sufficient funds are available in the ASBA Account, the SCSB will block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid.

(viii) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "*-**Payment Instructions***" on page 285.

Bids at Different Price Levels and Revision of Bids

(i) The Price Band and the minimum Bid lot size will be decided by our Company in consultation with the BRLMs and advertized at least two Working Days prior to the Bid/Issue Opening Date, in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located).

(ii) Our Company in consultation with the BRLMs, reserve the right to revise the Price Band during the Bidding Period in accordance with the SEBI ICDR Regulations. The Cap Price will be less than or equal to 120% of the Floor Price and the Floor Price will not be less than the face value of the Equity Shares. The revision in Price Band will not exceed 20% on either side *i.e.* the floor price can move upward or downward to the extent of 20% of the floor price disclosed at least two Working Days prior to the Bid/Issue Opening Date and the Cap Price will be revised accordingly.

(iii) In case of revision in the Price Band, the Bidding Period will be extended for at least three additional Working Days after revision of Price Band subject to a maximum of 10 Working Days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located), and by indicating the change on the websites of the BRLMs, SCSBs and at the terminals of the Syndicate Members.

(iv) Our Company in consultation with the BRLMs can finalize the Issue Price and Anchor Investor Issue Price within the Price Band in accordance with this section, without the prior approval of or intimation to the Bidders.

(v) The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may Bid at Cut-off Price. However, Bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders will be rejected.

(vi) Retail Individual Bidders who Bid at the Cut-off Price agree that they will purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price will deposit the Bid Amount based on the Cap Price with the members of the Syndicate. In case of ASBA Bidders bidding at Cut-off Price, the ASBA Bidders will instruct the SCSBs to block an amount based on the Cap Price. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price, the Retail Individual Bidders who Bid at Cut-off Price will receive the refund of the excess amounts from the Escrow Account(s).

(vii) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the revised Cap Price (such that the total amount i.e., original Bid Amount plus additional payment does not exceed ₹ 100,000 for Retail Individual Bidders, if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (*i.e.*, original Bid Amount plus additional payment) exceeds ₹ 100,000 for Retail Individual Bidders Bidding at the Cut-off Price the Bid will be considered for allocation in the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares Bid for will be adjusted downwards for the purpose of Allotment, such that no additional payment will be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(viii) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of Bidding will be refunded from the Escrow Account(s).

(ix) Our Company in consultation with the BRLMs will decide the minimum number of Equity Shares for each Bid to ensure that the minimum Bid value is within the range of ₹ 5,000 to ₹ 7,000. In the event of any revision in the Price Band, whether upward or downward, the minimum Bid size will remain [•] Equity Shares irrespective of whether the Bid Amount payable on such minimum Bid is not in the range of ₹ 5,000 to ₹ 7,000.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of Bidder's PAN, DP ID and BAN provided by them in the Bid cum Application Form and as entered into the electronic bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs as the case may be, the Registrar will obtain from the Depository the demographic details including the Bidder's address, occupation and bank account details including the nine-digit Magnetic Ink Character Recognition ("**MICR**") code as appearing on a cheque leaf ('**Demographic Details**'). These Demographic Details will be used for giving refunds and allocation advice (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders. It is mandatory to provide the bank account details in the space provided in the Bid cum Application Form and Bid cum Application Forms that do not contain such details are liable to be rejected. Hence, Bidders are advised to immediately update their bank account details, PAN and Demographic Details as appearing on the records of the Depository Participant and ensure that they are true and correct. Failure to do so could result in delays in dispatch/credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs, the Registrar, the Escrow Collection Banks, the SCSBs nor our Company will have any responsibility or undertake any liability for this. Accordingly, Bidders should carefully fill in their depository account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR PAN, DEPOSITORY PARTICIPANT'S NAME, DP ID AND BAN IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE DP ID, CLIENT ID AND PAN GIVEN IN THE BID CUM APPLICATION FORM IS THE SAME AS THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE DEPOSITORY DATABASE. IF 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.

By signing the Bid cum Application Form, the Bidder is deemed to have authorized the Depositories to provide to the Registrar, on request, the required Demographic Details as available in their records.

Refund Orders (where refunds are not being made electronically)/allotment advice/CANs will be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Delivery of refund orders/Allotment advice/CANs may be delayed if the same, once sent to the address obtained from the Depositories, are returned undelivered. In such event, the address and other details given by the Bidder (other than ASBA Bidders) in the Bid cum Application Form will be used only to ensure dispatch of refund orders. Any such delay will be at the Bidders sole risk and neither our Company nor Escrow Collection Banks nor the BRLMs nor the members of the Syndicate nor the Registrar will be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. In case of refunds through electronic modes as detailed in the Red Herring Prospectus, Bidders may note that refunds may be delayed if bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, Bidders PAN (in case of joint Bids, PAN of first Bidder), the DP ID and BAN, such Bids are liable to be rejected.

Payment Instructions

Escrow Mechanism for Bidders other than ASBA Bidders

Our Company and the Syndicate will open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders will make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category will be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders will maintain the monies in the Escrow Account(s) until the Designated Date. The Escrow Collection Banks will not exercise any lien whatsoever over the monies deposited therein and will hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks will transfer the funds represented by allotment of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Escrow Collection Banks. The balance amount after transfer to the Public Issue Account will be transferred to the Refund Account. Payments of refund to the Bidders will also be made from the Refund Account are per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Syndicate, the Escrow Collection Banks and the Registrar to facilitate collections from Bidders.

Payment into Escrow Account(s) for Bidders other than ASBA Bidders

Each Bidder (other than ASBA Bidders) will draw a cheque or demand draft or, for Anchor Investors, remit the funds electronically through the RTGS mechanism for the entire Bid Amount as per the following terms:

(i) All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.

(ii) The Bidders will, with the submission of the Bid cum Application Form, draw a payment instrument for the entire Bid Amount in favour of the Escrow Account(s) and submit it to the member of the Syndicate. Bid cum Application Forms accompanied by cash, stockinvest, money order or postal order will not be accepted.

(iii) The payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

- In case of Resident QIB Bidders: "Escrow Account- Micromax Public Issue -QIB-R"
- In case of Non Resident QIB Bidders: "Escrow Account- Micromax Public Issue -QIB-NR "
- In case of Resident Retail and Non-Institutional Bidders: "Escrow Account- Micromax Public Issue -R "
- In case of Non-Resident Retail and Non-Institutional Bidders: "Escrow Account- Micromax Public Issue -NR "

(iv) In the event of Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors will be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price within two Working Days of the Bid/Issue Closing Date. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors will not be refunded to them (or unblocked in their ASBA Accounts, in case of ASBA Bids).

(v) Our Company in consultation with the BRLMs, in their absolute discretion, will decide the list of Anchor Investors to whom the provisional CAN or CAN will be sent, pursuant to which the details of the Equity Shares allocated to them in their respective names will be notified to such Anchor Investors. The payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

- In case of resident Anchor Investors: "Escrow Account- Micromax Public Issue -Anchor Investor-R "

- In case of non-resident Anchor Investors: "Escrow Account- Micromax Public Issue -Anchor Investor-NR "

(vi) In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in 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 NRO Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

(vii) In case of Bids by NRIs applying on non-repatriation basis, the payments may be made out of an NRO Account of a Non-Resident Bidder.

(viii) In case of Bids by FIIs or FVCIs 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.

(ix) The monies deposited in the Escrow Account(s) will be held for the benefit of the Bidders until the Designated Date.

(x) On the Designated Date, the Escrow Collection Banks will transfer the funds from the Escrow Account(s) as per the terms of the Escrow Agreement into the Public Issue Account with the Escrow Collection Banks.

(xi) Within 12 Working Days from the Bid/Issue Closing Date, the Registrar will dispatch all refund amounts payable to unsuccessful Bidders and also any excess amount paid on Bidding, after adjusting for allocation/Allotment to the Bidders.

(xii) Payments should be made by cheque, or demand draft drawn on any bank (including a cooperative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash, stockinvest, money orders or postal orders will not be accepted.

(xiii) Bidders are advised to mention the number of the Bid cum Application Form on the reverse of the cheque/demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

Payment mechanism for ASBA Bidders

The ASBA Bidders will specify the bank account number in the ASBA Bid cum Application Form and the SCSB will block an amount equivalent to the Bid Amount in the ASBA Account specified in the ASBA Bid cum Application Form. The SCSB will keep the Bid Amount in the relevant ASBA Account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Bid cum Application Form, failure of the Issue or for unsuccessful ASBA Bid cum Application Forms, the Registrar will give instructions to the SCSB to unblock the Bid Amount in the relevant ASBA Account and the SCSBs will unblock the Bid Amount on receipt of such instruction. The Bid Amount will remain blocked in the ASBA Account until finalization of the Basis of Allotment and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

Other Instructions

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

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 is made. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be considered as multiple Bids.

After Bidding on an ASBA Bid cum Application Form either in physical or electronic mode, where such ASBA Bid is submitted to the Designated Branches of SCSBs and uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form. Submission of a second Bid cum Application Form, whether an ASBA Bid cum Application Form, to either the same or to another Designated Branch of the SCSB, or a Non-ASBA Bid cum Application Form, will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the ASBA Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in "-***Build up of the Book and Revision of Bids***" on page 292.

More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs will not accept a total of more than five ASBA Bid cum Application Forms from such ASBA Bidders with respect to any single ASBA Account.

Our Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories. A check will be carried out for the same PAN. In cases where the PAN is same, such Bids will be treated as multiple applications.

'PAN' or 'GIR' Number

Except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, the Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. In accordance with the SEBI ICDR Regulations, the PAN will be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction.

Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the Depository Participants' verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address.

Bid cum Application Forms without the PAN are liable to be rejected. In cases where the PAN is same, such Bids will be treated as multiple applications. Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. With effect from August 16, 2010, the demat accounts of Bidders for whom PAN details have not been verified shall be "suspended for credit" and no credit of Equity Shares pursuant to the Issue will be made into the accounts of such Bidders.

Withdrawal of ASBA Bids

ASBA Bidders (other than a QIB Bidders using the ASBA process) can withdraw their Bids during the Bidding Period by submitting a request for the same to the SCSBs who shall do the requisite, including deletion of details of the withdrawn ASBA Form from the electronic bidding system of the Stock Exchanges and unblocking of the funds in the ASBA Account.

In case an ASBA Bidder (other than a QIB Bidders using the ASBA process) wishes to withdraw the Bid after the Bid Closing Date, the same can be done by submitting a withdrawal request to the Registrar to the Issue. The

Registrar to the Issue shall delete the withdrawn Bid from the Bid file and give instruction to the SCSB for unblocking the ASBA Account after approval of the Basis of Allotment.

Right to Reject Bids

In case of QIB Bidders Bidding in the QIB Portion, the Syndicate, may reject Bids provided that such rejection will be made at the time of acceptance of the Bid and the reasons for rejecting such Bids will be provided to such Bidder in writing. In case of Non-Institutional Biddersand Retail Individual Bidders, our Company has the right to reject Bids based only on technical grounds and/or as specified in the Red Herring Prospectus. However, our Company in consultation with the BRLMs, reserve the right to reject any Bid received from Anchor Investors without assigning any reasons. Consequent refunds will be made through any of the modes described in the Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

With respect to ASBA Bids, the Designated Branches of the SCSBs will have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the ASBA Account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in such ASBA Account. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company will have a right to reject the ASBA Bids only on technical grounds and/or as specified in this Red Herring Prospectus.

The Bidders are advised that in case the DP ID, BAN and PAN mentioned in the Bid cum Application Form and as entered into the electronic Bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, do not match with the DP ID, BAN and PAN available in the depository database, the Bid is liable to be rejected.

Grounds for Technical Rejections

Bidders are advised that incomplete Bid cum Application Forms and Bid cum Application Forms that are not legible will be rejected by the members of the Syndicate or SCSBs. Bidders are advised to note that Bids are liable to be rejected on technical grounds including the following:

(i) Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;

(ii) Application on plain paper;

(iii) In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such will be entitled to apply;

(iv) Bid by persons not competent to contract under the Indian Contract Act, 1872, as amended, including minors;

(v) PAN not stated (except for Bids on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts);

(vi) GIR number furnished instead of PAN;

(vii) Where PAN details are not verified by demat accounts, i.e. where the demat account is "suspended for credit";

(viii) Bids for lower number of Equity Shares than specified for that category of investors;

(ix) Bids at a price less than the Floor Price;

(x) Bids at a price over the Cap Price;

(xi) Bids at Cut off Price by Non-Institutional Bidders and QIB Bidders;

(xii) Submission of more than five ASBA Bid cum Application Forms per ASBA Account;

(xiii) Bids for number of Equity Shares which are not in multiples of [●];

(xiv) Bidder category not ticked;

(xv) Multiple Bids as described in the Red Herring Prospectus;

(xvi) In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents not being submitted;

(xvii) Bids accompanied by cash, stockinvest, money order or postal order;

(xviii) Signature of sole and/or joint Bidders missing. In addition, with respect to ASBA Bids, the Bid cum Application form not being signed by the account holders, if the account holder is different from the Bidder;

(xix) Bid cum Application Form does not have the stamp of the BRLMs the Syndicate Members or Designated Branches (except for electronic ASBA Bids), as the case may be;

(xx) Bid cum Application Form does not have Bidder's depository account details or the details given are incomplete or incorrect;

(xxi) Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;

(xxii) In case no corresponding record is available with the Depositories that matches three parameters namely, PAN (in case of joint Bids, PAN of the first Bidder), the DP ID and the beneficiary's account number;

(xxiii) With respect to ASBA Bids, inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the ASBA Account;

(xxiv) Authorisation for blocking funds in the ASBA Account not ticked or provided;

(xxv) Bids for amounts greater than the maximum permissible amounts prescribed by applicable law;

(xxvi) Bids by OCBs;

(xxvii) Bids by persons in the United States other than "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act;

(xxviii) Bids or revision thereof by QIB Bidders and Non-Institutional Bidders uploaded after 4.00 P.M. on the Bid/Issue Closing Date;

(xxix) Bank account details for the refund not given;

(xxx) Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;

(xxxi) Bids by persons who are not eligible to acquire Equity Shares under applicable law or their relevant constitutional documents or otherwise; and

(xxxii) Bids that do not comply with the securities laws of their respective jurisdictions.

IN CASE THE DP ID, CLIENT ID AND PAN MENTIONED IN THE BID CUM APPLICATION FORM AND ENTERED INTO THE ELECTRONIC BIDDING SYSTEM OF THE STOCK EXCHANGES BY THE BRLMS/THE SCSBs DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITARIES THE APPLICATION IS LIABLE TO BE REJECTED.

Electronic Registration of Bids

(i) The members of the Syndicate and the SCSBs will register the Bids received, except Bids received from Anchor Investors, using the online facilities of the Stock Exchanges. Details of Bids in the Anchor Investor Portion will not be registered on the online facilities of the Stock Exchanges. There will be at least one online connectivity in each city, where the Stock Exchanges are located in India and where such Bids are being accepted. The BRLMs, our Company and the Registrar are not responsible for any acts, mistakes or errors or omission and commissions in relation to (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. It will be presumed that for the Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

(ii) The Stock Exchanges will offer a screen-based facility for registering such Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents and the SCSBs during the Bid/Issue Period. The Syndicate Members and the Designated Branches of the SCSBs can also set up facilities for off-line electronic registration of Bids subject to the condition that it will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis.

(iii) On the Bid/Issue Closing Date, the members of the Syndicate and the Designated Branches of the SCSBs will upload the Bids until such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis. In order to ensure that the data uploaded is accurate, the Syndicate may be permitted one Working Day after the Bid/Issue Closing Date to amend some of the data fields (currently DP ID, Client ID) entered by them in the electronic bidding system. Bidders are cautioned that a high inflow of Bids typically experienced on the last Working Day of the Bidding may lead to some Bids received on the last Working Day not being uploaded due to lack of sufficient uploading time, and such Bids that could not uploaded will not be considered for allocation. Bids will only be accepted on Working Days, i.e., Monday to Friday (excluding any public holiday).

(iv) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges a graphical representation of consolidated demand and price will be made available at the Bidding centres and at the websites of each of the Stock Exchanges during the Bidding Period.

(v) At the time of registering each Bid, the members of the Syndicate or the Designated Branches of the SCSBs in case of ASBA Bids will enter the following details of the Bidder in the electronic system:

- Name of the Company.
- Bid cum Application Form/ASBA Bid Cum Application Form number.
- Investor Category – retail, non-institutional, QIB, Eligible NRI, FII, Mutual Fund, insurance companies, etc.
- PAN of the first applicant.
- DP ID.
- BAN of the Bidder
- Numbers of Equity Shares Bid for.
- Price option.
- Cheque amount and Cheque number in case of non ASBA Bidders and ASBA account details in case of ASBA Bidders.

(vi) A system generated TRS, on demand, will be given to the Bidder as a proof of the registration of each of the Bidding options. **It is the Bidder's responsibility to obtain the TRS/acknowledgement from the members of the Syndicate or Designated Branches.** The registration of the Bid by the member of the Syndicate or the Designated Branches does not guarantee that the Equity Shares will be allocated/Allotted.

(vii) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(viii) In case of QIB Bidders (other than QIBs Bidding through ASBA), the members of the Syndicate have a right to accept the Bid or reject it. However, such rejection will be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids may be rejected on technical grounds. The members of the Syndicate may also reject Bids if all the information required is not provided and the Bid cum Application Form is incomplete in any respect.

Furthermore, the SCSBs will have no right to reject Bids except on technical grounds.

(ix) The permission given by the Stock Exchanges 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/or the BRLMs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company our Promoters, our management or any scheme or project of our Company nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

(x) Only Bids that are uploaded on the online IPO system of the Stock Exchanges will be considered for allocation/Allotment. The members of the Syndicate will be given one Working Day after the Bid/Issue Closing Date to verify the information uploaded on the online IPO system during the Bidding Period after which the Registrar will proceed with the Allotment of Equity Shares.

(xi) Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of the electronic facilities of the Stock Exchanges.

Build up of the book and revision of Bids

(i) Bids received from various Bidders through the members of the Syndicate and the SCSBs will be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.

(ii) The book gets built up at various price levels. This information will be available with the BRLMs at the end of the Bidding Period.

(iii) During the Bid/ Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(iv) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate and the Designated Branches will not accept incomplete or inaccurate Revision Forms.

(v) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the Designated Branch of the SCSB through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(vi) Any revision of the Bid will be accompanied by payment in the form of cheque or demand draft for any incremental amount to be paid on account of the upward revision of the Bid. With respect to ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB will block the additional Bid Amount. In case of Bids other than ASBA Bids, the members of the Syndicate will collect any payment to be paid on account of the upward revision of the Bid at the time of one or more revisions, in the form of cheque or demand draft. In such cases the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the basis of Allotment.

(vii) When a Bidder revises his or her Bid, he or she will surrender the earlier TRS and will, on demand, receive a revised TRS from the members of the Syndicate or Designated Branches, as applicable. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Price Discovery and Allocation

(i) Based on the demand generated at various price levels, our Company in consultation with the BRLMs will finalize the Issue Price and the Retail Discount, if any.

(ii) Allocation to Anchor Investors will be at the discretion of our Company in consultation with the BRLMs, subject to compliance with the SEBI ICDR Regulations. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares will be added to the QIB Portion. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, will be made available in public domain by the BRLMs before the Bid/Issue Opening Date.

(iii) If the aggregate demand by Mutual Funds in the Mutual Fund Portion is less than 538,653 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. Any under-subscription in any category will be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLMs and the Designated Stock Exchange.

(iv) Allocation to Non-Residents, including Eligible NRIs, FIIs and foreign venture capital funds registered with SEBI, applying on repatriation basis will be subject to applicable law.

(v) Any under-subscription in any category, other than the QIB category, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company in consultation with the BRLMs and the Designated Stock Exchange.

(vi) The BRLMs in consultation with our Company will notify the members of the Syndicate of the Issue Price and allocations to Anchor Investors, where the full Bid Amount has not been collected from the Anchor Investors due to the Issue Price being higher than the Anchor Investor Issue Price.

(vii) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date, but before the Allotment without assigning any reasons whatsoever. In terms of the SEBI ICDR Regulations, QIB Bidders Bidding in the QIB Portion will not be allowed to withdraw their Bid after the Bid/Issue Closing Date. Further, Anchor Investors will not be allowed to withdraw their Bid after the Anchor Investor Bidding Date.

Signing of Underwriting Agreement and RoC Filing

(i) Our Company, the BRLMs and the Syndicate Members will enter into an Underwriting Agreement on or immediately after the finalization of the Issue Price.

(ii) After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with the RoC in terms of Section 56, 60 and 60B of the Companies Act, which then will be termed the ‘Prospectus’. The Prospectus will contain details of the Issue Price, Issue size, Retail Discount, if any, underwriting arrangements and will be complete in all material respects.

Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company will, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI ICDR Regulations, in two national daily newspapers, each with wide circulation, in English and in Hindi (Hindi also being the regional language in the State where our Registered Office is located).

Advertisement regarding Issue Price and Prospectus

Our Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, will indicate the Issue Price and the Retail Discount, if any. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allotment Note ("CAN")

(i) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall send to the Syndicate a list of the Bidders who have been Allotted Equity Shares in the Issue.

(ii) The Registrar will then dispatch a CAN to the Bidders who have been Allotted Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

(iii) The Issuance of CAN is subject to "***Notice to Anchor Investors: Allotment Reconciliation and CANs***" as set forth under on page 294.

Notice to Anchor Investors: Allotment Reconciliation and CANs

A physical book will be prepared by the Registrar on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of the Company and the BRLMs, selected Anchor Investors will be sent an Anchor Investor Allocation Notice and/or a revised Anchor Investor Allocation Notice, as the case may be. All Anchor Investors will be sent Anchor Investor Allocation Notice post Anchor Investor Bidding Period and in the event that the Issue Price is higher than the Anchor Investor Issue Price, the Anchor Investors will be sent a revised Anchor Investor Allocation Notice within one day of the Pricing Date indicating the number of Equity Shares allocated to such Anchor Investor and the pay-in date for payment of the balance amount. Anchor Investors should note that they shall be required to pay any additional amounts, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised Anchor Investor Allocation Notice within the pay-in date referred to in the revised Anchor Investor Allocation Notice. The revised Anchor Investor Allocation Notice will constitute a valid, binding and irrevocable contract (subject to the issue of CAN) for the Anchor Investor to pay the difference between the Issue Price and the Anchor Investor Issue Price and accordingly the CAN will be issued to such Anchor Investors. In the event the Issue Price is lower than the Anchor Investor Issue Price, the Anchor Investors who have been Allotted Equity Shares will directly receive CAN. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Allotment of Equity Shares to such Anchor Investors.

The final allocation is subject to the physical application being valid in all respect along with receipt of stipulated documents, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and Allotment by the Board of Directors.

Designated Date and Allotment of Equity Shares

(i) Our Company will use best efforts to ensure that Allotment of Equity Shares and credit to successful Bidder's depository account are completed within 12 Working Days of the Bid Closing Date.

(ii) In accordance with the SEBI ICDR Regulations, Equity Shares will be issued and Allotment will be made only in dematerialized form to successful Bidders.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them in this Issue.

Basis of Allotment

For Retail Individual Bidders

(i) Bids received from Retail Individual Bidders at or above the Issue Price will be grouped together to determine the total demand under this category. Allotment to successful Retail Individual Bidders will be made at the Issue Price.

(ii) The Issue size less Allotment to Non-Institutional and QIB Bidders will be available for Allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price. If the aggregate demand in this category is less than or equal to 7,541,142 Equity Shares at or above the Issue Price, full Allotment will be made to successful Retail Individual Bidders, to the extent of their valid Bids.

(iii) If the aggregate demand in this category is greater than 7,541,142 Equity Shares at or above the Issue Price, the Allotment will be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of Allotment, see below.

For Non-Institutional Bidders

(i) Bids received from Non-Institutional Bidders at or above the Issue Price will be grouped together to determine the total demand under this category. Allotment to successful Non-Institutional Bidders will be made at the Issue Price.

(ii) The Issue size less Allotment to QIBs and Retail Portion will be available for Allotment to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price. If the aggregate demand in this category is less than or equal to 3,231,917 Equity Shares at or above the Issue Price, full Allotment will be made to Non-Institutional Bidders to the extent of their demand.

(iii) If the aggregate demand in this category is greater than 3,231,917 Equity Shares at or above the Issue Price, Allotment will be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of Allotment see below.

For QIBs in the QIB Portion (excluding the Anchor Investor Portion)

(i) Bids received from the QIB Bidders at or above the Issue Price will be grouped together to determine the total demand under this portion. Allotment to successful QIB Bidders will be made at the Issue Price. The QIB Portion will be available for Allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

(ii) Allotment will be undertaken in the following manner:

- In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (excluding Anchor Investor Portion) will be determined as follows:

  (a) In the event Mutual Fund Bids exceed 5% of the QIB Portion (excluding the Anchor Investor Portion), allocation to Mutual Funds will be done on a proportionate basis for up to 5% of the QIB Portion (excluding the Anchor Investor Portion).

  (b) In the event the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding Anchor Investor Portion) then all Mutual Funds will get full Allotment to the extent of valid Bids received above the Issue Price.

  (c) Any Equity Shares remaining unsubscribed and not allocated to Mutual Funds will be available for Allotment to all QIB Bidders as set out in (b) below;

(iii) In the second instance Allotment to all QIBs will be determined as follows:

- In the event of oversubscription in the QIB Portion (excluding the Anchor Investor Portion), all QIB Bidders who have submitted Bids above the Issue Price will be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

- Mutual Funds which have received allocation as 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 (excluding the Anchor Investor Portion).

- Any under-subscription from Mutual Funds below 5% of the QIB Portion (excluding Anchor Investor Portion) will be included for allocation to the remaining QIB Bidders on a proportionate basis.

(iv) The aggregate Allotment to QIB Bidders will not be less than 10,773,059 Equity Shares.

For Anchor Investor Portion

(i) Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of our Company, in consultation with the BRLMs, subject to compliance with the following requirements:

- not more than 30% of the QIB Portion will be available for allocation to Anchor Investors;
- one-third of the Anchor Investor Portion will be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;
- allocation to Anchor Investors will be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation up to ₹ 2,500 million and minimum number of five Anchor Investors for allocation more than ₹ 2,500 million.

The number of Equity Shares Allotted to Anchor Investors and the Anchor Investor Issue Price will be made available in the public domain by the BRLMs before the Bid/Issue Opening Date by intimating the Stock Exchanges.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

(i) Issue Details

Sl. No.	Particulars	Issue details
1.	Issue size	200 million equity shares
2.	Portion available to QIBs*	100 million equity shares
3.	Anchor Investor Portion	30 million
4.	Portion available to QIBs* other than anchor investors [(2) – (3)]	70 million equity shares
	Of which	
a.	Reservation to MF (5%)	3.5 million equity shares
b.	Balance for all QIBs including MFs	66.5 million equity shares
5.	No. of QIB applicants	10
6.	No. of shares applied for	500 million equity shares

** Where 50% of the issue size is required to be allotted to QIBs.*

(ii) Details Of QIB Bids

S. No.	Type of QIB bidders	No. of shares bid for (in million)
1.	A1	50
2.	A2	20
3.	A3	130
4.	A4	50
5.	A5	50
6.	MF1	40
7.	MF2	40
8.	MF3	80
9.	MF4	20
10.	MF5	20

S. No.	Type of QIB bidders	No. of shares bid for (in million)
	Total	**500**

A1-A5 (QIB bidders other than MFs)
MF1-MF5 (QIB bidders which are MFs)

(iii) ***Details of Allotment to QIB Bidders***

(No. of equity shares in million)

Type of QIB bidders	Equity shares bid for	Allocation of 3.5 million equity shares to MFs proportionately (See Note 2)	Allocation of balance 66.5 million equity shares to QIBs proportionately (See Note 4)	Aggregate allocation to MFs
A1	50	0	6.65	0
A2	20	0	2.66	0
A3	130	0	17.29	0
A4	50	0	6.65	0
A5	50	0	6.65	0
MF1	40	0.7	5.32	6.02
MF2	40	0.7	5.32	6.02
MF3	80	1.4	10.64	12.04
MF4	20	0.35	2.66	3.01
MF5	20	0.35	2.66	3.01
	500	**3.5**	**66.5**	**30.1**

Notes:

(i) The illustration presumes compliance with the provisions of regulation 51(1) pertaining to minimum allotment.

(ii) Out of 70 million equity shares allocated to QIBs, 3.5 million (i.e. 5%) will be allocated on proportionate basis among 5 mutual fund applicants who applied for 200 shares in QIB category.

(iii) The balance 66.5 million equity shares [i.e. 70 – 3.5 (available for MFs)] will be allocated on proportionate basis among 10 QIB applicants who applied for 500 shares (including 5 MF applicants who applied for 200 shares).

(iv) The figures at Col. No. IV are arrived as under:

- For QIBs other than mutual funds (A1 to A5) = No. of shares bid for (i.e. Col II) X 66.5/ 496.5
- For mutual funds (MF1 to MF5) = {(No. of shares bid for (i.e. Col II) less shares allotted (i.e., col. III)} X 66.5/ 496.5
- The numerator and denominator for arriving at allocation of 66.5 million shares to the 10 QIBs are reduced by 3.5 million shares, which has already been allotted to mutual funds at Col. No. (III).

Method of Proportionate Basis of Allotment in the Issue

Except in relation to Anchor Investors, in the event of the Issue being over-subscribed, our Company will finalize the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar will be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

Except in relation to Anchor Investors, the Allotment will be made in marketable lots, on a proportionate basis as explained below:

(i) Bidders will be categorized according to the number of Equity Shares applied for.

(ii) The total number of Equity Shares to be allotted to each category as a whole will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(iii) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

(iv) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment will be made as follows:

- The successful Bidders out of the total Bidders for a category will be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is as far as possible, equal to the number of Equity Shares calculated in accordance with (b) above; and

- Each successful Bidder will be allotted a minimum of [●] Equity Shares.

(v) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal will be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it will be rounded off to the lower whole number. Allotment to all in such categories will be arrived at after such rounding off.

(vi) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment will be first adjusted against any other category, where the allocated Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. Any Equity Shares remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors will be at the sole discretion of our Company in consultation with the BRLMs.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per Section 68B of the Companies Act, the Allotment of Equity Shares in the Issue will be only in dematerialized form.

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar:

(i) Agreement dated [●], between NSDL, our Company and the Registrar;

(ii) Agreement dated [●], between CDSL, our Company and the Registrar.

Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(iii) A Bidder applying for Equity Shares must have at least one valid beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(iv) The Bidder must necessarily fill in the details (including the PAN, BAN and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

(v) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

(vi) 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.

(vii) Bid cum Application Forms or Revision Forms containing incomplete or incorrect details under the heading 'Bidders Depository Account Details' are liable to be rejected.

(viii) With effect from August 16, 2010, the demat accounts of Bidders for whom PAN details have not been verified shall be "suspended for credit" and no credit of Equity Shares pursuant to the Issue will be made into the accounts of such Bidders.

(ix) The Bidder is responsible for the correctness of his Demographic Details given in the Bid cum Application Form vis-à-vis those with his Depository Participant.

(x) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(xi) Trading in the Equity Shares will be in dematerialized form only, on the demat segments of the Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar quoting the full name of the sole or First Bidder, Bid cum Application Form number, PAN, Bidders depository account details, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, the bank account number in which an amount equivalent to the Bid Amount was blocked.

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc. In case of ASBA Bids submitted with the Designated Branches, Bidders can contact the relevant Designated Branch.

Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, reproduced below:

"*Any person who:*

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Payment of Refunds

In the case of Bidders other than ASBA Bidders, the Registrar will obtain from the Depositories the Bidders' bank account details, including the MICR code, on the basis of the DP ID and BAN provided by the Bidders in their Bid cum Application Forms. Accordingly, Bidders are advised to immediately update their bank account details as appearing on the records of their Depository Participants. Failure to do so could result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay will be at the Bidders' sole risk and neither our Company, the Registrar, the Escrow Collection Banks, nor the Syndicate, will be liable to compensate the Bidders for any losses caused to them due to any such delay, or liable to pay any interest for such delay.

In the case of Bids from Eligible NRIs and FIIs, any refunds, dividends, and other distributions, will normally be payable in Indian Rupees only and net of bank charges and/or commission. Where desired, 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. Our Company will not be responsible for any loss incurred by Bidders on account of conversion of foreign currency.

Mode of Refunds

For Bidders other than ASBA Bidders

For Bidders other than ASBA Bidders, any payment of refund will be through any of the following modes:

(i) NECS – Payment of refund will be through NECS for Bidders having an account at any of the centres specified by the RBI. This mode of payment of refunds is subject to availability of complete bank account details, including the MICR code, from the Depositories.

(ii) Direct Credit – Bidders having bank accounts with the Refund Bank, as per the Demographic Details received from the Depositories will be eligible to receive refunds through direct credit. Any bank charges levied by the Refund Bank will be borne by our Company.

(iii) RTGS – Bidders having a bank account with a bank branch which is RTGS enabled as per the information available on the RBI's website and whose refund amount exceeds ₹ 1 million, will be eligible to receive refund through RTGS, provided the Demographic Details downloaded from the Depositories contain the nine digit MICR code of the Bidder's bank which can be mapped with the RBI data to obtain the corresponding Indian Financial System Code ("**IFSC**"). Any bank charges levied by the Refund Bank will be borne by our Company. Any bank charges levied by the Bidders' bank receiving the credit will be borne by the respective Bidders.

(iv) NEFT – Payment of refund will be undertaken through NEFT wherever the Bidders' bank branches are NEFT enabled and have been assigned the IFSC, which can be linked to an MICR code of that particular bank branch. The IFSC will be obtained from the website of RBI as on a date prior to the date of payment of refund, duly mapped with an MICR code. Wherever the Bidders have registered their MICR code and bank account number while opening and operating the demat account, these will be duly mapped with the IFSC of that particular bank branch and payment of refund will be made to the Bidders through NEFT. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency and the past experience of the Registrars. In the event NEFT is not operationally feasible, the payment of refunds will be made through any one of the other modes discussed in this section.

(v) For all other Bidders, including those who have not updated their bank particulars with the MICR code, refund orders will be dispatched under certificate of posting for value up to ₹ 1,500 and through speed or registered post for refund orders of ₹ 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. Any bank charges for cashing such cheques, pay orders or demand drafts at other centers will be payable by the respective Bidders.

Refunds for ASBA Bidders

In the case of ASBA Bidders, the Registrar will instruct the relevant SCSBs to unblock the funds in the relevant ASBA Accounts to the extent of the Bid Amounts specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids, within 12 Working Days of the Bid/Issue Closing Date.

Disposal of Applications and Application Moneys and Interest in Case of Delay

With respect to Bidders other than ASBA Bidders, our Company will ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges after the Allotment of Equity Shares.

In case of Bidders who receive refunds through NECS, NEFT, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 Working Days from the Bid/Issue Closing Date. A suitable communication will be sent to the Bidders receiving refunds through this mode within 12 Working Days from the Bid/Issue Closing Date, giving details of the bank where refunds will be credited along with amount and expected date of electronic credit of refund.

Our Company will use best efforts to ensure that all steps for completion of the necessary formalities for listing is completed and trading commences within 12 Working Days of the Bid/Issue Closing Date at all the Stock Exchanges where the Equity Shares are proposed to be listed.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI ICDR Regulations, our Company further undertakes that:

(i) Allotment of Equity Shares will be made only in dematerialized form, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, within 12 Working Days of the Bid/Issue Closing Date;

(ii) With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in case the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 Working Days from the Bid/Issue Closing Date will be ensured. With respect to the ASBA Bidders' instructions for unblocking of the ASBA Accounts will be made within 12 Working Days from the Bid/Issue Closing Date; and

(iii) If Allotment letters/refund orders have not been dispatched to the Bidders or if, in case the refund or portion thereof is made in electronic manner through direct credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or demat credits are not made to investors within eight days from the day our Company becomes liable to repay, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the money with interest at 15% *per annum*, as prescribed under sub-section (2) and (2A) of section 73 of the Companies Act.

Letters of Allotment or Refund Orders or instructions to the SCSBs

Our Company will ensure dispatch of any refund orders of value up to ₹ 1,500 under certificate of posting, and will dispatch any refund orders above ₹ 1,500 by speed or registered post at the sole or first Bidders' sole risk within 12 Working Days from the Bid Closing Date. Bidders to whom refunds are made through electronic transfer of funds will be sent a letter by ordinary post, intimating them of the mode of credit of refund within 12 Working Days from the Bid Closing Date.

In the case of ASBA Bidders, the Registrar will instruct the relevant SCSBs to unblock the funds in the relevant ASBA Accounts to the extent of the Bid Amounts specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids, within 12 Working Days of the Bid Closing Date.

Interest in case of delay in dispatch of Allotment Letters or Refund Orders/instruction to SCSB by the Registrar

Allotment of Equity Shares in the Issue, including the credit of Allotted Equity Shares to the beneficiary accounts of the Depository Participants, will be made not later than 12 Working Days of the Bid/Issue Closing Date. If Allotment letters/refund orders have not been dispatched to the Bidders or if, in a case where the refund or portion thereof is made in electronic manner through direct credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner and/or demat credits are not made to investors within eight days from the day our Company becomes liable to repay, our Company and every officer in default will, on and from the expiry of such eight days, be jointly and severally liable to repay the money with interest at 15% *per annum*, as prescribed under sub-section (2) and (2A) of section 73 of the Companies Act.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company as a Refund Bank and payable at par at places where Bids are received. Any bank charges for encashing such cheques, pay orders or demand drafts at other centres will be payable by the respective Bidders.

Undertakings by our Company

Our Company undertakes the following:

(i) That the complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily;

(ii) That all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within 12 Working Days of the Bid/ Issue Closing Date;

(iii) That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Company;

(iv) That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 Working Days from the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

(v) That the certificates of the securities/refund orders to Eligible NRIs shall be dispatched within specified time;

(vi) That no further issue of Equity Shares shall be made until the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and

(vii) That adequate arrangements shall be made to collect all ASBA and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

Our Company shall not have recourse to the Issue Proceeds until the final approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilization of Issue Proceeds

Our Board certifies that:

(i) all monies received out of the Issue of specified securities to public shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act;

(ii) details of all monies utilised out of the Issue referred to in subitem (i) shall be disclosed and continue to be disclosed till the time any part of the issue proceeds remains unutilised under an appropriate separate head in the balance-sheet of the Issuer indicating the purpose for which such monies had been utilised; and

(iii) details of all unutilised monies out of the issue of specified securities referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance sheet of the issuer indicating the form in which such unutilised monies have been invested.

Withdrawal of the Issue

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

If our Company withdraws the Issue after the Bid/Issue Closing Date and thereafter determines that they will proceed with a further public offering of Equity Shares, they will file a fresh offer document with SEBI or the Stock Exchanges, as the case may be.

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

SECTION VIII - MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of Association of the Company.

3. CAPITAL

3.1 The Authorized Share Capital of the Company is as mentioned in Clause V of the Memorandum of Association of the Company with power of the Board of Directors to sub-divide, consolidate and increase and with power from time to time, issue any shares of the original capital with and subject to any preferential, qualified or special rights, privileges or conditions as may be, thought fit, and upon the sub-division of shares apportion the right to participate in profits in any manner as between the shares resulting from sub-division.

3.2 The shares shall be under the control and disposal of the Board who may allot or otherwise dispose of the same to such persons and on such terms as the Board may think fit and to give any person any shares whether at par or at a premium and for such consideration as the Board may think fit.

3.3 The Directors may allot and issue shares in the Capital of the Company on full payment or part payment or for any property, goods or machinery supplied, sold or transferred or for services rendered to the Company.

4. TRANSFER AND TRANSMISSION OF SHARES

4.1 Any member desiring to sell any of his shares must notify the Board of Directors of the number of shares, the fair value and the name of the proposed transferee, and the Board of Directors must offer to the other shareholders the shares offered at the fair value, and if the offer is accepted, the shares shall be transferred to the acceptor; and if the shares or any of them are not so accepted within one month from the date of notice to the Board of Directors the members proposing transfers shall, at any time within three months, afterwards, be at liberty, subject to Article 14 and 15 hereof, to sell and transfer the shares to any person at the same or at higher price.

4.2 The instrument of transfer shall be in common form and in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

4.3 In case of any dispute, regarding the fair value of the shares it shall be decided and fixed by the Company's Auditor whose decision shall be final.

4.4 No transfer of shares shall be made or registered without the previous sanction of the Directors, except when the transfer is made by any member of the Company to another member or to a member's wife or child or children or his heirs, and the Directors may decline to give such sanction without assigning any reason, subject to Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956.

4.5 Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in shares or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares. Transfer of shares/debentures in whatever lot shall not be refused, except as stated above.

4.6 No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

5. FURTHER ISSUE OF SHARES

5.1 Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares then :

(a) Such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at that date;

(b) The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right;

(d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company.

5.2 Notwithstanding anything contained in sub-clause (1) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.

(a) If a special resolution to that effect is passed by the Company in general meeting, or

(b) Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

5.3 Nothing in sub-clause (c) of (1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

5.4 Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued by the Company:

(i) To convert such debentures or loans into shares in the Company ; or

(ii) To subscribe for shares in the Company.

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) Either has been approved by the central Government before the issue of debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf ; and

(b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the Company in General Meeting before the issue of the loans.

5A BUY BACK OF SHARES

The Company has the power to buy back its own securities from time to time.

5B UNPAID OR UNCLAIMED DIVIDEND

Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the Company in that behalf in any scheduled bank, to be called "Micromax Unpaid Dividend Account".

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of 7 years from the date of such transfer, shall be transferred by the Company to the fund known as Investor Education and Protection Fund established under Section 205C of the Act.

No unclaimed or unpaid dividend shall be forfeited by the Board before the claim becomes barred by law.

6. SHARES AT THE DISPOSAL OF THE DIRECTORS

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time thing fit and with sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

7. ISSUE OF CERTIFICATES

Every member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificates of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holder.

8. ISSUE OF NEW CERTIFICATE IN PLACE OF ONE DEFACED, LOST OR DESTROYED

8.1 If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed

Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act,1956 or any other Act, or rules applicable thereof in this behalf.

8.2 The provision of this Article shall mutatis mutandis apply to debentures of the Company.

9. PAYMENT IN ANTICIPATION OF CALL MAY CARRY INTEREST

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

10. LIEN

10.1.1 Company's lien on Shares/ Debentures

The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys(whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

Provided that, fully paid shares shall be free from all lien and that in case of partly paid shares the Company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares.

11. GENERAL MEETING

11.1 All General Meetings other than the Annual General Meeting shall be called Extraordinary General Meetings.

11.2 The Board of Directors may, whenever it thinks fit, call an Extraordinary General Meeting;

11.2.1 if at any time there are not within India, Directors capable of acting who are sufficient in number to form a quorum, any Director or any two members of the Company may call an Extraordinary General Meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board of Directors.

11.2.2 Subject to Section 190 and 219 of the Companies Act 1956, any General Meeting may be called by giving to the members clear seven days notice or a shorter notice than of seven days if consent thereto is given by members in accordance with the provisions of Section 171 of the Companies Act, 1956.

12. PROCEEDINGS AT GENERAL MEETING

12.1 No business shall be transacted at any General Meeting unless;

12.1.1 a specified quorum of members is present at the time when the meeting proceeds to transact business;

12.1.2 Minimum two members present in person shall be a quorum.

12.2 The Chairman, if any, of the Board of Directors shall preside as Chairman at every General Meeting of the Company.

12.3 If there is no such Chairman or if he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as Chairman of the meeting. The Directors present shall elect one of their members to be the Chairman of the meeting.

12.4 If at any meeting no Director is willing to act as Chairman or if no Director is present within 15 (Fifteen) minutes after the time appointed for holding the meeting, the members present shall choose one of their members to be Chairman of the meeting.

12.5 The Chairman may, with the consent of any meeting at which a quorum is present and shall, if so directed by the meeting, adjourn the meetings, from time to time and from place to place.

12.6 No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

12.7 When the meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

12.8 Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at the adjourned meeting.

12.9 In case of equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

12.10 Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

13. DIRECTORS

13.1 The business of the Company shall be managed by the Directors who may pay all expenses incurred in setting up and registering the Company and may exercise all such powers of the Company as are not restricted by the Act or any statutory modification thereof for the time being in force or by these Articles required to be exercised by the Company in general meeting, subject nevertheless, to any regulations of these Articles, to the provisions of the Act, and to such regulations not being inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in general meeting. Nothing shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

13.2 Unless otherwise determined by a General Meeting, the number of Directors shall not be less three and not more than 12, including all types of Directors.

13.3 No person shall be elected as Director (except as first Director or a Director appointed by Directors) unless seven days notice shall have been left at the Registered Office of the Company of the intention to propose him together with a notice in writing signed by himself signifying his willingness to be elected.

13.4 The Directors need not hold any qualification shares in the Company.

13.5 Subject to the provisions of the Companies Act, 1956 and the Rules framed thereunder, each Director shall receive out of the funds of the Company by way of sitting fees for his services a sum not exceeding the sum prescribed under the Act for every meeting of the Board of Director or Committee thereof attended by him.

13.6 The Directors shall also be paid travelling and other expenses for attending and returning from meetings of the Board of Directors (including hotel expenses) and any other expenses properly incurred by them in connection with the business of the Company.

13.7 The Directors may also be remunerated for any extra services done by them outside their ordinary duties as Directors, subject to the provisions of Section 314 of the Act.

13.8 Subject to the provisions of the Companies Act, 1956, if any Director, being willing shall be called upon to perform extra services for the purposes of the Company, the Company shall remunerate such Directors by such fixed sum or percentage of profits or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his remuneration provided above.

13.9 Subject to the provisions of Section 314 of Companies Act, 1956, the remuneration of Directors may be a fixed or a particular sum or a percentage of the net profits or otherwise. The said sum shall be fixed by the Board of Directors, from time to time.

13.10 Subject to the provisions of Section 297 and 299 of the Companies Act, 1956, no Directors shall be disqualified by his office from contracting with the Company, nor shall any such contract 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 contracting or being so interested be liable to account to the Company for any profit realised by any such contract by reason only of such Director holding that office or of the fiduciary relations thereby established but it is declared that the nature of his/her interest must be disclosed by him/her at the meeting of the Directors at which the contract is determined if his/her interest then exists or in any other case, at the first meeting of the Directors after he/she acquires such interest.

13.11 The Directors may appoint any person to be an alternate Director to act for a Director (hereinafter in this Articles called the original Director) during his absence for a period not less than three months from the State in which meetings of the Directors are ordinary held, but such alternate Director shall, ipso facto vacate office if and when the original Director returns to the State in which the meetings of the Directors are ordinarily held, subject to Section 313 of the Act.

13.12 The Directors shall not be liable to retire from the office by rotation.

13.13 The Board of Directors may, from time to time, by ordinary resolution increase or reduce the number of Directors within the limits specified in Article 29.

13.14 The Directors shall have the power, at any time and from time to time, to appoint any persons as Additional Director in addition to the existing Directors so that the total number of Directors shall not at any time exceed the number fixed for Directors in these Articles. Any Director so appointed, shall hold office only until the next following Annual General Meeting, and shall be eligible for re-election as Director.

13.15 The Company may, by ordinary resolution, of which special notice has been given in accordance with the provisions of Section 190 of the Companies Act, 1956, remove any Director including the Managing Director, if any, before the expiration of the period of his office, notwithstanding anything contained in these regulations or in any agreement between the Company and such Director. Such removal shall be without prejudice to any contract of service between him and the Company.

If the Director appointed by the Company in general meeting, vacates office as a Director before his term of office will expire in the normal course, the resulting casual vacancy may be filled up by the Board of Directors at a meeting of the Board of Directors but any person so appointed shall retain his office so long only as the vacating Director would have retained the same if vacancy had not occurred.

13.16 The Company shall, subject to the provisions of the Act and these Articles, be entitled to agree with any Person, firm or corporation that he or it shall have the right to appoint his or its nominee on the Board ("**Nominee Director**") upon such terms and conditions as the Company may deem fit. He shall be entitled to the same rights and privileges and be subject to the same obligation as any other Director of the Company.

13.17 The Person, firm or corporation shall have the right to replace and/or remove their respective nominees at any time and from time to time and to fill vacancies that may be created otherwise in respect of these nominees and such parties shall vote for and not against such election. Nominee Directors shall not be required to hold any Equity Shares to qualify as Director of the Company.

13.18 The payment of compensation and sitting fees and reimbursement of travel, board and lodging expenses incurred by the Directors in attending Board meetings, committee meetings, Shareholders' meetings and other official business of the Company shall be governed by the policy of the Company in this regard.

13.19 In the event of Company borrowing any Money from any financial corporation or institution or Government or any Government body or a collaborator, bank, person or persons or from any other source, while any money remains due to them or any of them, the lender concerned may have and may exercise the right and power to appoint, from time to time, any person or persons to be a Director or Directors of the Company and the Directors so appointed, shall not be liable to retire by rotation, subject however, to the limits prescribed by the Companies Act, 1956. Any person so appointed may at any time be removed from the office by the appointing authority who may from the time of such removal or in case of death or resignation of person, appoint any other or others in his place. Any such appointment or removal shall be in writing, signed by the appointer and served on the Company. Such Director need not hold any qualification shares.

13.20 Section 283 of the Companies Act, 1956 shall apply, regarding vacation of office by Director. A Director shall also be entitled to resign from the office of Directors from such date as he may specify while so resigning.

14. MANAGING DIRECTOR OR WHOLE TIME DIRECTOR

14.1 The Board of Directors may, from time to time, subject to the provisions of section 197A of the Companies Act 1956, appoint one or more of their body to the office of the Managing Director or whole time Director for such period and on such remuneration and other terms, as they think fit and subject to the terms of any agreement entered into in any particular case, may revoke such appointment. His appointment will be automatically terminated if he ceases to be a Director.

14.2 A Managing or whole time Director may be paid such remuneration (whether by way of salary, commission or participation in profits or partly in one way and partly in other) as the Board of Directors may determine.

14.3 The Board of Directors, subject to Section 292 of the Companies Act, 1956, may entrust to and confer upon a Managing or whole time Director any of the powers exercisable by them, upon such terms and conditions and with such restrictions, as they may think fit and either collaterally with or to the exclusion of their own powers and may, from time to time, revoke, withdraw or alter or vary all or any of such powers.

15. PROCEEDINGS OF THE BOARD

15.1 The quorum necessary for the transaction of the business of Directors shall be minimum two or one third of the total number of Directors whichever is higher, subject to section 287 of the Companies Act, 1956.

15.2 Subject to the provisions of Section 285 of the Act, a meeting of the Board of Directors shall be held at least once in every three calendar months and at least four such meetings shall be held in each calendar year. The Directors may meet together for the discharge of the business, adjourn and otherwise regulate their meetings and proceedings, as they think fit.

15.3 Notice of every meeting of the Board of Directors of the Company shall be given in writing to every Director for the time being in India and at his usual address in India to every other Director.

15.4 A meeting of the Directors for the time being at which a quorum is present, shall be competent to exercise all or any of the authorities, powers and discretions by law or under the Articles and regulations for the time being vested in or exercisable by Directors.

15.5 The Managing Director or a Director or a Secretary upon the requisition of Director(s), may at any time convene a meeting of the Directors.

15.6 The questions arising at any meeting of the Directors shall by decided by a majority of votes and in case of any equality of vote, the Chairman shall have a second or casting vote.

15.7 The Directors may elect a Chairman of their meeting and determine a period for which he is to hold office. If at any meeting the Chairman is not present within fifteen minutes of the time appointed for holding the same or is unwilling to preside, the Directors present may choose one of their members to be the Chairman of such a meeting.

15.8 Subject to the provisions of Section 292 of the Act, the Directors may delegate any of their. powers, other than the power to borrow and to make calls, to issue debentures and any other powers which by reason of the provision of the Act cannot be delegated to Committees consisting of such member or members of their body as they may think fit and they may, from time to time, revoke and discharge any such Committee either wholly or in part and either as to persons or person. Every Committee so formed, in exercise of powers so delegated, shall conform to any regulations that may, from time to time, be imposed on it by the Directors and all acts done by any such Committee in the 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 by the Board of Directors.

15.9 A resolution not being a resolution required by the Act or by these Articles to be passed only at a meeting of the Directors, may be passed without the meeting of the Directors or a Committee of Directors, provided that the resolution has been circulated in the draft together with necessary papers, if any, to all the Directors or to all the members to the Committee as then in India (not less than the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other Directors or members at their usual addresses in India, and has been approved by such of the Directors as then in India or by a Majority of such of them as are entitled to vote on the resolution.

15.10 All acts done by a person shall be valid. notwithstanding that it may be afterwards discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provisions contained in the Act, or in these Articles. Provided that this Article shall not give validity to the acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

16. POWERS OF THE DIRECTORS

16.1 Subject to Section 292 of the Act, the Directors shall have the right to delegate any of their powers to such managers, agents or other persons as they may deem fit and may at their own discretion revoke such powers.

16.2 The Directors shall have powers for the engagement and dismissal of managers, engineers, clerks, workers and assistants and shall have power of general direction, management and superintendence of the business of the Company with full powers to do all such acts, matters and things deemed necessary, proper or expedient for carrying on the business of the Company, and to make and sign all such contracts and to draw and accept on behalf of the Company all such bills of exchanges, hundies, cheques, drafts and other Government papers and instruments that shall be necessary, proper or expedient for the authority and direction of the Company except only such of them as by the Act or by these presents are expressly directed to be exercised by share holders in the general meeting.

17. INSPECTION OF ACCOUNTS

17.1 The Board of Directors shall cause proper books of account to be maintained under Section 209 of the Companies Act, 1956.

Subject to the provisions of Section 209A of the Companies Act, 1956, the Board of Directors shall also from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations account books of the Company or any of them, shall be open to the inspection of members not being Directors.

17.2 The Books of Account shall be kept at the Registered Office or subject to the provisions of Section 209 of the Act, at such other place in India as the Directors think fit.

18. SECRECY

18.1 Every manager, auditor, trustee, member of a committee, officer, servant, agent, accountant or other person employed in the business of the Company shall, if so required by the Board of Directors, before entering upon the duties, sign a declaration pledging himself to observe strict secrecy respecting all bonafide transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge In the discharge of his duties except when required to do so by the Directors or by any general meeting or by the law of the country and except so far as maybe necessary in order to comply with any of the provisions in these presents and the provisions of the Companies Act, 1956.

19. BORROWING POWERS

19.1 Subject to the provisions of these Articles the Companies Act, 1956, and Regulations made thereunder and directions issued by R.B.I, the Directors shall have the power, from time to time at their discretion, by a resolution passed at a meeting of the Board and not by Circular Resolution, to borrow, raise or secure the payment of any sum of money for the purpose of the Company in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of debentures or bonds of the Company or by mortgage or charge upon all or any of the properties of the Company both present and future including its uncalled capital for the time being.

19A TERM OF ISSUE OF DEBENTURE

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

20. OPERATION OF BANK ACCOUNTS

20.1 The Board of Directors shall have the power to open bank accounts, to sign cheques on behalf of the Company and to operate all banking accounts of the Company and to receive payments, make endorsements, draw and accept negotiable instruments, hundies and bills or may authorise any other person or persons to exercise such powers.

21. INDEMNITY

21.1 Subject to the provisions of Section 201 of the Companies Act 1956, the Chairman, Directors, Auditors, Managing Directors and other officer for the time being of the Company and any trustees for the time being acting in relation to any of the affairs of the Company and their heirs and executors, shall be indemnified out of the assets and funds of the Company from or against all bonafide suits, proceedings, costs, charges, losses, damages and expenses which they or anyone may incur or sustain by reason of any act done or committed in or about the execution of their duties in their respective offices except those done through their willful neglect or default. Any such officer or trustee shall not be answerable for acts, omissions, neglects or defaults of any other officer or trustee.

22. WINDING UP

22.1 If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or in kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

22.2 For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members of different classes of members.

22.3 The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees or upon such trusts for the benefit of the contributories as the liquidator shall think fit but so that no member shall be compelled to accept any shares or such other securities whereon there is any liability.

23. THE SEAL

23.1 The Board of Directors shall provide for the safe custody of the seal of the Company.

23.2 The seal shall not be affixed to any instrument except by the authority of resolution of the Board of Directors or a committee of the Board authorised by it in that behalf and except in the presence of anent one director and that one director shall sign every instrument to which the seal of the Company is so affixed in his presence. The share certificate will, however, be signed and seated in accordance with Rule 6 of the Companies (Issue of Share Certificates) Rules, 1960.

24. BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

24.1 Balance Sheet and Profit and Loss Account of the Company will be audited once in a year by a qualified auditor for certification of correctness as per provisions of the Companies Act, 1956.

25. AUDIT

25.1 The first auditors of the Company shall be appointed by the Board of Directors within one month after its incorporation who shall hold office till the conclusion of the first annual general meeting.

25.2 The directors may fill up any casual vacancy in the office of the auditors.

25.3 The remuneration of the auditors shall be fixed by the Company in Annual general meeting except that remuneration of the first or any auditors appointed by the directors may be fixed by the Board of Directors.

SECTION IX - OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at our Registered Office from 10.00 am to 4.00 p.m. on Working Days from the date of this Draft Red Herring Prospectus until the date of closing of the subscription list.

Material Contracts to the Issue

1. Issue Agreement dated September 28, 2010 among our Company, the BRLMs.
2. Agreement dated [●] executed by our Company and the Registrar to the Issue.
3. Escrow Agreement dated [●] among our Company, the BRLMs, the Escrow Collection Banks and the Registrar to the Issue.
4. Syndicate Agreement dated [●] among our Company, the BRLMs and the Syndicate Member.
5. Underwriting Agreement dated [●] among our Company, the BRLMs, the Syndicate Member and the Registrar to the Issue.

Material Documents

1. Our Memorandum and Articles of Association, as amended until date.
2. Our certificate of incorporation dated March 29, 2000 and August 3, 2001.
3. Shareholders' resolution dated December 16, 2009 for appointment of Rajesh Agarwal as the Managing Director of our Company.
4. Board resolution and shareholders' resolution of our Company, each dated September 16, 2010, authorizing the Issue and other related matters.
5. Board resolution dated September 24, 2010 approving the Issue size.
6. Reports of the Auditors dated September 27, 2010 prepared as per Indian GAAP and mentioned in the "***Financial Statements***" on page 123.
7. Copies of annual reports of our Company for the last five fiscals.
8. The statement of tax benefit report dated September 28, 2010 prepared by the Auditors as mentioned in "***Statement of Tax Benefits***" on page 46.
9. Consent of the Auditors for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.
10. Certificate of Walker, Chandiok & Co., Chartered Accountants dated September 28, 2010.
11. Consents of Bankers to our Company, BRLMs, Syndicate Member(s), Registrar to the Issue, Bankers to the Issue, legal counsels, Directors of our Company, Company Secretary and Compliance Officer, as referred to act, in their respective capacities.
12. In-principle listing applications dated [●] and [●] filed with the BSE and the NSE.
13. In-principle listing approvals dated [●] and [●] from the BSE and the NSE, respectively.
14. Tripartite Agreement dated [●] among our Company, NSDL and the Registrar to the Issue.
15. Tripartite Agreement dated [●] among our Company, CDSL and the Registrar to the Issue.
16. SEBI interim observation letter no. [●] dated [●]; and SEBI observation letter no. [●] dated [●] and in-seriatim reply to the same dated [●].
17. Due diligence certificate dated September 29, 2010 to SEBI from the BRLMs.
18. IPO Grading Report by [●] dated [●].

19. Shareholders' agreement amongst our Company, Mr. Rajesh Agarwal, Mr. Sumeet Kumar, Mr. Rahul Sharma, Mr. Vikas Jain, Wagner Limited, SCI Growth Investments II, Sandstone Investment Partners I and Madison India Capital HC dated September 16, 2010

20. Advertising Agreement between our Company and Viacom18 Media Private Limited dated November 30, 2009.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the regulations issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules or regulations issued thereunder, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF THE COMPANY

(Rajesh Agarwal)	**(Rahul Sharma)**
(Sumeet Kumar)	**(Vikas Jain)**
(Naveen Wadhera)	**(Mohit Bhatnagar)**
(Mahendra Swarup)	**(Amit Burman)**
(Vijay Kumar Gupta)	**(Ghyanendra Nath Bajpai)**
(R. Balakrishnan)	**(Ashish Bhardwaj)**

Date: September 29, 2010

Place: Gurgaon

Anita Goel
Chief Financial Officer and Company Secretary

ANNEXURE I – IPO GRADING REPORT

[●]