



B.A.G. FILMS LIMITED

(Incorporated as B.A.G. Films Private Ltd. on January 22, 1993, at New Delhi and converted into a public limited Company vide Special Resolution passed on 03.03.2001 and renamed as B.A.G. Films Limited on March 29, 2001)

Registered Office: C-4, Shivalik, Near Malviya Nagar Market, New Delhi – 110 017.

Tel.: +91-11-26686425, 26680099 • Fax: +91-11-26683341 • E-Mail: ipo@bagfilmsonline.com • website: www.bagfilms.com

Public Issue of 1,48,60,000 Equity Shares of Rs. 2 each for cash at a premium of Rs. 8 per share aggregating Rs. 1,486.00 Lacs

The Company has converted 14% Fully Convertible Debentures along with interest accumulated thereon allotted to UTI & IDBI, aggregating to Rs. 1,434.41 Lacs at 10% discount to the Issue Price i.e. at Rs. 9/- per share.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of B.A.G. Films Limited, there has been no formal market for the shares of the Company. The issue price (as has been determined and justified by the Lead Manager and B.A.G. Films Limited as stated herein under the paragraph on Basis for Issue Price) should not be taken to be indicative of the market price of the equity shares after the shares are listed. No assurance can be given regarding an active or sustained trading in the shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK


Investment 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 offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk 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 the SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of Risk Factors on Page No. ii of the Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

B.A.G. Films Ltd., having made all reasonable inquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue; that the information contained in this Prospectus is true and correct in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this document 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 are proposed to be listed on The Delhi Stock Exchange Association Ltd., The Stock Exchange, Mumbai and The National Stock Exchange of India Limited. The in-principle approvals for listing have been obtained from The Delhi Stock Exchange Association Ltd., The Stock Exchange, Mumbai and The National Stock Exchange of India Limited vide letters dated June 6, 2003, June 16, 2003 and June 20, 2003 respectively.

| LEAD MANAGER TO THE ISSUE | REGISTRAR TO THE ISSUE |
|---|--|
|  KJMC Global Market (India) Limited SEBI Regn. No.: INM000002509 168, Atlanta, 16 th Floor, Nariman Point, Mumbai - 400 021 Tel: (+91-22) 2288 5201 / 2283 2350 Fax: (+91-22) 2285 2892 E-mail: hitesh@kjmc.com | Alankit Assignments Ltd. SEBI Regn. No.: INR000002532 205-208, Anarkali Market, Jhandewalan Extension, New Delhi - 110 055. Tel: +91-11-2361 0220-24 / 2354 6001 Fax: +91-11-2355 2001 E-mail: alankit@alankit.com |

ISSUE PROGRAMME

| | | |
|-----------------------------------|----------|--------------------------------------|
| ISSUE OPENS ON | : | Saturday, September 06, 2003 |
| ISSUE EARLIEST CLOSURES ON | : | Wednesday, September 10, 2003 |
| ISSUE CLOSURES ON | : | Wednesday, September 17, 2003 |

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DEFINITIONS AND ABBREVIATIONS

| | |
|---|---|
| Act | The Companies Act, 1956 |
| Articles | The Articles of Association of B.A.G. Films Limited |
| BAGFL / B.A.G. / B.A.G. Films/ Company/ Issuer | B.A.G. Films Limited |
| Board | Board of Directors of B.A.G. Films Limited |
| BSE | The Stock Exchange, Mumbai |
| CDSL | Central Depository Services (India) Limited |
| C&S | Cable and Satellite |
| DP | Depository Participant |
| DSE | The Delhi Stock Exchange Association Limited |
| EPS | Earning per Share |
| FCDs | Fully Convertible Debentures |
| FIIs | Foreign Institutional Investors |
| Greater Noida | Greater Noida Industrial Development Authority |
| HUF | Hindu Undivided Family |
| IDBI | Industrial Development Bank of India |
| IPO | Initial Public Offer |
| iSOMES | International School of Media & Entertainment Studies |
| Issue | Initial Public Issue of Equity Shares by B.A.G. Films Limited |
| Memorandum | The Memorandum of Association of B.A.G. Films Limited |
| MoA | Memorandum and Articles of Association of B.A.G. Films Limited |
| NAV | Net Asset Value |
| NOIDA | New Okhla Industrial Development Authority |
| NRIs | Non Resident Indians |
| NSDL | National Securities Depository Ltd. |
| NSE | The National Stock Exchange of India Limited |
| OCBs | Overseas Corporate Bodies in which NRIs hold atleast 60% beneficial interest |
| OFCDs | Optionally Fully Convertible Debentures |
| Promoters | Ms. Anuradha Prasad & Mr. Rajiv Shukla |
| RBI | Reserve Bank of India |
| RoC / ROC | Registrar of Companies, NCT of Delhi & Haryana |
| SEBI | The Securities and Exchange Board of India |
| U.P. | Uttar Pradesh |
| UTI | UTI Asset Management Company Pvt. Ltd. With the passing of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (said Act), all the business, assets, liabilities and properties of Unit Trust of India are vested in "UTI AMC Private Ltd." and the "The Administrator of Specified Undertaking", as mentioned in the said Act. |

RISK FACTORS AND MANAGEMENT PERCEPTION THEREOF

Investors should consider carefully the following risk factors, together with the other information contained in this Prospectus, before they decide to buy the Company's Equity Shares. If any of the following risks actually occur, the Company's business, financial condition and results of operations could suffer, the trading price of the Company's Equity Shares could decline and you may lose all or part of your investment.

INTERNAL FACTORS:

1. The Company is proposing to deploy Rs. 916 Lacs out of the proposed issue of Rs. 1,486 Lacs towards production of feature films, which amounts to over 60% of funds raised from Initial Public Offer. Such a large proportion of funds earmarked for feature films expose the company to a very significant risk, which is difficult to quantify. The feature films project has neither been financed nor appraised by any financial institution and there will be no monitoring of deployment of funds received for the same under the issue. The appraising agency for the revised cost of project at Rs. 4,524 Lacs (which includes the feature films component) is not participating in the means of finance. The appraisal of UTI / IDBI was at Rs. 2,990 Lacs which did not include the feature film project.
2. The production of feature films is merely a plan as on date, since the Company has only selected two books for the story of feature films to be produced by it and work on conversion of one of the book into a screenplay has been started. Except this progress, only negotiations have been started with the proposed Director, Co-producer, Leading Star Cast, etc. The final selection of the entire production team will depend upon the availability of the right people, which is very uncertain. This can cause adverse delay in the production of feature films. Further, the first and second feature films, which were planned to be released during Christmas, 2003 and Mid-March 2004 respectively, as per the revised schedule of implementation, will now be released in June 2004.

Management Perception: Rights for the two books have been acquired. The Company has provided an implementation schedule of all these steps and is adhering to the same. In the feature film industry there is no "right person". Every major actor or technical person has given flops and hits.

3. The Media School was supposed to become operational by September 2001, but there has been considerable delay in implementation. The Company is yet to finalise the selection of Architects, consultants, contractors etc. for construction of the Media School building. The delay has already caused accumulated interest on funds disbursed by financial institutions. Further, there has been opportunity loss of revenue to the Company due to non-completion of the Media School in time. The Company proposes to run the Media School initially from the Convergence Studio Complex. The Company has not placed orders for the equipment worth Rs. 238 Lacs for the Media School, which is 100% of the equipment for the said project. The agreement with School of Journalism is effectively a Memorandum of Understanding and the steps to work out a formal working relationship are yet to take place. Any delay in this regard will adversely effect the implementation of the Media School project. Further, as per the revised schedule of implementation, there has been a delay of one full year in starting of first session of Media School.

Management Perception: The land for the School has been acquired and building plans are being prepared. The first set of courses will be launched in August 2004. The Media School will initially operate from the present Studio Complex of the Company till the completion of the building. There is trend of obsolescence in the media and broadcast equipment hence the Company has not placed orders for equipment required at a later stage.

4. The Convergence Studio Complex was supposed to become operational in November / December 2001, but there has been considerable delay in implementation. As per the revised schedule of implementation, there has been a delay of nine months in commencement of business in the studio. The delay has already caused accumulated interest on funds disbursed by financial institutions. Further, there has been an opportunity loss of revenue to the Company. The Company is yet to procure equipments for convergence studio complex against orders placed on 24.12.2000 with an outstanding advance of Rs.228.19 Lacs as on 30th June 2003. The procurement delays have severely impacted the setting up of the Convergence Studio. Moreover, there is no firm tie up for renting or use of Convergence Studio Complex till date.

Management Perception: The interest cost of delay is built into the revised Cost of Project and the project will not face fund shortage for the same. The construction work on the site has been started. The Company intends to use the Convergence Studio Complex, to the extent possible, for internal purposes.

5. The Company's registered office, administrative office and other offices at Mumbai & Chennai are located in residential areas and the Company does not have necessary permissions to carry out commercial operations from residential premises and no such permissions have been applied for.

Management Perception: The Company will soon shift all its Delhi operations to its own Studio Complex at Film City, Noida. For other locations, the Company does not foresee any difficulty in shifting to commercial properties if the need arises.

6. The Company doesn't have any prior experience of producing a feature film. Production of feature films is considerably a different business line altogether compared to the existing business line of the Company.

Management Perception: Considering the new dynamics of the film distribution business, experience does not play much of a role anymore. Many national and international distribution agencies have started operating in India. Using professional distributors and exhibitors for its films in India and worldwide will reduce the risk for the Company.

7. According to the terms and conditions of the lease deed for land at NOIDA, the plot was allotted to the Company for the purpose of construction and setting up a multi media software production facilities and establishment of media education school, whereas the Company has decided to construct and set-up of the Convergence Studio Complex only on this plot, which will provide multi media software production facilities to the Company. If the Company will not be able to get its decision ratified from the NOIDA, the entire investment made on land including the construction thereon can be a loss for the Company.
8. According to the terms and conditions of the lease deed for land at Greater Noida, the plot was allotted to the Company for the purpose of constructing a building for running a Higher Secondary School and Vocational Institute, whereas the Company has decided to construct and running the Media School only, which can be treated as Vocational Institute. If the Company will not be able to get the approval of the Greater Noida Industrial Development Authority for construction and running the Media School only, the entire investment made on land including the construction thereon can be a loss for the Company.
9. The Company has converted 14% Fully Convertible Debentures along with interest accumulated thereon allotted to UTI & IDBI, aggregating to Rs. 1,434.41 Lacs at 10% discount to the Issue Price i.e. at Rs. 9/- per share.
10. Delay in conversion of FCDs has resulted in interest burden to the Company. The interest burden due to delay in conversion till 14th July 2003 is Rs. 10.11 Lacs.
11. The Company paid an advance of Rs. 350.00 Lacs to M/s. Shaf Broadcast Equipment Ltd. The order placed with M/s Shaf Broadcast Equipment India Ltd. was for turnkey supply of all necessary equipment in December 2000. The equipment has yet not been fully delivered.

Management Perception: The delay in delivery of equipment is not due to the failure of the supplier but due to the delay in completion of building.

12. The promoters of the Company viz. Ms. Anuradha Prasad and Mr. Rajiv Shukla are first generation entrepreneurs.

Management Perception: The promoters have more than 15 years experience in production of television software and 6 years experience in marketing of airtime on television. Moreover, this Company has been a profit making Company for over 5 years.

13. The Company's operations are dependent on the skill set and the creative influence of the management personnel, especially the full time involvement of Ms. Anuradha Prasad, Promoter and Managing Director. The Company's operational performance in the past was driven by the involvement of Ms. Anuradha Prasad. The Company doesn't have sufficient strength of professional managers in full time employment.

Management Perception: The management has been implementing corporatization of the enterprise and more and more professional managers are being employed to reduce the dependence on core promoters.

14. Anu Films & Communications Pvt. Ltd., a Company promoted by Ms. Anuradha Prasad & Mr. Rajiv Shukla, who are also the promoters of the Issuer Company, is engaged in the same line of activity of production of Corporate Films, which leads to conflict of business interest.
15. Approach Inc., a proprietorship concern of Ms. Anuradha Prasad, who is also a Promoter & Managing Director of the Issuer Company, is engaged in the same line of activity of production of Commissioned Serials, which leads to conflict of business interest.
16. Funding of the production of feature films will be out of the proceeds of IPO. Delayed IPO/unsuccessful IPO will adversely impact the production process, as out of the total cost of production of feature films i.e. Rs. 1085 Lacs, Rs. 916 lacs has been envisaged out of the IPO proceeds and the Company does not have any other alternate source of funds.

Management Perception: As the Company proposes to have 100% underwriting for its IPO, this risk has been substantially mitigated.

17. There is no success formula for a feature film; even a movie with all the right combination of good star cast, good director, good songs, and good locations may flop.

Management Perception: With increasing corporatization and insurance of completion and other such modern methods entering the industry, and the percentage of box office in gross revenue is expected to fall from the present 80% to under 65% in the time to come (Source: Published Report of FICCI – KPMG on The Indian Entertainment Sector).

18. The Company's ability to sell airtime is dependent upon the popularity of its programs.

Management Perception: The Company makes all efforts to ensure that its programs are popular.

19. The Company's revenues could depend largely on market acceptance of the TV Software and Feature Films produced by the Company. The performance of the Company could be affected in the event of some of the Channels not approving the proposed programs for telecast or discontinuing some of the Programs currently on air.

Management Perception: The past experience has been that the Company's programs have been readily accepted by the market and channels and have enjoyed good ratings and Company makes all efforts to ensure that its programs are popular

20. The Company relies on Star TV Network for a significant part of the company's revenue (40.21% in the year 2002-03), which exposes it to risk associated with reliance on a single client.
21. Doordarshan commissions programs for 26 or 52 episodes and grants further extension (s) / renewal (s) based on its policies laid down in this regard.

Management Perception: The Company's revenues are not substantially dependent on Doordarshan's commissioned programming, as the total share of revenue from Doordarshan's commissioned programming is only 4.25% in 2002-03. Hence, such a policy change may not have a major impact on the Company.

22. The operating results of the Company depend on their relationships with a limited number of leading Channels.

Management Perception: To spread its risks of limited channels in Hindi, the Company has already started regional language productions for regional channels. Diversification into films will also reduce the risk in this regard.

23. As on 31st March 2001, 2002 & 2003, the Company had debtors of Rs.292 Lacs, Rs.301.47 Lacs and Rs.505.14 Lacs respectively. Such high outstanding debtors may increase Company's collection risk, which could adversely affect Company's results of operations. Company's inability in future to accelerate the realization of receivables could adversely impact their operations.

24. Most of the equipments related to the projects are electronic, which are subject to obsolescence.

Management Perception: At the time of purchase, the Company will take care to purchase only the latest equipment.

25. The Company's image and operations may be impacted if the involvement of Mr. Rajiv Shukla in politics results in adverse controversies.

26. The Company is starting two new business segments i.e. Feature Films & Media School, for which a major part of the issue is proposed by the Company.

27. There is an increasing trend of building and owning studios by the producers, the channel owners and other industry players. In the medium term, this may lead to slackening of outside demand.

28. The entertainment industry has witnessed rapid technological changes till date. The studio is exposed to the risk arising out of changes in technology.

Management Perception: A continuous upgrade in technology is taken up by the Company to mitigate obsolescence risk. For an organized Company in an industry dominated by small unorganized players, this is a benefit rather than a risk.

29. There are more than 30 Media Schools in the country and a few are under consideration. Although the most of them cater to niche areas, there is a possibility of strong competition in future.

Management Perception: Continuously upgraded course curriculum and the synergies with the companies own production operations will provide a competitive edge to the Company's Media School.

30. Indian film industry is one of the highly competitive industries, where almost 800 feature films are produced in a year. This competition may pose difficulties for the new entrants.

31. The Indian Film Industry is plagued by serious issues such as Piracy and unwieldy tax system (entertainment tax, show tax, etc.) resulting in revenues loses. Further, the Industry is largely unorganized and there is a marked lack of professionalism.

Management Perception: With the State governments waking up to the rising potential of the entertainment industry, more and more exemptions are being provided to investments in upgrade and modernization of the exhibition infrastructure. A rationalization of tax on entertainment is also being worked on. Many large chains are organization the theatre business through multiplexes.

32. There is a fall in turnover & profitability during financial year 2001-02.

Management Perception: The fall in turnover & profitability is a result of general economic recession in the Indian Economy and a widespread slump in the television industry. For years, substantial business of the Company depended upon National Broadcaster Doordarshan and Zee TV. With a popularity shift towards other channels, this business faced lower turnover. Since then, the Company is now producing 2 major shows for Star Plus, the leading C&S Channel in the country.

33. In case of sponsored programs where telecast time has to be purchased there is a chance of substantial increase in telecast fees, due to its less availability.

Management Perception: The advertising market is dependent upon the Doordarshan Platform for deeper penetration in to the Indian Market, as C&S offers less than 50% penetration as compared to DD's terrestrial Network (Source: Published Report of FICCI – KPMG on The Indian Entertainment Sector). Any increase in the time slots price by DD will be absorbed by the increase in the advertising revenues realized. Furthermore, over the last 5 years, the experience has been of telecast fee and the advertising prices consistently falling over time.

34. The Company has invested Rs.5.0 Lacs in 5,000 equity shares of Mukta Arts Ltd. (face value of Rs.5/- per share fully paid up purchased @ Rs.100/- per equity share). The market value of the these shares as on 31st March 2003 was Rs.43.90 per share, which amounted to Rs.2.20 Lacs, but the Company has not made provision for diminution of Rs.2.80 Lacs in the value of investment.

35. The Company has invested Rs. 1.24 Lacs in the equity shares of B.A.G. Infotech Pvt. Ltd., a company promoted by Issuer Company's promoters. The Net Asset Value of B.A.G. Infotech Pvt. Ltd. is NIL.
36. The following group companies/ ventures promoted by the promoter have reported losses or have accumulated losses are:

| Name of the Company | Amount (in Rs.) | |
|----------------------------------|------------------------------|--|
| | Loss for the year 2002-03 | Accumulated Losses Up to 31.3.2003 |
| Cineasia Entertainment Pvt. Ltd. | 17,995 | 35,990 |
| B.A.G. Infotech Pvt. Ltd. | 8,005 | 6,67,968 |

Management Perception: As none of these companies have commenced business operations, the losses are due to statutory and other expenses.

37. The Company has taken premises located at Malviya Nagar, New Delhi on rent from the promoters for a monthly rent of Rs. 8500 per month each paid to Ms. Anuradha Prasad and Mr. Rajiv Shukla.

Management Perception: The property is next door to the Company's present studio and the rent paid is fair rent of the property. The property will continue to be rented till the Company shifts into its own premises at Film City Noida.

38. M/s. Anu Films and Communications Private Limited is the Company under the same management and the Company has paid a sum of Rs. 3.60 Lacs as hiring charges for Camera for the 9 months period ending December 31, 2002. Further, the Company purchased the said Camera from Anu Films and Communications Private Limited at the book value of Rs. 1,80,514/-.

Management Perception: Amount paid is the Fair market rent of the equipment. The Company has since acquired the said camera from M/s Anu Films and communications Pvt. Ltd. at Book Value, and no further rent is payable.

39. As on 31st March 2003, there was a contingent liability of Rs.214.50 Lacs towards orders placed for Fixed Assets, for which no provision has been made in the books of accounts.

Management Perception: The funds relating to the payment of contingent liability arising on supply of the ordered goods is incorporated in the Cost of Project.

40. In case the proposed affiliation with international School / institute of repute fails to fructify, it will rob the Media School of its competitive advantage and would impact the marketability of the project

41. The diversification and expansion plans drawn by the Company are based on projected business opportunities in these fields. Any deviation in the market conditions could adversely affect the profitability of the Company.

42. There are no standard valuation methodology or accounting practices in the media and entertainment industry. Further, the financials of the Issuer Company are not comparable with the existing players in the industry.

Management Perception: The Company complies will all the relevant accounting standards and practices applicable. All accounting policies have been adequately disclosed.

EXTERNAL FACTORS:

1. Major share of the Indian entertainment industry is still unorganised and there is a tendency to employ low cost untrained personnel. Due to this, media education is not that much developed concept in India compared to the developed countries.
2. The audience views and tastes keep changing from time to time; therefore it is difficult to produce a successful performance keeping track of the viewers pulse. There are no scientific methods to judge the psychology of the viewers. The entertainment industry is prone to unforeseen shifts in the tastes and preferences of the audiences.

Management Perception: The Company has, over the years, learned to be flexible in changing its programming genre to the audience tastes. The Company has an experience of producing almost all major genre of television programming thus mitigating this risk.

3. The entertainment industry is dependent on individual skill sets, which may not be readily available/replaceable. Low availability of skilled manpower & high rate of employee turnover in the industry will lead to additional cost for investing in employee's training.

Management Perception: In all creative endeavors, the exact replacement of the artist is not possible, but it does not have a serious adverse impact on the performance of the industry or the firm.

4. Highly competitive market with a few organized players and more unorganized one.

Management Perception: This works and an advantage to the Company in terms of better acceptability among the Broadcasters.

5. Some of the broadcasters are getting into backward integration by starting their own production house.

Management Perception: Considering the brand value of the Company and the established potential in the generation of creative programming, the Company is not affected by such backward integration as none of the programs in the Company's present or proposed product mix are such that channels would like to produce in-house.

6. Changes in Government policies and regulatory environment may have an impact on the Company's business.
7. Changes in the regulatory environment may have an impact on the business of the company.
8. Investors have suffered in the past in the Entertainment/Media Industry due to unrealistic, non-sustainable valuations.
9. The valuations in the media & entertainment industry are presently high and may not be sustained in future and may also not be reflective of future valuations for the industry.
10. The nature of the film industry is such that all sales increases come with either one super success program / film or through continuous launch of new middle level entertainment products at a speed higher than the speed at which the existing programs outlive their product lifecycles.
11. The profits and losses of the Company depend on the success of the key Programs.
12. The Media Industry is generally personality driven.
13. The foreign exchange risk arising from any import of equipment.
14. The company had a large share (32.70%) of other income as a percentage of Net Profit Before Tax (NPBT) for the year ending 31.03.2002. The share of other income as a percentage of Net Profit Before Tax (NPBT) for the year ending 31.03.2003 was 3.26%.

Notes:

1. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page 51 before making an investment in this Issue.
2. Had the face value of shares been Rs.10/- the offer price would have worked out to Rs.50/-.
3. The Company has invested Rs. 1.24 Lacs in the equity shares of B.A.G. Infotech Pvt. Ltd., a company promoted by Issuer Company's promoters. The Net Asset Value of B.A.G. Infotech Pvt. Ltd. is NIL.

4. Related party Disclosure as per AS-18 issued by Institute of Chartered Accountants of India for year 2002-03, are as under:

a) Mrs. Anuradha Shukla (Anuradha Prasad) is the Managing Director of the company and holds 23.91% of Company's Shares and is paid the following sums:

| | |
|--|----------------|
| i) Remuneration as Managing Director | Rs. 6,00,000/- |
| ii) Rent for premises used as Company's Office (No minimum commitment or fixed minimum charges are agreed to be paid) | Rs. 1,02,000/- |
| iii) Payment of Dividend for F/Y 2001-2002 | Rs. 8,35,482/- |
| iv) Anchor Fees for ROZANA | Rs. 2,00,000/- |

b) Mr. Rajiv Shukla is the Director of the company and holds 16.43% of Company's Shares and is paid the following sums:

| | |
|---|----------------|
| i) Rent for premises used as Company's Office (No minimum commitment or fixed minimum charges are agreed to be paid) | Rs. 1,02,000/- |
| ii) Sitting Fees for attending Board Meetings | Rs. 15,500/- |
| iii) Payment of Dividend for F/Y 2001-2002 | Rs. 5,74,142/- |
| iv) Fees as Content Editor for ROZANA | Rs. 2,35,500/- |

c) M/s Anu Films and Communications Private Limited is the company under the same management and is paid following sums :

| | |
|--|----------------|
| i. Hiring Charges for Camera * | Rs. 3,60,000/- |
| ii. Camera Purchase (at Book Value) | Rs. 1,80,514/- |
| iii. Payment of Dividend for F/Y 2001-2002 | Rs. 6,71,250/- |

*Amount paid is the Fair market rent of the equipment. No Fixed period commitment or guaranteed minimum rent has been agreed to be paid.

5. The net worth of the Company as on March 31, 2003 was Rs. 1,923.73 Lacs.

6. The average cost of acquisition of Equity Shares of the Promoters is Rs.1.02 per share.

7. The book value per share as on March 31, 2003 is Rs 4.93.

8. Investors may note that in case of over subscription allotment shall be on proportionate basis.

9. As on 31st March 2003, there was a contingent liability of Rs.214.50 Lacs towards orders placed for Fixed Assets.

HIGHLIGHTS

- One of the established production houses in the industry incorporated in the year 1993, with multi lingual, multi genre and multi time band products in its portfolio.
- A profit making Company for over five years.
- The Company is promoted by Ms. Anuradha Prasad and Mr. Rajiv Shukla, who are professionals from the media and entertainment industry.
- "Haqeeqat", a programme produced by the Company for Sahara TV, has won two awards in Indian Television Awards, 2002 at Mumbai for "Best Director" and "Best Screenplay".

PART I

I. GENERAL INFORMATION

B.A.G. FILMS LIMITED

(Incorporated as B.A.G. Films Private Ltd. on January 22, 1993, at New Delhi and converted to a public limited Company vide Special Resolution passed on 03.03.2001 and renamed as B.A.G. Films Limited on March 29, 2001)

Registered Office: C-4, Shivalik, Near Malviya Nagar Market, New Delhi – 110 017.

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website: www.bagfilms.com

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, present issue of equity shares has been authorized vide Special Resolution passed at the Annual General Meeting of the Company held on 30th September, 2002 and a resolution passed by the Board of Directors on 6th September, 2002.

GOVERNMENT / STATUTORY APPROVALS

The Company has obtained all the required approvals from government organizations and other authorities for the proposed activities and no further approvals or clearances are required by the Company except for power and electricity supply for the projects, applications for which will be made by the Company in due course.

However, the Company's present registered office, administrative office and other offices at Mumbai & Chennai are located in residential areas and the Company does not have necessary permissions to carry out commercial operations from residential premises.

It must be specifically understood that in giving the above approvals, the Central Government does not take any responsibility for the financial soundness of any scheme or for correctness of any of the statements made or opinions expressed with regard thereto.

ELIGIBILITY FOR THE ISSUE:

The Company is eligible to access the capital market through public issue of equity shares, as it qualifies the networth & distributable profits criteria as prescribed under SEBI (Disclosure & Investor protection) Guidelines, 2000 in the following manner:

- i) The Company's net worth during the last 3 years ended 31st March 2002, 31st March 2001 and 31st March 2000 were Rs.744.67 Lacs, Rs.698.49 Lacs & Rs. 173.08 Lacs respectively.
- ii) The Company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956 for immediately preceding 5 years. The Company has declared and paid dividend for immediately preceding 5 years in the following manner: -

| Year Ending March 31 | 1999 | 2000 | 2001 | 2002 | 2003 |
|----------------------|------|------|------|-------|-------|
| Dividend % | 20 | 20 | 5 | 5 | 5 |
| Amount (Rs. in Lacs) | 2.26 | 8.26 | 9.53 | 28.21 | 28.33 |

PROHIBITION BY SEBI

The Company, its directors or any of the Company's associates or group companies and companies, wherein the directors of B.A.G. Films Ltd. are associated as directors or promoters have not been prohibited from accessing the capital markets under any direction or order passed by SEBI.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS PROSPECTUS HAS BEEN SUBMITTED TO SEBI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE 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 PROSPECTUS. THE LEAD MANAGER, KJMC GLOBAL MARKET (INDIA) LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, KJMC GLOBAL MARKET (INDIA) LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED 15th APRIL 2003 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- (I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE.
- (II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

1. THE PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
2. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
3. THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.
4. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT SUCH REGISTRATIONS ARE VALID TILL DATE.
5. WE HAVE SATISFIED OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER(S) ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS.

DISCLAIMER STATEMENT FROM THE ISSUER

The Company accepts no responsibility for statements made otherwise than in the Prospectus or in the advertisement or any other material issued by or at the instance of the issuer Company and that anyone placing reliance on any other source of information would be doing so at his own risk.

JURISDICTION

This offer is made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks and regional rural banks, co-operative banks (subject to RBI permission), Trusts (registered under Societies Registration Act, 1860, or any other Trust law and are authorized under their constitution to hold and invest in shares) and to NRIs, OCBs and FIs as defined under the Indian Laws. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of courts in New Delhi.

FILING:

A copy of this Prospectus along with the documents required to be filed under Section 60 of the Companies Act, 1956 has been delivered for registration to the Registrar of Companies, NCT of Delhi & Haryana, at New Delhi.

Copies of the Prospectus have also been filed with the SEBI, Delhi and Mumbai.

LISTING:

Initial listing applications are being made to The Delhi Stock Exchange Association Ltd., The Stock Exchange, Mumbai and The National Stock Exchange of India Limited for listing of the Equity Shares of the Company for permission to list the Equity Shares and for an official quotation of the equity shares of the Company.

The Delhi Stock Exchange Association Ltd., vide its letter dated June 6, 2003, has conveyed its in-principle approval to use the name of the exchange in the Prospectus.

The Stock Exchange, Mumbai, vide its letter dated June 16, 2003, has conveyed its in-principle approval to use the name of the exchange in the Prospectus with the following disclaimer clause:

Disclaimer Clause of The Stock Exchange, Mumbai:

“The Stock Exchange, Mumbai (“the Exchange”) has given vide its letter dated 16th June, 2003 permission to this Company to use the Exchange’s name in this Prospectus as one of the stock exchanges on which this Company’s securities are proposed to be listed. The Exchange has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:-

- i) warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or
- ii) warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or
- iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company, and it should not for any reason be deemed or construed that this Prospectus has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.”

The National Stock Exchange of India Limited, vide its letter dated June 20, 2003, has conveyed its in-principle approval to use the name of the exchange in the Prospectus with the following disclaimer clause:

Disclaimer Clause of The National Stock Exchange of India Limited:

“As required, a copy of this Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter dated June 20, 2003 permission to the Company to use the Exchange’s name in this Prospectus as one of the stock exchanges on which the Company’s securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital (i.e. the paid up capital shall not be less than 10 Crores and market capitalization shall not be less than Rs.25 Crores at the time of listing). The Exchange has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Company’s securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription / acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.”

In case, the permission for listing of the equity shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

We, Anuradha Prasad, Rajiv Shukla, Surendra Singh, Bhupindar Singh and Vinayshil Gautam, directors of the issuer company, accept full responsibility for the accuracy for the information given in the prospectus and confirms that to the best of their knowledge and belief, there are no other facts, the omission of which make any statement in the prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The issuer further declares that the Stock Exchange to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the equity

shares are offered or for the correctness of the statement made or opinions expressed in this offer document. The promoters/directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of the time till allotment/refund, as the case may be, that any information/material has been suppressed /with held and/or amounts to a mis-statement / mis-representation, the promoters/directors undertake to refund the entire application monies to all the subscribers with in 7 days thereafter with out prejudice to the provisions of Section 63 of the Companies Act.

CORPORATE GOVERNANCE

The SEBI Guidelines in respect of Corporate Governance shall be applicable to the Company immediately upon listing of its shares on the various Stock Exchanges. The Company has complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, Constituting the Committees such as Audit Committee, Project Management Committee and Shareholders' / Investor Grievance Committee. The Company undertakes that it shall take the necessary steps to comply with all the requirements of the guidelines on Corporate Governance as would be applicable to it upon listing of its shares.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, 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.”

MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90% of the amount payable on application from public including devolvement of Underwriters within 60 days from the date of closure of the issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

ISSUE OF ALLOTMENT LETTERS / REFUND ORDERS

The Company will issue allotment letters or refunds within a period of 10 weeks from the closure of the issue. The interest will be payable, in case of any delay in refund, at the prescribed rate under section 73(2) / 73(2A) of the Companies Act, 1956. As prescribed under SEBI (Disclosure & Investor Protection) Guidelines, 2000, in case of delay in dispatch of allotment letters or refund orders, interest @ 15% per annum is payable.

B.A.G. Films shall ensure dispatch of Refund Orders of value up to Rs.1,500/- Under Certificate of Posting and refund order over the value of Rs.1500/- and Share Certificates (in cases where the first/sole applicant has failed to give a demat account number) by Registered Post only. B.A.G. Films would also make available adequate funds to the Registrar to the Issue for this purpose.

ISSUE SCHEDULE

The subscription list will open at the commencement of banking hours and will close at the close of banking hours on the dates as mentioned below:

| | | |
|---------------------------------|----------|--------------------------------------|
| Issue Opens on | : | Saturday, September 06, 2003 |
| Issue Earliest Closes on | : | Wednesday, September 10, 2003 |
| Issue Closes on | : | Wednesday, September 17, 2003 |

ISSUE MANAGEMENT TEAM

LEAD MANAGERS TO THE ISSUE

KJMC Global Market (India) Limited

SEBI Regn. No.: INM000002509

168, Atlanta, 16th Floor, Nariman Point, Mumbai - 400 021

Tel: (+91-22) 2288 5201 / 2283 2350 Fax: (+91-22) 2285 2892

E-mail: hitesh@kjmc.com

UTI Securities Ltd.**SEBI Regn. No. INM000007458**

4th Floor, Merchant Chamber, 41, Sir Vithaldas Thackersey Marg,
New Marine Lines, Mumbai – 400 020.
Tel: (+91-22) 5633 1545 / 5633 1546 Fax: (+91-22) 2203 0165
E-mail: gigym@utisel.com

REGISTRAR TO THE ISSUE**Alankit Assignments Ltd.****SEBI Regn. No.: INR000002532**

205-208, Anarkali Market, Jhandewalan Extension,
New Delhi - 110 055.
Tel: +91-11-2361 0220-24 / 2354 6001
Fax: +91-11-2355 2001
E-mail: alankit@alankit.com

LEGAL ADVISOR TO THE ISSUE**AP&J Chambers**

C-128, 2nd Floor,
Defence Colony,
New Delhi-110024
Tel: 011- 2433 2348 / 6836
Fax: 011- 2433 2339
E-mail: apjlaw@vsnl.com

AUDITORS**Joy Mukherjee & Associates**

Chartered Accountants,
104, Ravindra Garden,
Sector – E, Aliganj,
Lucknow-226 024
Ph: (O) 2281015, (R) 2330045
E-mail: rampam4u@yahoo.com

TAX CONSULTANT**Nangia & Co.**

Chartered Accountants,
D-11, Greater Kailash Enclave-I,
New Delhi- 110 048
Ph.: 011-51633063, 26241552
Fax: 011-26241682
E-mail: nangia@vsnl.com

BANKERS TO THE COMPANY**HDFC Bank Ltd.**

G-28-29-30, Sector-18,
Noida – 201 301.
Tel: 2515197-98,
2814201, 2592241
Fax: 2514534

Central Bank of India

Malviya Nagar Branch,
Malviya Nagar Market,
New Delhi – 110017.

BANKERS TO THE ISSUE**HDFC Bank Ltd.****SEBI Regn. No.: INBI00000063**

Financial Institutions & Government Business Group

6th Floor, Hindustan Times House,

18-20 K. G. Marg,

New Delhi – 110 001.

Tel: 2373 1212, 2373 1919,

2370 4671, 2373 9437

Fax: 2335 9601, 23725993

TRUSTEES

This being an issue of Equity Shares, appointment of Trustees is not required.

CREDIT RATING

This being an issue of Equity Shares, credit rating is not required.

UNDERWRITING OF THE ISSUE

As per the terms of letter of Industrial Development Bank of India dated 28th February 2003 and UTI Asset Management Company Pvt. Ltd. dated 26th March 2003, the issue should be fully underwritten to the satisfaction of both the institutions. The details of underwriting commitments in respect of the Issue are as under:

| Name & Address of the Underwriters | No. of Shares Underwritten | Amount Underwritten (in Rs.) | Date of Underwriting Commitment |
|--|---------------------------------------|---|--|
| KJMC Global Market (India) Ltd. 168, Atlanta, 16 th Floor, Nariman Point, Mumbai – 400 021. | 1,46,10,000 | 14,61,00,000 | 31.07.03 |
| UTI Securities Ltd. 4 th Floor, Merchant Chamber, 41, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai – 400 020. | 2,50,000 | 25,00,000 | 07.08.03 |

The Board of Directors of B.A.G. Films Ltd. hereby declares that the underwriters have sufficient resources to discharge their respective obligations.

COMPLIANCE OFFICER FROM THE ISSUER COMPANY**Mr. Gorav Arora**

Company Secretary,

B.A.G. Films Limited,

C-4, Shivalik,

Near Malviya Nagar Market,

New Delhi – 110 017.

Tel.: +91-11-26686425, 26680099,

Fax: +91-11-26683341

E-Mail Address: gauravarora@bagfilmsonline.com

The Investors are requested to contact the above-mentioned Compliance Officer in case of any pre-issue /post-issue problems such as non-receipt of letters of allotment / share certificates/ refund orders / cancelled stockinvests, etc.

II. CAPITAL STRUCTURE OF THE COMPANY

| No. of Shares | Nominal Value (Rs.) | Aggregate Value (Rs.) |
|---|---------------------|-----------------------------|
| A. AUTHORISED CAPITAL 7,50,00,000 Equity Shares of Rs.2/- each | 15,00,00,000 | 15,00,00,000 |
| B. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL 4,41,45,690 Equity Shares ⁽³⁾ of Rs.2/- each | 8,82,91,380 | 19,98,56,960 ⁽³⁾ |
| C. PRESENT ISSUE 1,48,60,000 Equity Shares of Rs.2/- each at a premium of Rs.8/- per Share | 2,97,20,000 | 14,86,00,000 |
| D. PAID UP CAPITAL AFTER THE PRESENT ISSUE 5,90,05,690 Equity Shares of Rs.2/- each fully paid up | 11,80,11,380 | 34,84,56,960 |
| E. SHARE PREMIUM ACCOUNT | | |
| Before the issue | 11,15,65,580 | |
| After the issue | 23,04,45,580 | |

Notes to Capital Structure:

1. Details of Increase in Authorised Capital:

| Sr. No. | Particulars of Increase | Date of Meeting |
|---------|-------------------------------------|-----------------|
| 1. | Rs. 5 Lacs | Incorporation |
| 2. | From Rs. 5 Lacs to Rs. 50 Lacs | 30/09/1997 |
| 3. | From Rs. 50 Lacs to Rs. 500 Lacs | 30/04/1999 |
| 4. | From Rs. 500 Lacs to Rs. 1000 Lacs | 13/01/2001 |
| 5. | From Rs. 1000 Lacs to Rs. 1500 Lacs | 30/09/2002 |

2. The equity shares of the Company of face value Rs 100/- were split into 10 equity shares of face value Rs.10/- each vide a special resolution passed at the Extra Ordinary General Meeting held on 29.12.00. These shares were further split into 5 equity of shares of face value Rs. 2/- per share vide a special resolution passed at the Annual General Meeting held on 30.09.02. The equity shares of the Company presently have a face value of Rs.2/- each.

3. **Capital Build up:** The existing share capital of the Company has been subscribed and allotted as under:-

| Date of Allotment/ Fully paid up | No. of Shares | Face Value (Rs.) | Issue Price (Rs.) | Value (Rs.) | No. of shares of face value Rs. 2 per share | Consideration | Remarks |
|-------------------------------------|---------------|------------------|-------------------|-------------|---|---------------|-------------------------------|
| MoA | 2 | 100 | 100 | 200 | 100 | Cash | Subscribers to the Memorandum |
| 28/02/95 | 2,498 | 100 | 100 | 2,49,800 | 1,24,900 | Cash | Further Allotment of Shares |
| 30/09/97 | 4,801 | 100 | 100 | 4,80,100 | 2,40,050 | Cash | Further Allotment of Shares |
| 09/02/98 | 4,000 | 100 | 100 | 4,00,000 | 2,00,000 | Cash | Further Allotment of Shares |
| 30/04/99 | 1 | 100 | 100 | 100 | 50 | Cash | Further Allotment of Shares |
| 30/04/99 | 29,999 | 100 | 100 | 29,99,900 | 14,99,950 | Cash | Further Allotment of Shares |
| 25/05/00 | 62,530 | 100 | 100 | 62,53,000 | 31,26,500 | Cash | Further Allotment of Shares |

| Date of Allotment/ Fully paid up | No. of Shares | Face Value (Rs.) | Issue Price (Rs.) | Value (Rs.) | No. of shares of face value Rs. 2 per share | Consideration | Remarks |
|-------------------------------------|--------------------------|------------------|-------------------|-----------------------------------|---|---------------|---|
| 29/12/00 | 10,38,310 | 10 | Splitting | 1,03,83,100 | 51,91,550 | | Share split into face value of Rs. 10 per share |
| 03/01/01 | 90,000 | 10 | 500 | 4,50,00,000 | 4,50,000 | Cash | Further Allotment of Shares |
| 15/01/01 | 45,13,240 | 10 | N.A. | N.A. | 2,25,66,200 | Bonus | Bonus in the ratio of 4:1 |
| 30/09/02 | 2,82,07,750 | 2 | Splitting | 5,64,15,500 | 2,82,07,750 | | Share split into face value of Rs. 2 per share |
| 28/03/03 | 1,08,35,668 | 2 | 9 | 9,75,21,012 | 1,08,35,668 | | Conversion of FCDs Allotment to UTI on conversion of FCDs ⁽¹⁾ |
| 15/07/03 | 51,02,272 ⁽²⁾ | 2 | 9 | 4,59,20,448 ⁽²⁾ | 51,02,272 | | Conversion of FCDs Allotment to IDBI on conversion of FCDs ⁽¹⁾ |
| Total | 4,41,45,690 | | | 19,98,56,960⁽²⁾ | 4,41,45,690⁽²⁾ | | |

⁽¹⁾ **Conversion of FCDs:** The Company had issued 7,50,000 14% Fully Convertible Debentures "Series A" of Rs. 100 each (fully paid up) to UTI on 28th March 2001 and 4,00,000 14% Fully Convertible Debentures "Series B" of Rs. 100 each (Rs. 50 paid up) to IDBI on 28th March 2001. The Company had also issued 2,00,000 14% Optionally Fully Convertible Debentures of Rs. 100 each fully paid up to IDBI on August 01, 2002, which, with the consent of IDBI, the Company has redeemed on 15th July 2003 and utilized the proceeds thereof to fully pay-up the partly paid 14% FCDs as above, before they are converted into equity. The detailed terms of conversion of debentures allotted to IDBI & UTI are mentioned under "Salient Features of Agreements with IDBI & UTI".

UTI, vide its letter No. DOIM/B-269/5991/02-03 dated 26/03/2003, has advised the Company to convert the 14% FCDs of Rs.7.5 Crores into equity shares at a 10% discount to the IPO price in terms of the subscription agreement dated March 8, 2001. Further the said conversion is subject to the following:

- i. The Issue should be fully underwritten to the satisfaction of UTI.
- ii. The equity shares of the Company post IPO should be listed on Bombay Stock Exchange, Delhi Stock Exchange and also on National Stock Exchange.
- iii. The principal amount of 14% FCDs of Rs.7.50 Crores alongwith compounded accumulated interest upto 28th March 2003 may be calculated for the purpose of calculating the total number of equity shares being allotted to them. The Company should pay UTI the interest from March 28, 2003 till the date of listing of equity shares, at the contracted coupon rate i.e. 14% p.a.
- iv. Clause no. 3) I) i) of the sanction letter no. UT/DOI/214/B-274/2000-2001 dated January 16, 2001 in respect of buy back undertaking by the Promoters (Shri Rajiv Shukla / Ms. Anuradha Prasad) remains in force.

⁽²⁾IDBI, vide its letter dated 28th February 2003, had given its no objection to the Company's proposed IPO, subject to the condition that the issue is fully underwritten to its satisfaction. But, IDBI has not conveyed the date of conversion of the FCDs into Equity Shares, whereas the balance amount of OFCDs not availed by the Company; aggregating to Rs. 200 Lacs, was cancelled. Now, vide letter dated July 15, 2003 IDBI has conveyed its approval for redemption of OFCDs worth Rs.200 Lacs alongwith interest due thereon amounting to Rs. 28,05,901. Out of the total proceeds of OFCDs, Rs. 200 Lacs have been utilized to fully pay-up the partly paid 14% FCDs aggregating to Rs.200 Lacs and the balance amount, subject to Tax Deducted at Source Payable, is payable forthwith, otherwise additional interest @2% p.a. (interest 14% + 2% i.e. 16% p.a.) would be levied till the date of actual payment. The total FCDs of Rs.400 Lacs alongwith the total interest due thereon amounting to Rs. 59,20,448 (Net Interest after Tax Deducted at Source) have been converted into equity on July 15, 2003.

4. Delay in conversion of FCDs has resulted in interest burden to the Company. The interest burden due to delay in conversion till 14th July 2003 is Rs. 10.11 Lacs, which has also been converted into equity shares as per IDBI's above-mentioned letter.
5. The interest due on converted FCDs of UTI and on FCDs of IDBI from the date of conversion to the date of listing will be paid in cash.

6. Shares Issued for consideration other than cash:

All the shares, except 45,13,240 Equity shares of Rs. 10 each issued on 15th January 2001 as Bonus Shares, have been allotted for cash only. The details of Bonus Shares issued are as under:

| Date of issue | Persons to whom issued | No. of Shares Issued | Remarks |
|---------------|-------------------------------------|----------------------|---|
| 15/01/2001 | Anuradha Prasad | 14,93,600 | To rationalize the Capital Base of the Company, reserves have been capitalized. |
| | Rajiv Shukla | 10,26,400 | |
| | Anu Films & Communications (P) Ltd. | 8,00,000 | |
| | L.P. Shashi Kumar | 4,00,000 | |
| | Avinash Mehrotra | 12,040 | |
| | B.D. Tripathi | 5,01,200 | |
| | Pragmatic Traders Pvt. Ltd. | 2,80,000 | |

7. Promoters' Contribution and lock-in Period:

| Sr. No. | Date of Allotment | Date when Made fully Paid-up | Conside-ration | No. of Shares | Face Value | Issue Price | No. of shares of face value Rs. 2 per share | % of Post-Issue Paid-up capital | Lock-in* Period |
|---------|-------------------|------------------------------|----------------|---------------|------------|-------------|---|---------------------------------|-----------------|
| 1 | MoA | MoA | Cash | 1 | 100 | 100 | 50 | 0.00 | 1 year |
| 2 | 28/02/95 | 28/02/95 | Cash | 2,449 | 100 | 100 | 1,22,450 | 0.21 | 1 year |
| 3 | 30/09/97 | 30/09/97 | Cash | 4,550 | 100 | 100 | 2,27,500 | 0.39 | 1 year |
| 4 | 09/02/98 | 09/02/98 | Cash | 4,000 | 100 | 100 | 2,00,000 | 0.34 | 1 year |
| 5 | 30/04/99 | 30/04/99 | Cash | 10,000 | 100 | 100 | 5,00,000 | 0.85 | 1 year |
| 6 | 03/01/01 | 03/01/01 | Cash | 20,000 | 10 | 500 | 1,00,000 | 0.17 | 1 year |
| 7 | 15/01/01 | 15/01/01 | Bonus | 1,60,000 | 10 | N.A. | 7,98,862 | 1.35 | 1 year |
| 8 | 15/01/01 | 15/01/01 | Bonus | 23,60,000 | 10 | N.A. | 1,18,01,138 | 20.00 | 3 years |
| | TOTAL | | | | | | 1,37,50,000 | | |

* The lock in period shall commence from the date of allotment of shares in the public issue or commencement of commercial operations, which ever is later.

8. Promoters' Contribution and lock-in in respect of promoters whose name figure in the prospectus as promoters in the paragraph on "Promoters and their Background":

| Sr. No. | Name of the Promoter | Date of Allotment | Date when Made fully Paid-up | Consi-deration | No. of Shares | Face Value | Issue Price | No. of shares of face value Rs. 2 per share | % of Post-Issue Paid-up capital | Lock-in Period* |
|---------|----------------------|-------------------|------------------------------|----------------|---------------|------------|-------------|---|---------------------------------|-----------------|
| 1 | Anurradha Prasad | MoA | MoA | Cash | 1 | 100 | 100 | 50 | 0.00 | 1 year |
| | | 28/02/1995 | 28/02/1995 | Cash | 2,449 | 100 | 100 | 1,22,450 | 0.21 | 1 year |
| | | 30/09/1997 | 30/09/1997 | Cash | 4,250 | 100 | 100 | 2,12,500 | 0.36 | 1 year |
| | | 30/04/1999 | 30/04/1999 | Cash | 10,000 | 100 | 100 | 5,00,000 | 0.85 | 1 year |
| | | 03/01/2001 | 03/01/2001 | Cash | 6,400 | 10 | 500 | 32,000 | 0.05 | 1 year |
| 2 | Rajiv Shukla | 15/01/2001 | 15/01/2001 | Bonus | 14,93,600 | 10 | N.A. | 74,68,000 | 12.66 | 3 years |
| | | 30/09/1997 | 30/09/1997 | Cash | 300 | 100 | 100 | 15,000 | 0.03 | 1 year |
| | | 09/02/1998 | 09/02/1998 | Cash | 4,000 | 100 | 100 | 2,00,000 | 0.34 | 1 year |
| | | 03/01/2001 | 03/01/2001 | Cash | 13,600 | 10 | 500 | 68,000 | 0.12 | 1 year |
| | | 15/01/2001 | 15/01/2001 | Bonus | 1,60,000 | 10 | N.A. | 7,98,862 | 1.35 | 1 year |
| | | 15/01/2001 | 15/01/2001 | Bonus | 8,66,400 | 10 | N.A. | 43,33,138 | 7.34 | 3 years |

* The lock in period shall commence from the date of allotment of shares in the public issue or commencement of commercial operations, which ever is later.

Note: The promoters have also purchased the following shares of the Company from other shareholders, which have not been shown in the above table, but will be locked-in for one year from the date of allotment of shares in the public issue or commencement of commercial operations, which ever is later:

| Sr. No. | Name of the Promoter | Transferor | Date of Transfer | Consideration | No. of Shares | Face Value | Transfer Price | No. of shares of face value Rs. 2 per share | % of Post-Issue Paid-up capital |
|---------|----------------------|------------------------|------------------|---------------|---------------|------------|----------------|---|---------------------------------|
| 1 | Anurradha Prasad | Goldstone Exports Ltd. | 25/10/2000 | Cash | 20,000 | 100 | 100 | 10,00,000 | 1.69 |
| 2 | Rajiv Shukla | Goldstone Exports Ltd. | 25/10/2000 | Cash | 20,000 | 100 | 100 | 10,00,000 | 1.69 |

9. Promoters group and their individual shareholdings:

| Sr. No | Name | Date of Allotment | Date when Made fully Paid-up | Consi-deration | No. of Shares | Face Value | Issue Price | No. of shares of face value Rs. 2 per share | % of Pre-Issue Paid-up capital | % of Post-Issue Paid-up capital | Lock-in Period* |
|------------|------------------|-------------------|-------------------------------------|----------------|---------------|------------|-------------|---|--------------------------------|---------------------------------|-----------------|
| 1 | Anurradha Prasad | MoA | MoA | Cash | 1 | 100 | 100 | 50 | 0.00 | 0.00 | 1 year |
| | | 28/02/1995 | 28/02/1995 | Cash | 2,449 | 100 | 100 | 1,22,450 | 0.28 | 0.21 | 1 year |
| | | 30/09/1997 | 30/09/1997 | Cash | 4,250 | 100 | 100 | 2,12,500 | 0.48 | 0.36 | 1 year |
| | | 30/04/1999 | 30/04/1999 | Cash | 10,000 | 100 | 100 | 5,00,000 | 1.13 | 0.85 | 1 year |
| | | 03/01/2001 | 03/01/2001 | Cash | 6,400 | 10 | 500 | 32,000 | 0.07 | 0.05 | 1 year |
| 2 | Rajiv Shukla | 15/01/2001 | 15/01/2001 | Bonus | 14,93,600 | 10 | N.A. | 74,68,000 | 16.92 | 12.66 | 3 years |
| | | 30/09/1997 | 30/09/1997 | Cash | 300 | 100 | 100 | 15,000 | 0.03 | 0.03 | 1 year |
| | | 09/02/1998 | 09/02/1998 | Cash | 4,000 | 100 | 100 | 2,00,000 | 0.45 | 0.34 | 1 year |
| | | 03/01/2001 | 03/01/2001 | Cash | 13,600 | 10 | 500 | 68,000 | 0.15 | 0.12 | 1 year |
| | | 15/01/2001 | 15/01/2001 | Bonus | 1,60,000 | 10 | N.A. | 7,98,862 | 1.81 | 1.35 | 1 year |
| | | 15/01/2001 | 15/01/2001 | Bonus | 8,66,400 | 10 | N.A. | 43,33,138 | 9.82 | 7.34 | 3 years |
| | | 3 | Anu Films & Communications (P) Ltd. | 30/04/1999 | 30/04/1999 | Cash | 20,000 | 100 | 100 | 10,00,000 | 2.27 |
| 15/01/2001 | 15/01/2001 | | | Bonus | 8,00,000 | 10 | N.A. | 40,00,000 | 9.06 | 6.78 | 1 year |
| 28/03/2001 | 28/03/2001 | | | Cash | 50,000 | 10 | 10 | 25,00,000 | 5.66 | 4.24 | 1 year |

* The lock in period shall commence from the date of allotment of shares in the public issue or commencement of commercial operations, which ever is later.

10. The written consent for lock-in of promoters' contribution has been obtained.
11. The natural persons who are in control (holding 10% or more voting rights) or who are on the Board of directors of any body corporate forming part of promoters group are Ms. Anuradha Prasad & Mr. Rajiv Shukla.
12. The details of sale/ purchase/ financing of shares by Promoters Group/Directors
The Promoters Group/Directors have not purchased and/or sold/financed any shares of the Company during the past 6 months.
13. The promoters' contribution has been brought-in in not less than the specified minimum lot of Rs. 25,000/- per application from each individual and Rs. 1,00,000/- from companies.
14. There is no "buy back" or "stand by" arrangement for purchase of equity shares by the Promoters, Directors, or Lead Managers for the equity shares offered through this Prospectus. However, the promoters Mr. Rajiv Shukla and Ms. Anuradha Prasad have given an undertaking to the Unit Trust of India, in terms of their subscription agreement dated 08/03/2001 for Fully Convertible Debentures, that in case the Company is unable to get its shares listed on a Stock Exchange in India within 2 years from the subscription to the said 14% FCDs, the promoters shall buy back the shares allotted to UTI on conversion of the FCDs at a price which shall yield to UTI the capital invested in the FCDs along with interest due thereon up to the date of such buy back, if any. According to the letter dated 26/03/2003 of UTI, the buy back undertaking by the Promoters (Shri Rajiv Shukla / Ms. Anuradha Prasad) remains in force. The said buy back undertaking will remain in force till the equity shares are not listed with the stock exchanges. Once the Shares of the company are listed on the Stock Exchanges, the buy back undertaking will cease. The buy back undertaking will remain in force till the equity shares are not listed with the stock exchanges in terms of this issue. As the issue is 100% underwritten, and all necessary permissions have been received, the buy-back undertaking may not be triggered. The issue of financing the buy-back and of the impact of failure to honor the buy-back, may not arise.
15. Top ten shareholders as on 12/08/2001 (two years prior to the date of filing of the Prospectus with ROC)

| Sr. No. | Name of the Shareholders | No. of shares of face value Rs. 10/- each* | Equivalent No. of shares of Rs. 2/- each |
|---------|--|--|--|
| 1. | ANURADHA PRASAD | 18,67,000 | 93,35,000 |
| 2. | RAJIV SHUKLA | 12,83,000 | 64,15,000 |
| 3. | M/s. ANU FILMS & COMMUNICATIONS (P) LTD. | 15,00,000 | 75,00,000 |
| 4. | B. D. TRIPATHI | 6,26,500 | 31,32,500 |
| 5. | PRAGMATIC TRADERS PVT. LTD. | 3,50,000 | 17,50,000 |
| 6. | AVINASH MEHROTRA | 14,050 | 70,250 |
| 7. | GULAB MAKHIJA | 500 | 2,500 |
| 8. | AJIT ANJUM | 500 | 2,500 |
| | Total | 56,41,550 | 2,82,07,750 |

* The shares were split into Rs. 2 shares on 30/09/2002

16. Top ten shareholders as on 02/08/2003 (being 10 days prior to the date of filing of the Prospectus with ROC)

| Sr. No. | Name of the Shareholders | No. of shares @ Rs. 2/- each |
|---------|---|------------------------------|
| 1 | UTI* | 1,08,35,668 |
| 2 | ANURADHA PRASAD | 93,35,000 |
| 3 | M/s. ANU FILMS & COMMUNICATIONS (P) LTD | 75,00,000 |
| 4 | RAJIV SHUKLA | 64,15,000 |
| 5 | B.D.TRIPATHI | 31,32,500 |
| 6 | PRAGMATIC TRADERS PVT. LTD. | 17,50,000 |
| 7 | IDBI | 51,02,272 |
| 8 | AVINASH MEHROTRA | 70,250 |
| 9 | GULAB MAKHIJA | 2,500 |
| 10 | AJIT ANJUM | 2,500 |
| | Total | 4,41,45,690 |

* UTI has been defined in the list of definitions and abbreviations.

17. Top ten shareholders as on 12/08/2003 (being the date of filing of the Prospectus with ROC)

| Sr. No. | Name of the Shareholders | No. of shares @ Rs. 2/- each |
|---------|---|------------------------------|
| 1 | UTI* | 1,08,35,668 |
| 2 | ANURRADHA PRASAD | 93,35,000 |
| 3 | M/s. ANU FILMS & COMMUNICATIONS (P) LTD | 75,00,000 |
| 4 | RAJIV SHUKLA | 64,15,000 |
| 5 | B.D.TRIPATHI | 31,32,500 |
| 6 | PRAGMATIC TRADERS PVT. LTD. | 17,50,000 |
| 7 | IDBI | 51,02,272 |
| 8 | AVINASH MEHROTRA | 70,250 |
| 9 | GULAB MAKHIJA | 2,500 |
| 10 | AJIT ANJUM | 2,500 |
| | Total | 4,41,45,690 |

* UTI has been defined in the list of definitions and abbreviations.

18. The total number of members of the Company as on the date of filing of Final Prospectus with the ROC is ten only.

19. The pre-issue & post-issue Shareholding pattern of Promoter' Group is as under:

| Particulars | Pre-Issue | | Post-Issue | |
|--|------------------------------|--------------|------------------------------|--------------|
| | No. of Shares @ Rs. 2/- each | % holding | No. of Shares @ Rs. 2/- each | % holding |
| a. Promoters | 1,57,50,000 | 35.68 | 1,57,50,000 | 26.69 |
| b. Immediate Relatives of the Promoters | 0 | 0.00 | 0 | 0.00 |
| c. Companies in which 10% or more of the share capital is held by the Promoter / an immediate relative of the Promoter / a firm or HUF in which the Promoter or any one or more of his immediate relatives is a member | 75,00,000 | 16.99 | 75,00,000 | 12.71 |
| d. Companies in which company mentioned in c above holds 10% or more of the share capital | 0 | 0.00 | 0 | 0.00 |
| e. HUF or firm in which the aggregate share of the promoter and his immediate relatives is equal to or more than 10% of the total | 0 | 0.00 | 0 | 0.00 |
| Total | 2,32,50,000 | 52.67 | 2,32,50,000 | 39.40 |

20. The pre-issue & post-issue shareholding pattern of B.A.G. Films is as under:

| Category | Pre-Issue | | Post-Issue | |
|------------------------------|------------------------------|---------------|------------------------------|---------------|
| | No. of Shares @ Rs. 2/- each | % holding | No. of Shares @ Rs. 2/- each | % holding |
| Promoters' Group | 2,32,50,000 | 52.67 | 2,32,50,000 | 39.40 |
| Other Relatives & Associates | 49,57,750 | 11.23 | 49,57,750 | 8.40 |
| Financial Institution | 1,59,37,940 | 36.10 | 1,59,37,940 | 27.01 |
| Public | Nil | 0 | 1,48,60,000 | 25.18 |
| Total | 4,41,45,690 | 100.00 | 5,90,05,690 | 100.00 |

21. The entire pre-issue capital, other than that locked-in as promoters' contribution, shall be locked-in for a period of one year from the date of commencement of commercial production or the date of allotment in the public issue, whichever is later.
22. The equity shares to be held by the promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period except the following shares, which are already pledged in favour of IDBI as collateral security against Term Loan, which shall, if freed, not be re-hypothecated or pledged or transferred. This was one of the conditions of sanction of Term Loan by IDBI. The details of pledge of promoters' shares is mentioned hereunder:

| Name of the Promoter | Pledged in Favour of | Nature of Securities against Pledged for | No. of Equity Shares Pledged (Rs. 2/- each) |
|-----------------------------|-----------------------------|---|--|
| Ms. Anuradha Prasad | IDBI | FCDs, OFCDs & Term Loan | 81,21,450 |
| Mr. Rajiv Shukla | IDBI | FCDs, OFCDs & Term Loan | 55,81,050 |

* The shares pledged with UTI have become free as the FCDs are converted into equity shares on 28.03.2003.

However, inter-se transfers between the promoters named as such in the prospectus would be permitted, provided that the requirement of the lock-in period guidelines continue to apply, to the extent initially prescribed.

23. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest multiple of 100 shares while finalizing the allotment.
24. The equity shares offered through this public issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of shares.
25. B.A.G. Films has not issued any shares out of revaluation reserves or for consideration other than cash except for the bonus shares, which have been issued out of free reserves.
26. The shareholders of the Company do not hold any warrants, options, convertible loan or any debenture, which would entitle them to acquire further shares of the Company.
27. The Company has not raised any Bridge Loan against the proceeds of this Issue.
28. As per SEBI guidelines, a minimum of 50% of the net offer to the public is reserved for allotment to individual investors applying for 1000 equity shares or less. The remaining 50% of the offer to the public is reserved for individuals applying for more than 1000 equity shares and corporate bodies/institutions etc. Unsubscribed portion in either of these categories shall be added to the other category interchangeably.

III. TERMS OF THE PRESENT ISSUE

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

The equity shares being issued are subject to the terms of this prospectus, the terms and conditions contained in the Application Form, the Memorandum and Articles of Association of the Company, provisions of the Act, other applicable acts and the Letters of Allotment/Equity Share Certificates or other documents and the Guidelines issued from time to time by the Government of India, SEBI and the concerned Stock Exchanges.

TERMS OF PAYMENT:

Applications should be for minimum of **800** equity shares and in multiples of **100** equity shares thereafter. The details of amount payable on application, allotment and on first & final call are as under:

| | Towards Equity Share Capital (Rs.) | Towards Premium (Rs.) | Total Amount Payable (Rs.) |
|------------------------|---|------------------------------|-----------------------------------|
| On Application | 0.50 | 2.00 | 2.50 |
| On Allotment | 0.50 | 2.00 | 2.50 |
| On First & Final Call* | 1.00 | 4.00 | 5.00 |
| Total | 2.00 | 8.00 | 10.00 |

* As prescribed by SEBI, the Company shall make the First & Final Call within 12 months from the date of allotment.

In case allotment of a number of equity shares lesser than the number applied, the excess amount paid on application shall be adjusted towards the amount due on allotment and towards the First Call and the balance amount, if any will be refunded by the Company to the applicants.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS / REFUND ORDERS:

B.A.G. Films agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. B.A.G. Films further agrees that it shall pay interest @ 15% per annum if the allotment letters / refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the issue. However applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS:

The Company's shares will be traded in dematerialized form only and the marketable lot is 1 share. Therefore, there is no possibility of odd lots.

RANKING OF EQUITY SHARES

The Equity Shares to be issued shall, subject to the Memorandum and Articles of Association of the Company, rank *pari passu* with the existing Equity Shares of the Company in all respects including dividends.

RIGHTS OF THE EQUITY SHAREHOLDERS

- i. Right to receive dividend, if declared.
- ii. Right to attend general meetings and exercise voting rights, unless prohibited by law.
- iii. Right to vote on a poll either personally or by proxy.
- iv. Right to receive offer for rights shares and be allotted bonus shares.
- v. Right to receive surplus on liquidation.
- vi. Such other rights, as may be available to a shareholder of a Public Limited Company under the Companies Act, 1956.

MARKETABLE LOT

The Company shall allot the Equity Shares in dematerialized form only. The trading in the Equity Shares of the Company shall only be in dematerialized form for all investors, where the marketable lot is one (1) equity share. Allotment of the Equity Shares will be done in electronic form in lots of one (1) Equity Share.

PROCEDURE FOR APPLICATION AND MODE OF PAYMENT

Availability of Prospectus and Application Forms

Application forms together with Memorandum containing salient features of the Prospectus may be obtained from the Registered Office of the Company, Lead Managers, Underwriters, Brokers to the Issue, Registrar to the Issue and Bankers

to the Issue named herein or from their branches as stated on the reverse of the application form. Any individual desiring to have a full copy of the Prospectus may write to the Lead Manager or to the Registered Office of the Company.

Application may be made by:

- a) Indian Nationals resident of India who are Adult Individuals in single name or joint names (not more than three)
- b) Hindu Undivided Families through the Karta of the Hindu Undivided Family
- c) Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares
- d) Indian Mutual Funds registered with SEBI
- e) Indian Financial Institutions & Banks
- f) Trusts who are registered under the Societies Regulation Act, 1860 or any other trust law and are authorised under its constitution to hold and invest in shares
- g) Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India
- h) Permanent and Regular employees of the Company
- i) Non-Resident Indians (NRIs), Overseas Corporate Bodies (OCBs) and Foreign Institutional Investors (FIIs) subject to the applicable RBI Guidelines and Approvals, if any.

Applications not to be made by

- a) Minors
- b) Foreign Nationals (except NRIs)
- c) Partnership firms or their nominees

A. GENERAL INSTRUCTIONS

1. Applications must be made in the prescribed application form and completed in Full in BLOCK LETTERS in English as per the instructions contained herein and in the application form and are liable to be rejected if not so made.
2. The application for equity shares should be for a minimum of 800 equity shares and in multiples of 100 shares thereafter. An applicant can make an application only for a maximum of equity shares that are offered to the public.
3. Thumb impressions and signatures other than in English/ Hindi/ Marathi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.
4. Bank Account Details of Applicant: The name of the applicant's Bank, type of account and account number must be filled in the Application Form. This is required for the applicants' own safety and these details will be printed on the refund orders, if any. Applications without these details would be treated as incomplete and are liable to be rejected.
5. Applications under Power of Attorney: In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.
6. PAN/ GIR Number: Where an application is for a total value of Rs. 50,000 or more, the applicant or in case of application in joint names, each of the applicants should mention his/ her/ their Permanent Account number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/ Ward/ District should be mentioned. In case where neither the PAN nor the GIR Number has been allotted, or the applicant is not assessed to Income Tax, the appropriate box provided for the purpose in the application form must be ticked. Applications without this will be considered incomplete and are liable to be rejected.
7. Joint Applications in the case of individuals: Applications can be in single or joint names (not more than three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application form at the address mentioned therein.

8. Applications may be made by Hindu Undivided Families (HUF) through the Karta of the (HUF) and will be treated at par with individual applications.
9. Multiple Applications: An applicant should submit only one application form (and not more than one) for the total number of equity shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same.

In case of application by Mutual Funds, a separate application can be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

Separate applications for electronic and physical equity shares by the same applicant shall be considered as multiple applications. The Company reserves the right to accept or reject, in its absolute discretion, any or all-multiple applications.

10. Applications by NRIs/OCBs/FIIs: There is no reservation and separate application form for NRIs/OCBs/FIIs. NRIs/OCBs/FIIs willing to invest in this issue should follow the relevant RBI Guidelines in this regard.
11. A separate single cheque/draft/ Stockinvest must accompany each application form.

Note:

- i. Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for equity shares.
- ii. For further instructions, please read the Application Form carefully.

B. PAYMENT INSTRUCTIONS

1. Payment may be made by way of cash or cheque/ demand draft/ Stockinvest (money/ postal orders will not be accepted) drawn on any Bank, including a co-operative Bank which is situated at and is a member or sub-member of the Banker's clearing-house located at the place where the application form is submitted, i.e. at designated collection centres.
2. Outstation cheques/demand drafts drawn on Banks not participating in the clearing process will not be accepted.
3. All cheques/ demand drafts accompanying the Application Form must be made payable to the bankers to the issue and marked "A/c B.A.G. Films – Public Issue" and crossed "A/C payee only". For e.g. "HDFC Bank – A/c B.A.G. Films – Public Issue"
4. All Stockinvests should be made payable to the Company i.e. "B.A.G. Films Limited" and crossed "A/C PAYEE ONLY".
5. The applications shall be made only by way of cash/ cheque/ demand draft/ Stockinvest. However, if the amount payable on application is Rs. 20,000 or more, such payment must be effected only by way of an account payee cheque/ Stockinvest or Bank draft in terms of section 269SS of the Income-Tax Act, 1961. Otherwise the applications may be rejected and application money shall be refunded without any interest.
6. Payment by Stockinvest: Applicants, being Individuals and Mutual Funds only, have the option of using the "Stockinvest" instrument for payment of application money in lieu of cash/ cheque/ demand draft. Applicants using Stockinvests should submit them along with the application form to any of the collecting centres/ Bankers to the Issue mentioned in the application form. Stockinvests should be payable at par at all the branches of the issuing Bank. Applicants can approach the Banks concerned for obtaining Stockinvest and detailed instructions for the same.

The applicants using stockinvest as payment option should also consider the following:

- i. The applicant has to fill in the following particulars
 - a) Title of the Account as mentioned in the Application Form.
 - b) Number of equity shares applied for.
 - c) The amount payable on the equity shares applied for.
- ii. The instrument should thereafter be signed by the applicant. It should also bear the stamp of the Bank issuing the instrument and should be crossed "A/C Payee Only" and made payable only to "B.A.G. Films Limited". Service charges, if any, for issuing the Stockinvest must be borne by the applicant. The applicant should not

fill in the portion to be filled up by the Registrar to the Issue (right-hand portion of the instrument). The Registrar to the Issue will fill up the right-hand side of the Stockinvest indicating the equity shares allotted to the applicants, calculated as follows:

- a) In case of full allotment, the number of equity shares on the right-hand side will be the same as that on the left-hand side of the instrument;
 - b) In case of partial allotment, the number filled up by the Registrar to the Issue on the right-hand side of the instrument will be less than the number filled up by the applicant on the left-hand side;
 - c) In case the allotment is nil, the number filled up by the Registrar to the Issue on the right-hand side of the instrument will be nil.
- iii. The Stockinvest should be used by the Purchaser and the name of the Purchaser/one of the Purchasers should be indicated as the first applicant in the Application Form. Thus, if the signature of the purchaser on the Stockinvest and the signature of the first applicant in the application form do not tally, the application would be treated as having been accompanied by a third party Stockinvest and is liable to be rejected.
 - iv. The Stockinvest instrument should be used by the Purchaser within 10 days from the date of the issue of the instrument, failing which such applications are liable to be rejected. For the purpose of calculating the 10 days, the last date for use of the Stockinvest for submitting the Application Form to the Bankers to the Issue is indicated on the face of the Stockinvest with a notation "to be used before _____".
 - v. No refund order will be issued to the applicants using Stockinvest for payment of application money. In case of non-allotment of equity shares, the cancelled Stockinvest instruments will be returned to the applicant, within 10 weeks of closure of subscription list by Registered Post/Speed Post. The applicant will have to approach the issuing Bank branch for lifting the lien.
 - vi. Registrar to the Issue have been authorised by the Company (through Resolution of the Board of Directors passed at its meeting held on December 16, 2002), to sign the Stockinvests on behalf of the Company, to realise the proceeds of the Stockinvest from the issuing Bank, or to affix non-allotment advice on the instrument, or to cancel the Stockinvest(s) of the non-allottee. Such cancelled Stockinvest(s) shall be sent back by the Registrar directly to the investors.
 - vii. Reserve Bank of India; vide its circular DBOD No. FSC.BC.100/24.47.001/94 dated September 2, 1994, has restricted the use of Stockinvest(s) to individual investors and Mutual Funds only. Brokers, Corporate Bodies, Banks and Financial Institutions are not allowed to invest through Stockinvest(s). A ceiling of Rs. 50,000/- per individual per Stockinvest by Banks has been imposed. The above ceiling is not applicable to Mutual Funds.
 - viii. In the interest of the investors, to avoid rejection of applications on technical grounds, it is suggested that the applicant should ensure that
 - a) The date of issue of the Stockinvest by the issuing bank is clearly mentioned on the instrument
 - b) The instrument is duly signed by the authorised officer of the bank giving his code number
 - c) The instrument bears the code number and the address of the issuing bank branch
 - d) Any correction/ alteration in the date of issue, amount, the name of the issuer (i.e. B.A.G. Films Limited), etc. should be attested by an authorised officer of the issuing bank
 - e) The applicant has clearly written the name of the issuer (i.e. B.A.G. Films Limited), the amount and signed the instrument
 - f) Amount written in the application form to be deposited and the amount of the instrument accompanying the application form should be the same

Note: The above information is given for the benefit of investors and the Company is not liable for any modification in the terms of the Stockinvest or procedure thereof by the issuing bank.

FOR FURTHER INSTRUCTIONS REGARDING APPLICATIONS FOR THE EQUITY SHARES, INVESTORS ARE REQUESTED TO READ THE APPLICATION FORM CAREFULLY.

SUBMISSION OF COMPLETED APPLICATION FORMS

All applications duly completed and accompanied by cash/ cheques/ demand drafts/ Stockinvests shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Applications should NOT be sent to the Office of the Company, the Lead Managers to the Issue.

Application Forms along with Bank Drafts payable at New Delhi can also be sent by registered post with acknowledgement due to the Registrar to the issue, Alankit Assignments Ltd., 205-208, Anarkali Market, Jhandewalan Extension, New Delhi-110 055, so that the same can be received before the closure of the subscription list.

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed application form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each application form.

Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

For further instructions, please read the application form carefully.

ACCEPTANCE OF APPLICATIONS

The Company reserves the right to accept or reject, any application, in whole or in part, without assigning any reason thereof. If the application is rejected in full, the whole of the application money received will be refunded by Registered Post to the applicant. If the application is accepted in part, the excess application money after adjusting for the amount payable on allotment will be refunded to the applicant. Such refund, if any, will carry interest @ 15% p.a. after 30 days from the closure of the Issue for the period of delay beyond 30 days.

DEMATERIALISATION

1. The equity shares of the Company have been admitted for dematerialization by National Securities Depository Limited (NSDL) vide a tripartite agreement dated 22/03/2001 signed between the Company, NSDL and Alankit Assignments Ltd., to enable all shareholders of the Company to have their shareholding in electronic form. The Company has also entered into a tripartite agreement with Central Depository Services (India) Ltd. (CDSL) and the Registrar to the Issue i.e. Alankit Assignments Ltd. for dematerialization of its shares; vide a tripartite agreement dated 31/12/2002.
2. Applicant has the option of seeking allotment of Shares in electronic or in physical mode.
3. Separate applications for electronic and physical shares by the same applicant shall be considered as multiple applications and will be rejected.
4. The applicant seeking allotment of shares in the electronic form must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) appearing under the heading 'Request for Shares in Electronic Form'
5. An applicant who wishes to apply for shares in the electronic form must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
6. Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP)
7. For allotment in electronic form, names in the share application 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
8. Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to this Issue.
9. Incomplete/ incorrect details given under the heading 'Request for shares in electronic form' in the application form will be assumed as an application for shareholding in physical form.
10. The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/ her DP.
11. It may be noted that the electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL.
12. An applicant has the option to apply for Equity Shares in part physical and part electronic form in the same Application Form. In case of such an application and in case of partial allotment, allotment will be done first in demat option for the shares sought in demat and balance, if any, will be allotted in physical form.
13. Trading in the Equity shares of the Company will be compulsorily in demat mode.

DESPATCH OF REFUND ORDERS

B.A.G. Films shall ensure dispatch of Refund Orders of value up to Rs.1,500/- Under Certificate of Posting and refund order over the value of Rs.1500/- and Share Certificates (in cases where the first/sole applicant has failed to give a demat account

number) by Registered Post only. B.A.G. Films would also make available adequate funds to the Registrar to the Issue for this purpose.

UNDERTAKING BY THE COMPANY:

B.A.G. Films undertakes:

- a. that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- b. that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the equity shares are to be listed are taken within 7 working days of finalization of the basis of allotment.
- c. that the funds required for dispatch of refund orders/allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue by the Company;
- d. that the certificates of the equity shares/refund orders to non-resident Indian applicants shall be dispatched within specified time.
- e. that no further issue of equity shares shall be made till the equity shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

- a. all monies received out of this issue of shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73;
- b. details of all monies utilized out of the issue referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the purpose for which such monies had been utilized; and
- c. details of all unutilized monies out of the issue of shares, if any, referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the form in which such unutilized monies have been invested.

The Board of Directors of B.A.G. Films Ltd. hereby confirms that –

- i. the utilisation of monies received under promoters' contribution and from firm allotments and reservations shall be disclosed under an appropriate head in the balance sheet of the company indicating the purpose for which such monies have been utilised.
- ii. the details of all unutilised monies out of the funds received under promoters' contribution and from firm allotments and reservations shall be disclosed under a separate head in the balance sheet of the company indicating the form in which such unutilised monies have been invested.

BENEFITS AVAILABLE UNDER THE INCOME TAX ACT AND OTHER LAWS TO THE COMPANY AND ITS SHAREHOLDERS, (INDIAN RESIDENTS, NRIs, FIIs, etc.):

The Company has been advised by M/S Nangia & Co., Chartered Accountants, that under the current tax laws, the following tax benefits inter-alia will be available to the Company and shareholders of the Company:

A. TO THE COMPANY

As per provisions of Section 32 of the Income Tax Act, 1961 the Company is entitled to claim depreciation on tangible and specified intangible assets as explained in the said section.

B. TO THE MEMBERS OF THE COMPANY

I. INCOME TAX

1. Under Section 10(36) of the Act, Long Term Capital Gains arising on transfer (sale) of eligible equity share in a company purchased on or after 01.03.2003 and before 01.03.2004 and held for a period of 12 months or more is exempt from the assessment year 2004-05 and onwards. Eligible equity share is defined to mean any equity in a company allotted through a public issue on or after 01.03.2003 and listed in a recognized stock exchange in India before 01.03.2004 and the transaction of sale of such share is entered into on a recognized stock exchange in India. In our opinion, the shares of the Company would become eligible equity shares, if listed on a recognised stock exchange in India before 01.03.2004.

2. Under Section 10 (23D) of the Act, all Mutual Funds registered under the securities and Exchange Board of India Act, 1992 or regulations made there under, mutual funds set up by public sector bank or public financial institutions, or authorised by the Reserve Bank of India and subject to such conditions as may be notified by the Central Government will be exempt from income tax on any income.
3. Under Section 115AD of the Act, income received by Foreign Institutional Investor by way of Short term Capital Gains arising from the transfer of such shares shall be taxed @ 30%.
4. Section 10(34) provides that any income by way of dividends referred to in section 115 O i.e. dividend declared, distributed or paid by a domestic company, on or after 01.04.2003 is exempt in the case of all categories of assesses in relation to assessment year 2004-05 and subsequent years.

ADDITIONAL BENEFITS AVAILABLE TO NON-RESIDENTS INDIANS

1. Non-resident Indian have an option to be governed by the special provisions of Chapter XIA of the Act according to which:
 - a) Under Section 115 G of the Act, it shall not be necessary for the Non-resident Indians to furnish their Return of Income, under Section 139(1) of the Income Tax Act if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII B has been deducted from such income.
 - b) The benefit conferred on a Non-resident Indian, assessee will be available even after the assessee becomes a resident if declaration in writing is filed along with the return of income under Section 139(1) of the IT Act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from Foreign Exchange asset vide Section 115 H of the Act, until the Transfer or conversion (otherwise than by transfer) into money of such assets.
 - c) Under Section 115 I of the Act a Non-Resident Indian, if he elects by so declaring in the return of his income for that assessment year not be governed by the above mentioned special provisions of chapter XII-A, then he will be entitle to tax benefits available to resident individuals.

II. GIFT TAX

Gift of shares of the company made on or after October 1, 1998 would not be liable to Gift Tax.

III. WEALTH TAX

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence Wealth Tax Act will not be applicable.

NOTES

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

IV. PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

- a. To part finance the Company's Convergence Studio Complex and Media School Projects
- b. To finance the Company's diversification into Production of Feature Films
- c. To list the equity shares of the Company on the Stock Exchanges
- d. To meet the cost of the issue

The main objects clause and objects incidental or ancillary to the main objects clause of the Memorandum of Association of the Company enables the Company to undertake the existing activities and the activities for which the funds are being raised through the present issue.

APPRAISAL

For the purpose of the IPO, all the projects of the Company, viz. the Convergence Studio Complex, the Media School and the Production of Feature Films has been appraised by KJMC Global Market (India) Ltd. vide their Appraisal Report dated March 10, 2003 and an addendum to the said Appraisal Report dated April 4, 2003. The appraiser has, inter alia, among others, stated the following in the "Scope and Purpose of the Report": -

"For the purpose of the IPO, all the projects of BAGFL, viz. the Convergence Studio Complex, the Media School and the Production of Feature Films have been appraised by KJMC independently, on the basis of the funds sanctioned & disbursed by the Industrial Development Bank of India (IDBI) and UTI Asset Management Company Pvt. Ltd. [formerly known as Unit Trust of India (UTI)].

This Appraisal Report has been prepared for the limited purpose of the IPO of Equity shares of BAGFL, as per the requirements of the Stock Exchanges. The document is only for the use of BAGFL and the Stock Exchanges, for the purpose mentioned hereinabove.

Our appraisal is based on the Detailed Project Report submitted by BAGFL, our independent verification of the records made available to us and the information provided & the discussions with the management of BAGFL."

The weaknesses and threats given in the appraisal report for all the three projects of the Company is as under:

Project I – The Convergence Studio Complex

Weaknesses

Delay in Construction: The Convergence Studio Complex was supposed to become operational in November / December 2001, but there has been considerable delay in implementation. The delay has already caused accumulated interest on funds disbursed by financial institutions. Further, there has been opportunity loss of revenue to the Company.

Threats

Use of Plot: According to the terms and conditions of the lease deed, the plot was allotted to the Company for the purpose of construction and setting up a multi media software production facilities and establishment of media education school, whereas the Company has decided to construct and set-up of the Convergence Studio Complex only on this plot, which will provide multi media software production facilities to the Company. If the Company will not be able to get its decision ratified from the NOIDA, the entire investment made on land including the construction thereon can be a loss for the Company.

Increasing Competition: There is an increasing trend of building and owning studios by the producers, the channel owners and other industry players. In the medium term, this may lead to slackening of outside demand.

Rapid Technological Changes: The entertainment industry has witnessed rapid technological changes till date. The studio is exposed to the risk arising out of changes in technology.

Project II – The Media School

Weaknesses

Delay in Construction: The Media School was supposed to become operational by September 2001, but there has been considerable delay in implementation. BAGFL is yet to finalise the selection of Architects, consultants, contractors etc. for construction of the Media School building. The delay has already caused accumulated interest on funds disbursed by financial institutions. Further, there has been opportunity loss of revenue to the Company due to non-completion of the Media School in time.

Media Education is not a Developed Concept: Major share of the Indian entertainment industry is still unorganised and there is a tendency to employ low cost untrained personnel. Due to this, media education is not that much developed concept in India compared to the developed countries.

Threats

Use of Plot: According to the terms and conditions of the lease deed, the plot was allotted to the Company for the purpose of constructing a building for running a Higher Secondary School and Vocational Institute, whereas the Company has decided to construct and running the Media School only, which can be treated as Vocational Institute. If the Company will not be able to get the approval of the Greater Noida Industrial Development Authority for construction and running the Media School only, the entire investment made on land including the construction thereon can be a loss for the Company.

Strong Competition: There are more than 30 media schools in the country and a few are under consideration. Although the most of them cater to niche areas, there is a possibility of strong competition in future.

Refusal for International Affiliation: In case the proposed affiliation with international school / institute of repute fails to fructify, it will rob the Media School of its competitive advantage and would impact the marketability of the project.

Project III - Production of Feature Films

Weaknesses

Lack of Experience: The Company doesn't have any prior experience of producing a feature film. Production of feature films is considerably a different business line altogether compared to the existing business line of the Company.

Production of Feature Films is Merely a Plan as on Date: The production of feature films is merely a plan as on date, since the Company has only selected two books for the story of feature films to be produced by it and work on conversion of one of the book into a screenplay has been started. Except this progress, only negotiations have been started with the proposed Director, Co-producer, Leading Star Cast, etc. The final selection of the entire production team will depend upon the availability of the right people, which is very uncertain. This can cause adverse delay in the production of feature films.

Funding: Funding of the production of feature films will be out of the proceeds of IPO. Delayed IPO/unsuccessful IPO will adversely impact the production process.

Threats

Uncertainty of Success: There is no success formula for a feature film; even a movie with all the right combination of good star cast, good director, good songs, good locations may flop.

Lack of Professionalism: The Indian Film Industry is largely unorganized and there is a marked lack of professionalism.

Structural Deficiencies: The industry is plagued by serious issues such as Piracy and unwieldy tax system (entertainment tax, show tax, etc.) resulting in revenues losses.

Highly Competitive: Indian film industry is one of the highly competitive industries, where almost 800 feature films are produced in a year. This competition may pose difficulties for the new entrants.

COST OF PROJECT AND MEANS OF FINANCE

During March 2001, IDBI and UTI had part-funded the Company's project for setting up of the Convergence Studio Complex (Project I) and the Media School (Project II) aggregating to Rs. 2,990 Lacs.

The Company had agreed with IDBI and UTI that it would go for an IPO of its equity shares and would convert the convertible debentures of IDBI and UTI into Equity Shares at a 10% discount to the IPO price, including the interest compounded thereon.

Since then, the Company has partly implemented its Convergence Studio Complex and Media School projects.

To fulfill the commitment given to IDBI & UTI for an IPO, the Company decided to launch its IPO with a diversification into Production of Feature Films, so as to keep pace with the leading players in this field. The IPO funds would also be available to part finance the Convergence Studio Complex and Media School Project. For launching the IPO, the following decision were taken:

- Conversion of FCDs of IDBI & UTI into Equity Shares
- To take disbursement of Rupee Term Loan sanctioned by IDBI
- Redemption of OFCDs of Rs. 200 Lacs allotted to IDBI and
- Cancellation of balance OFCDs of Rs. 200 Lacs from IDBI

The Company had revised the Cost of Project and Means of Finance accordingly.

IDBI also reviewed the Convergence Studio Complex and Media School Project and communicated the Revised Cost of Project and Means of Finance to the Company vide its letter dated 28.02.2003. According to the revised sanction letter of IDBI:

- The Company shall redeem the OFCDs of Rs. 200 Lacs allotted to IDBI in August 2002 and the proceeds of the redemption shall be applied to fully pay up the FCDs of Rs. 400 Lacs allotted to IDBI in March 2001, which are standing as partly paid up at principal value of Rs. 200 Lacs.
- The balance amount of OFCDs not availed by the Company; aggregating to Rs. 200 Lacs, stands cancelled.
- IDBI will disburse the term loan of Rs. 700 Lacs towards implementation of Convergence Studio Complex and Media School Projects as per the terms and conditions laid down in the said sanction letter.

IDBI has also conveyed its no objection to the Company for taking up the production of feature films subject to certain terms and conditions mentioned in the said letter and have also given its no objection for proposed IPO of the Company.

Cost of Project as approved by IDBI was changed further, to give effect of tax to be deducted by the Company on the interest payable on debentures, wherever applicable and that the interest on OFCDs was capitalized upto 31st March 2003 instead of 15th March 2003.

But, then UTI has imposed upon the Company some conditions vide its letter dated March 26, 2003, that call for an increased pay out in terms of the interest during construction period.

Finally, Fully Convertible Debentures of UTI and IDBI aggregating to Rs. 1,150 Lacs along with the interest compounded thereon aggregating to Rs.1,434.41 Lacs are being converted into equity shares as per the terms of issue and allotment of the said debentures and subsequent letters received from the institutions. IDBI will disburse the term loan of Rs. 700 Lacs towards implementation of Convergence Studio and Media School Projects as per the terms and conditions laid down in their letter dated 28th February 2003. IPO of Rs. 1,486 Lacs has been planned to part finance the Company's Convergence Studio Complex and Media School Projects, to finance the project for Production of Feature Films, to list the equity shares of the Company on the Stock Exchanges and to meet the cost of the issue.

Accordingly, the Company has further revised the Cost of Project and Means of Finance. The break-up of the utilization of IPO funds is as under:

| Particulars | (Rs. in Lacs) |
|--|-----------------|
| Production of Feature Films Project | 916.00 |
| Convergence Studio and Media School Projects | 436.00 |
| IPO & Listing Expenses | 110.00 |
| Marketing Exp. | 24.00 |
| TOTAL | 1,486.00 |

The said revised Cost of Project and Means of Finance was appraised vide an addendum to Appraisal Report dated April 04, 2003 as under:

REVISED COST OF PROJECT

| Particulars | (Rs. in Lacs) | | | |
|---------------------------------|----------------------------|--------------|---------------|--------------|
| | Convergence Studio Complex | Media School | Feature Films | Total |
| Land & Land Development Exp. | 437 | 155 | – | 592 |
| Buildings | 341 | 85 | – | 426 |
| Equipment | 562 | 238 | – | 799 |
| Other Fixed Assets | 64 | 23 | – | 87 |
| IVR Project | 15 | – | – | 15 |
| Preliminary & Preoperative Exp. | 268 | 120 | 134 | 523 |
| Contingencies & Escalation | 68 | 34 | – | 102 |
| Long Term Working Capital | 617 | – | 1,085 | 1,702 |
| Interest Capitalized | – | – | – | 279 |
| Total Cost of Project | 2,372 | 655 | 1,219 | 4,524 |

The original cost of project was assessed as Rs. 2,990 Lacs in March 2001, which was partly funded by IDBI and UTI. Subsequently IDBI reviewed the cost of the project in March 2003 and conveyed its no objection to take up feature films subject to certain terms and conditions. The project was then appraised vide appraisal report dated March 26, 2003, which was subsequently revised to Rs. 4,524 Lacs. The revised project included the new feature film project of Rs. 1,219 Lacs. KJMC Global Market (India) Ltd., who is one of the Lead Managers to the issue is not participating in the means of finance and thereby has no financial stake.

REVISED MEANS OF FINANCE

(Rs. in Lacs)

| Particulars | Total |
|-------------------------------|--------------|
| Internal Accruals | 290 |
| TERM LOAN (IDBI) | 700 |
| Equity (inclusive of premium) | |
| Promoters | 450 |
| IDBI (Conversion of FCDs) | 400 |
| IDBI (Conversion of Interest) | 54 |
| UTI (Conversion of FCDs) | 750 |
| UTI (Conversion of Interest) | 225 |
| IPO | 1,486 |
| Deposits from Distributors | 169 |
| Total Means of Finance | 4,524 |

The Production of Feature Film project has neither been financed nor appraised by the financial institutions.

The initial Cost of Project estimated during March 2001 was as under: -

(Rs. in Lacs)

| Particulars | Convergence Studio Complex | Media School | Total |
|--|----------------------------|---------------|-----------------|
| Land & Land Development Exp. | 384.70 | 145.70 | 530.40 |
| Buildings | 268.90 | 74.80 | 343.70 |
| Equipment | 561.80 | 237.50 | 799.30 |
| Other Fixed Assets / Vehicles etc. | 55.00 | 23.00 | 78.00 |
| Prelim. & Preoperative Exp. | 165.00 | 120.40 | 285.40 |
| Provision for Contingency | 90.70 | 0.00 | 90.70 |
| Long Term Working Capital and other misc. assets | 861.00 | 0.00 | 861.00 |
| | 2,387.10 | 601.40 | 2,988.50 |
| Total Cost | | Or say | 2,990.00 |

The Means of Finance were envisaged as under: -

(Rs. in Lacs)

| | |
|--|--------------|
| Fresh Equity from Promoters (including Premium) | 450 |
| Internal Accruals | 290 |
| 14% Fully Convertible Debentures (FCDs) from IDBI: | 400 |
| 14% Fully Convertible Debentures (FCDs) from UTI: | 750 |
| 14% Optionally Fully Convertible Debentures (OFCDs) from IDBI: | 400 |
| Debt-Rupee Term Loan from IDBI: | 700 |
| Total | 2,990 |

Under the Revised Cost of Project the Long Term Working Capital requirement of the Project has gone down from Rs. 861 Lacs to Rs. 617 Lacs as the assumptions underlying have been revised to include the synergies of production efficiency on

cost of production and thus on valuation of work in progress. The valuation policies have also been revised to comply with the company's new accounting policies and the mandatory accounting standards. As no working capital advances or cash credit facilities have been envisaged, the whole of the working capital requirement is being met from long-term sources.

The Long Term Working Capital requirements have been appraised by appraising bodies and are based on applicable accounting standards.

The Long-term Working Capital of Rs. 1,085 Lacs for Feature Films is towards the cost of two feature films, which will be produced but will not be released by the year end and will remain as closing stock in the books of accounts. In respect of Convergence Studio Complex, Long-term Working Capital of Rs. 617 Lacs is the whole of working capital requirement, which is being met from long-term sources, as no working capital advances or cash credit facilities have been envisaged.

The amount of interest capitalized includes interest of Rs.225.21 Lacs accumulated on FCDs of UTI worth Rs.750 Lacs (allotted on 28th March 2001) and Rs.59.29 Lacs accumulated on FCDs of IDBI worth Rs.200 Lacs (allotted on 28th March 2001). Thus, total interest aggregating to Rs.284.50 Lacs is now being converted into Equity Shares at 10% discount to the Issue Price i.e. Rs.9/- per share.

The above interest capitalized amounting to Rs.284.50 Lacs was not part of the initial appraised Cost of Project and has been borne due to delays on part of the Company to implement its projects.

As all the orders for equipments of Convergence Studio Complex have been placed in Indian rupees with Indian suppliers only, the Company is not exposed to foreign exchange risk from import of equipment. In case, the Company will place the orders for equipments of Media School with foreign suppliers in foreign currency, it will be exposed to foreign exchange risk from import of equipment.

AS CERTIFIED BY THE COMPANY'S AUDITOR, AS AT 30.06.03, THE COMPANY HAS DEPLOYED THE FOLLOWING FUNDS IN THE PROJECTS:

| Sr. No. | Application of Funds | (Rs. in Lacs) |
|---------|----------------------------------|-----------------|
| 1 | Equipment Purchased | 223.04 |
| 2 | Land, Development & Architects | 579.70 |
| 3 | Building | 83.69 |
| 4 | IVR Project | 9.54 |
| 5 | Pre-Operative Expenses | 140.14 |
| 6 | Advance For Equipment & Building | 288.19 |
| 7 | Increase in Working Capital | 413.03 |
| | | 1,737.33 |
| 8 | Balance in Hand (FDs) | 100.54 |
| | Total | 1,837.87 |

Means of finance for the funds deployed in the projects are as under:

| Sr. No. | Sources of Funds | (Rs. in Lacs) |
|---------|---------------------------------|-----------------|
| 1 | F.C.D.from UTI | 750.00 |
| 2 | F.C.D. from I.D.B.I | 200.00 |
| 3 | O.F.C.D from I.D.B.I | 200.00 |
| 4 | Promoters, Friends & Associates | 450.00 |
| 5 | Internal Accruals Deployed | 237.87 |
| | Total | 1,837.87 |

Note: During January 2001, Promoters and their Friends & Relatives have invested Rs.450 Lacs as promoters' contribution, which has already been deployed as explained hereinabove.

There are no "bridge loans" from any bank taken by the Company for any purpose whatsoever or for the proposed project.

THE YEAR WISE BREAK UP OF PROPOSED DEPLOYMENT OF FUNDS IS MENTIONED HEREUNDER:

(Rs. in Lacs)

| Convergence Studio Complex | | | | |
|-----------------------------------|---|-----------------|-----------------|--------------------|
| Particulars | Already Invested till 30.06.2003 | 31.03.04 | 31.03.05 | Grand Total |
| Land & Land Development Exp. | 425 | 12 | – | 437 |
| Buildings | 84 | 257 | – | 341 |
| Equipment | 188 | 324 | 50 | 562 |
| Other Fixed Assets | 35 | 29 | – | 64 |
| IVR Project | 10 | 5 | – | 15 |
| Preliminary & Preoperative Exp. | 140 | 116 | 12 | 268 |
| Contingencies & Escalation | – | – | 68 | 68 |
| Long Term Working Capital | 409 | 98 | 110 | 617 |
| TOTAL COST OF PROJECT | 1,290 | 842 | 240 | 2,372 |
| Advance Towards Equipments | 288 | (288) | – | – |
| Media School | | | | |
| Particulars | Already Invested till 30.06.03 | 31.03.04 | 31.3.05 | Grand Total |
| Land & Land Development Exp. | 155 | – | 0 | 155 |
| Buildings | – | 60 | 25 | 85 |
| Equipment | – | 60 | 178 | 238 |
| Other Fixed Assets | – | – | 23 | 23 |
| Preliminary & Preoperative Exp. | – | 100 | 20 | 120 |
| Contingencies & Escalation | – | – | 34 | 34 |
| TOTAL COST OF PROJECT | 155 | 220 | 280 | 655 |
| Feature Films | | | | |
| Particulars | Already Invested till 30.06.03 | 31.03.04 | 31.03.05 | Grand Total |
| Total Prelim. & Pre-Op. Exp. | | 75 | 59 | 134 |
| Long Term Working Capital | 4 | 700 | 382 | 1,085 |
| TOTAL COST OF PROJECT | 4 | 775 | 441 | 1,219 |
| INTEREST CAPITALIZED | | | | 279 |
| GRAND TOTAL | 1,737 | 1,548 | 960 | 4,524 |

Pending utilization the proceeds of the issue will be invested in Bank Deposits and or Gilt Edged Government Securities, either directly or through Government Security based funds, only.

V. DESCRIPTION OF INDUSTRY AND BUSINESS

INDIAN ENTERTAINMENT INDUSTRY

Entertainment has always occupied a prime position in the culture and social life of India. Indians are traditionally entertainment savvy. Right from traditional entertainment avenues of live performances – such as dramas, theatres, dance, folk performance etc. – to the jet-age entertainment mediums of satellite television, digital talkies, Internet etc. India has adopted all forms of entertainment and has included them in its vast culture.

The only available source of information about Entertainment Industry is the FICCI - KPMG Report on The Indian Entertainment Sector, which doesn't disclose the methodology of assessment. The classification of segments, industry size, segment size and other such figures are blurred. We have therefore refrained from use of segment and industry figures in the absence of reliable estimates.

The Industry experts broadly classify Indian Entertainment Industry into Films, Television, Radio, Music Sales, and Live Entertainment. During the last century, Cinema has generally dominated the entertainment industry. Films even today enjoy a strong viewer ship amongst the entertainment savvy Indian population. Television, which saw its advent in early 70's has since broken the virtual monopoly of Films and has penetrated the Indian households deeply.

Television & Films – The driving force for high growth

Amongst the various entertainment avenues, Television and Films continue their dominance in the Indian industry. With increasing usage of hi-tech production techniques and special emphasis on quality programming, Television and Films are expected to maintain their position of dominance over other entertainment avenues. However, between television and films also, television would be the more favoured Entertainment Avenue due to its position of being available 'in-house' and appealing to the mass diversified audience base. The great thing about television is that it is a means of entertainment, which can possibly be multitasked with other day-to-day activities and does not require special attention. With the growing information deluge and excessive competition on information acquisition and application, every person is overwhelmed with information and it's processing and has a severe shortage of time. This has lead to a state of continuous multitasking.

Indian Television, in the last one decade has already witnessed a flood of Satellite channels penetrating the Indian households, breaking the three decade long monopoly of the state run Doordarshan and capturing a major share of Indian viewership. Currently television reaches more than 50% of the total Indian population, with many of them receiving more than 50 Indian and foreign television channels. This would fuel a substantial growth in the overall television viewership in India and also amongst the cultural Indian population across the globe. With steady increase in its penetration and share of ad spend, television is expected to further secure its position in the media field.

Indian Television Software Industry

An Introduction:

Television software industry has seen good growth since 1985, when Doordarshan decided to go for commissioned and sponsored programs. The subsequent rise in the number of broadcasting channels, especially regional channels, resulted in a promising demand for television content. Various television software companies have been set up and programming genres such as news, current affairs, talk shows, soap operas, game shows, musical shows, etc. were established. Initially, the quality of content was not important, but the constant competition among broadcasting channels to retain their viewership, the television software companies has specialized themselves in specific genres. Television software companies are now investing in state-of-the-art technology and infrastructure to improve their production quality and for expanding the operations.

The growth in television viewership is expected to attract various new broadcasting channels in the Indian Territory besides consolidation of existing broadcasting channels. Higher viewership and penetration would also make television emerge as the most favoured avenue for Indian and foreign advertisers, thereby attracting national and international majors in the Indian television industry.

Recent developments in Indian Television Software Industry:

- Commissioned programs are becoming more popular.
- Per serial realization of commissioned programs is increasing for successful producers.
- All major Television software companies are investing in state-of-the-art technology and infrastructure.
- The small television software companies are finding it difficult to exist due to technological costs.

Major Problems of Indian Television Software Industry:

- Globalization of Indian Entertainment Industry
- Lack of Corporate Governance
- Lack of uniform accounting policies and practices
- Missing organized Industry Association for collective bargaining for the interests of the producers.

Future Scenario of Indian Television Software Industry:

- Big budget Television Content will dominate the channels
- Content will drive viewership
- Banks will fund television software companies for infrastructure and working capital requirements.
- Organized large and medium producers will survive.

Indian Film Industry

An Introduction:

Filmed entertainment is the most popular form of entertainment in India. The Indian film Industry is one of the largest film industries in the World, producing around 1000 films every year, which includes Hindi, Regional Language and dubbed foreign languages films.

Film production has developed into a sophisticated state-of-the-art process with the industry increasingly adopting digital technology. Indian Films are now days regularly screened at International film festivals and several films have even won awards.

It is difficult to exactly determine the size of the Indian Film Industry because unlike in the developed economies such as in the U.S. and the U.K., costs and revenues in India are not examined by any nodal agency. Therefore, the size of the Industry can be estimated using two different approaches, estimation of total costs and estimation of total revenue.

Recent developments in Indian Film Industry:

- The trend of corporatization is increasing.
- Film Insurance is becoming an established concept.
- A large number of multiplexes are being set up in various regions of the country.
- Indian Film Industry is adopting digital technology.
- Although with better film exhibition facilities, Box Office gross has been growing, box-office sales as a percentage of total film revenue is falling.

Major Problems of Indian Film Industry:

- Unorganized Sector
- Financing
- Professionalism
- Piracy
- Multiple taxes and high entertainment taxes
- Poor and inadequate exhibition infrastructure
- Right sizing of theatres
- Diversification
- Availability of trained manpower

Future Scenario of Indian Film Industry:

The Indian film industry has a strong growth prospective. Multiplexes, which will provide people with total entertainment experience, will attract more people into theatres. Availability of institutional finance and increasing adoption of digital technology will lead to more and better quality films for which viewers will be willing to pay. Film exports are also expected to increase gradually on account of demand from the NRI population. Measures such as strong and ruthless force against piracy, lowering entertainment tax rates and removal of restrictions on ticket pricing speed up industry growth. Once broadband Internet access becomes available in the country, the industry would be able to access new markets and new revenue streams from services such as video on demand, pay per view, etc. to grow faster.

Growing Demand for Trained and Qualified Professionals

Along with quality software, there exists a great need for trained and qualified technical professionals by the Indian television and film industry. This need arises from the fact that to build a competitive advantage and for production of quality software in times of rapid technological change, quality professionals are essential to execute critical activities in software production. This need for trained professionals provides a significant business opportunity for setting up an international standard Media School for imparting education and training in all the critical facets of software production, to meet the growing demand of the media industry.

Major Business Opportunities

- ◆ Increasing demand of quality software and trained & qualified professionals
- ◆ Demand for diversified program mix - Entertainment, film and film based programs, sitcoms, news and current affairs, game shows
- ◆ Demand and high scope for Software producers capable of producing technologically contemporary and viewer's demand driven programs.

- ◆ Increasing penetration of regional and niche channels in India.
- ◆ Increasing demand for organized and well equipped educational institutes and centers of excellence for imparting skills and nurturing talent

Growth Strategies

Software companies would require adopting the following strategies for ensuring long-term growth and continued existence in the television industry:

- ◆ Diversified Product Mix – Capability to produce a variety of programs including Entertainment, Infotainment, Film Based, News and Current Affairs, Educational programs, Game Shows, etc.
- ◆ Flexible programming methods – capable of adopting to changing viewer demands quickly and effectively
- ◆ Diversified Channel Mix – presence in Hindi, Regional and Niche Channels
- ◆ Launch of Film production to create a larger business platform
- ◆ Dedicated infrastructure facilities – to edge competition on cost, logistics and reduce external dependence
- ◆ Strong creative team and dedicated in-house research with close network with all major players of the industry – channels, artists, et al.
- ◆ Multi-tasking the infrastructure to produce, Films and Television Software and Value added videos.
- ◆ Better relationships with international film distribution and exhibition companies will help realize better revenues from the same products.

VI. DETAILS ABOUT THE COMPANY

History of the Company

B.A.G. Films was incorporated as B.A.G. Films Private Ltd. on January 22, 1993, at New Delhi and was converted into a public limited Company vide Special Resolution passed on 03.03.2001 and renamed as B.A.G. Films Limited on March 29, 2001. The Company is promoted by a team of core media professionals, having more than 15 years of experience in the Indian Media industry. With successful on-air programming of more than 1500 hours (more than 40 programs) in diversified software categories and strong relations across all major channels including Star Network, Zee Network, Sahara Television, Doordarshan (DD) and a host of regional channels, B.A.G. today stands out as a respected television software producer in the Indian entertainment industry.

B.A.G. Films started in 1993 with a talk show on Doordarshan called **Aaj Ki Baat** and then produced programs like **Green File** and **Awaam Ki Awaaz**.

In 1994 as the Cable & Satellite platform was evolving in India and private broadcasters commenced operations with Zee TV, B.A.G. Films produced long running and high quality programs like **Zaike Ka Safar** and **Ru-Ba-Ru** for **Zee TV**. Other programs which have been telecast on the **Zee Network** of channels are **Hit Thi Hit Hai**, **Do Aur Do Panch**, **Tum Pukar Lo**, **Ardhangini**, **Jugnu Kenda Hai (Punjabi)**, **Mon-niye (Bengali)**, **Shan-e-Punjab (Punjabi)**, and recently, **Sone-te-Suhaga (Punjabi)**. With these programs, B.A.G. Films partnered the takeoff of Cable & Satellite Television in India

In 1996, the **STAR TV** network noticed B.A.G. Films' programming and invited Anuradha to produce a three part series celebrating the 50th anniversary of Indian Independence. **INDIA AT 50: THE PARTY ANGLE**. This series was to pave the way for B.A.G. Films into STAR TV network. Since then B.A.G. Films has produced two election series for STAR TV, **POLL98** and **Y-Vote**. In 2000, B.A.G. Films produced **Chalti Ka Naam Antakshari** for Star TV, which became a landmark among musical game shows in the C&S Sector. The Program has run for over 100 telecasts (including some repeats) and has won "**The Best Musical Game Show**" award for the year 2002.

In 2002, B.A.G. Films started "**Kumkum - Pyara Sa Bandhan**" a four days a week Soap Opera in the afternoon ladies time band on **Star Plus**. The show is performing well and is the highest rated show in the afternoon band (based on indiantelevision.com's TV Ratings from TAM Service Weekly for the week 15/06/2003 to 21/06/2003).

B.A.G. Films' program **Haqeeqat** has long been the high rated show on the **Sahara Television** Channel and has won the **Best Director Award** at ITA Awards in India. It was one of the admired program in the "**Long Format Docudrama Category**" at the **Asian Television Awards** at Singapore.

B.A.G. Films has also produced "**Tedhe Medhe Sapne**" for **Channel Nine**, which continued till the Channel wrapped up its operation in India due to non-extension of its license by Doordarshan.

B.A.G. Films has experience of producing more than 40 on-air programs ranging from News, Chat shows, current affairs, Entertainment, Soaps, Audience based shows, Film based shows, infotainment etc. B.A.G. Films has already produced more

than 1500 hours of on-air software and has a footage library of more than 6,000 hours. B.A.G. Films' market presence extends to all major channels, including leading Hindi and regional channels. Major clientele includes Doordarshan, DD-Metro, DD-Regional, Zee, Zee-Regional, Star Plus etc. B.A.G. Films' list of popular programs includes, Ru-Ba-Ru (Zee), Picnic Antakshari (DD), Lets Talk (DD-Metro), Chalti ka Naam Antakshari (Star Plus), Rozana (DD-News & now on DD-Metro) and a host of other Hindi and regional programs.

Main Objects of the Company

The main objects of the Company as stated in the Memorandum are as under:

- I. To carry on the business of producers and processors of all type of documentary films, feature films and distributors of cinematography films and to do all the things necessary and expedient in connection with the business of the films.
- II. To carry on the business of makers, producers, renters, hires, processors of TV Serials and all types of other serials and programmes relating to public to public entertainment, science, education, sport, music, general knowledge for public, Government or any other authority or institution.
- III. To carry on the business of editing, photography, recording, re-recording and all other work related with the production and transmission of TV Serials, News Reels, other programmes on television, radio, on self owned or other private channels.
- IV. To carry on in India or elsewhere the business to produce, promote, project, participate, manufacture, manipulate, treat, process, prepare, alter, develop, expose, edit, exhibit, make, re-make, display, print, re-print, convert, duplicate, finish, buy, sell, run, import, export and to act as broker, agent, distributor, proprietor, copy right owners, video right owners, cinema studio owner, dance, music and other studio owners, jobs owner etc. of all kinds of video films, telefilms, news reels, slides in all languages prevailing in the world and do all other business related to Television Industry in General.
- V. To run, maintain, own and establish educational Institutes including media Schools and centers to impart training, technical know-how to the personal in the field of business referred in sub-clauses 1 to 4 referred herein above.

Present Business of the Company

At present, B.A.G. Films is mainly into production of TV Software for various channels in India. The Company also produces corporate and advertisement films, promotional capsules and other non-broadcast videos. The Company has also started work on alternative sources of revenue through delivery of content on different media such as Interactive Voice Response on mobile phones, Automatic Speech Recognition and Short Messaging Service platforms.

Details of Software Library

B.A.G. Films has a large library of video footage and finished programs, which it exploits, form time to time for additional revenues. The software library has been classified as "Resalable packaged programs" and "Footage Library". The following chart shows a brief of the contents of the library: -

Details of Finished Programs in Library (as of October 31, 2002):

| Sr. No. | Programme | Category | Episodes | Total Hours |
|---------|------------------|--------------|----------|-------------|
| 1 | Aaj Ki Baat | Commissioned | 13 | 6.5 |
| 2 | Awaam Ki Awaaz | Commissioned | 22 | 11 |
| 3 | Chunauti 96 | Commissioned | 17 | 8.5 |
| 4 | Dil Ki Baat | Commissioned | 22 | 11 |
| 5 | Do Aur Do Paanch | Commissioned | 68 | 34 |
| 6 | Green File | Commissioned | 26 | 2.1 |
| 7 | Hit Thi Hit Hai | Commissioned | 64 | 32 |
| 8 | India At 50 | Commissioned | 2 | 2 |
| 9 | Jugnu Kenda Hai | Commissioned | 107 | 53.5 |
| 10 | Lens Eye | Commissioned | 32 | 16 |
| 11 | Nishan | Commissioned | 87 | 43.5 |
| 12 | Rozana (Old) | Commissioned | 682 | 341 |
| 13 | Ru-Ba-Ru | Commissioned | 267 | 133.5 |
| 14 | Y-Vote & Poll 98 | Commissioned | 3 | 3 |

| Sr. No. | Programme | Category | Episodes | Total Hours |
|---|------------------------------|--------------|----------|----------------|
| 15 | Zaike Ka Safar | Commissioned | 233 | 116.5 |
| 16 | Ardhangini | Commissioned | 38 | 19 |
| 17 | Mon-niye | Commissioned | 61 | 30.5 |
| 18 | Shan-E-Punjab | Commissioned | 26 | 13 |
| 19 | Tara Rum Pum | Commissioned | 13 | 6.5 |
| 20 | Holi Di Thitoli | Commissioned | 2 | 2 |
| 21 | Designer's World | Sponsored | 42 | 21 |
| 22 | Khaberein Bollywood Ki | Sponsored | 128 | 64 |
| 23 | Rozana (New) | Sponsored | 73 | 36.5 |
| 24 | Let's Talk | Sponsored | 170 | 85 |
| 25 | Yehi Hai Right Pop | Commissioned | 52 | 26 |
| 26 | Haqeeqat | Commissioned | 77 | 38.5 |
| 27 | Birla Yamaha Hi Five | Sponsored | 56 | 28 |
| 28 | Colours of Cuisine | Sponsored | 58 | 29 |
| 29 | Colours of India | Sponsored | 44 | 22 |
| 30 | India Hi Five | Sponsored | 45 | 22.5 |
| 31 | India Top Ten | Sponsored | 11 | 5.5 |
| 32 | Picnic Antakshari | Sponsored | 58 | 29 |
| 33 | Chalti Ka Naam Antakshari | Commissioned | 98 | 98 |
| 34 | Pop Chart | Sponsored | 45 | 22.5 |
| 35 | Pop Scene | Sponsored | 26 | 13 |
| 36 | Traffic Jam | Sponsored | 1 | 1 |
| 37 | Welcome India | Sponsored | 26 | 13 |
| 38 | Social Message | Commissioned | 6 | 6 |
| 39 | Power Ministry Campaign Spot | Commissioned | 1 | 1 |
| 40 | Women Vs State | Commissioned | 1 | 1 |
| 41 | Gramin Bharat | Commissioned | 1 | 1 |
| 42 | Kumkum Pyara Sa Bandhan | Commissioned | 80 | 40 |
| 43 | Poo Villangu | Commissioned | 80 | 40 |
| TOTAL HOURS OF FINISHED PROGRAMS | | | | 1,528.6 |

Note: The Company does not have the rights to the Finished programs marked as "Commissioned", as all rights to such programs are with the client.

The Company also has Footage of more than 6000 hrs. in the Library.

Programs currently on Air:

| Programs | Channel | Day and Time | Duration |
|---|-------------------------------|--|----------|
| Haqeeqat | Sahara TV | Friday 8.00 PM | 30 mins. |
| Rozana | DD Metro | Daily 10:30 PM Monday-Friday (5 episodes a week) | 30 mins. |
| Khaberein Bollywood Ki | DD Metro | Thursday & Sunday at 7:30 PM repeated on Friday and Monday at 8:30 AM | 30 mins. |
| Kumkum – Pyara Sa Bandhan | Star Plus | 1.00 PM Monday to Thursday (4 episodes a week) | 30 mins. |
| Poo Villangu | Vijay TV | 1:30 PM Monday to Friday (5 episodes a week) | 30 mins. |
| Gramin Bharat (For the Ministry of Rural Development – Government of India) | DD1 and all regional channels | Non-periodic. Simultaneously produced in 11 languages. | 15 mins. |
| Hai Na Bolo Bolo Musical Game Show | Star Plus | Sunday, 11.00 A.M. | 60 mins. |

Programs in the Pipeline:

| Programs | Channel(s) | Frequency | Status | Duration |
|--------------------------------|---|---------------------------|---|----------|
| Safarnama | DD - Kashir | 5 episodes | Under production – Team is shooting in Kashmir | 30 mins. |
| Kitne Door Kitne Paas | DD 1 | Daily on Week days | Pilot Approved. Awaiting slotting | 30 mins. |
| Tamil – Daily (Not yet named) | Star Vijay | Daily on Week days | Subject approved, casting and screen play being discussed. NOTE: Being written by Peter Selvakumar, writer in Tamil | 30 mins. |
| Gharonda | DD – Kashir | 5 eps. | Proposal Approved. Awaiting work order. | 30 mins. |
| Food & Nutrition | Gyan Darshan | Documentary | Approved, awaiting work order. | 30 mins. |
| Kya Naam Doon Tujhe Zindagi | DDK Lucknow | 6 eps. | Under Shooting | 30 mins. |
| Gaate Raho Dot Com | DD 1 | Series | Approved for sponsored category. Under Pre-selling. | 30 mins. |
| Bano (Urdu) | Trying with Taj Television and some Cable Channels in Middle East | 5 days a week | 13 eps. Shot. | 30 mins. |
| Zindagi 52 Kms. (Punjabi) | DD-Kashir | Weekly | Pilot Shot. Proposal Filed. Awaiting approval. | 30 mins. |
| Human Rights (English) | Gyan Darshan | Complete Education Series | Proposal Filed | |
| Spot-Light Northeast (Hindi) | DDK- Guwahati | 13 episodes. | Proposal Filed | 30 Mins. |
| Bigyan Jagout (Assamese) | DDK-Guwahati | 13 eps. | Proposal Filed | 30 mins. |
| Health Matters (English/Hindi) | DD-Bharti | 13 eps. | Proposal Filed | 30 mins. |
| Bal Samachar (English/Hindi) | DD-Bharti | 13 eps. | Proposal Filed | 30 mins. |
| Wonder Science | DD-Bharti | 13 eps. | Proposal Filed | 30 mins. |

Other Work:

1. Corporate Films for projects of Gammon India in India - Completed.
2. Corporate Training Film for Glaxo SmithKline Beecham for their factory near Delhi – completed phase I.
3. Advertisement Film for DAVP (Department of Audio Video Productions), Government of India – Completed
4. Cuisine Video for National Panasonic Microwave Owens – Completed.

Other Work in Pipeline:

1. Working for extended episodes of Gramin Bharat for MRD.
2. Concept filed for Documentary on Indo Israel Relations for Ministry of External Affairs.
3. “Ghar Sansar” a game show for Doordarshan on joint or co-production basis. Under negotiations.
4. Negotiations with Star News channel (among other channels) are on for supply of various commissioned programmes including news-based programs

Other Non-Television Work:**New Media**

1. The Company started, in 2001, a special convergence service for the subscribers of Airtel phones in Delhi an Interactive Voice Response (IVR) based system for delivery of news and other content. The service is working fine,

and has been expanded to Airtel Networks in Mumbai, Chennai, Bangalore too. The service will soon be extended to other Airtel circles. This service is presently being provided by B.A.G Films in collaboration with ON-Mobile (an Infosys Company) and is being switched over to Automatic Speech Recognition (ASR) based systems.

2. A service for delivering Movie Information, Gossip and reviews service has been implemented in Airtel Delhi and work is on to convert the same to the On-Mobile platform for extending to other circles.

The reason for the Company to enter into this service was to face the challenge of convergence from inside. The first taste of convergence has been tried and the Company is, today, competent to deliver all kinds of content to wireless hand-held devices. Work is on with Reliance Info for creating dedicated video content for their new mobile phone network capable of handling streaming video.

This business, although presently very small, is expected to give the Company a presence in the wireless converged world of tomorrow.

SUBSIDIARIES OF THE COMPANY:

The Company does not have any subsidiaries.

VII. THE PROMOTERS & THEIR BACKGROUND

Mrs. Anuradha Prasad – Managing Director

Mrs. Anuradha Prasad, age 41, Managing Director of the Company, is a leading media personality. She has conceptualized, designed and anchored various shows for Doordarshan and private television channels.

In 1986 after completing her post graduation in Political Science, Ms. Anuradha Prasad started her career in the electronic media as Assistant Producer at PTI TV. She subsequently worked in various positions with the Observer Channel, and also headed the Observer Channel. She has also worked with Network East, department of BBC Network.

Working with top professionals of the industry, both national and international, Ms. Anuradha has produced, directed, conceived, scripted, reported and anchored many television programs. And most of these have been under the banner of B.A.G Films. Since its inception in 1993, under her capable leadership, the Company has grown tremendously. From strength of 12 personnel producing a single weekly program, today Company's strength is around 140 personnel.

Some of the programs associated with Ms. Anuradha are AAJ KI BAAT (a talk show aired on DD Metro), ROZANA (news magazine on DD News Channel and presently running on DD-Metro), ZAIKE KA SAFAR and RU-BA-RU (on Zee TV), Hindi film song based game show HAI NA BOLO BOLO and CHALTI KA NAAM ANTAKSHRI (on Star Plus), KUMKUM - PYARA SA BANDHAN (on Star Plus), KHABEREIN BOLLYWOOD KI (a film based infotainment show on DD-METRO), HAQEEQAT (series on human rights violation being aired on Sahara TV), etc.

She is married to Mr. Rajiv Shukla, senior journalist and Member of Parliament, the other Promoter-director of the Company.

Mr. Rajiv Shukla – Director

Rajiv, 46 years old, is a senior journalist, a well-known personality in the Media Industry and Member of Parliament (Rajya Sabha).

After completing his Masters in Economics and Bachelors in Law from Kanpur University, Rajiv Shukla started his career in journalism. After a humble start as a reporter in Northern Indian Patrika in Kanpur office in 1978-79, Rajiv has evolved to become the Senior Editor of Sunday Observer – a leading National News Magazine.

During 1980 – 83, Sub-Editor of Dainik Jagran, Kanpur and later became Bureau Chief, Dainik Jagran, Lucknow.

During 1983 – 85, Correspondent (Western U.P.), Jansatta Daily.

During 1985 – 88, Special Correspondent, Ravivar Magazine.

During 1988 – 92, Political Editor Sunday Magazine,

During 1992 – 1995, Executive Editor, Sunday Observer,

During 1995 - 2000, Senior Editor, Sunday Observer.

During the tenure of his journalism career, Rajiv has written several hundred articles in the newspaper. He is a well-known columnist; known column are 'POWER PLAY' and 'Front Foot', which appear in various newspapers including the Indian Express and Dainik Jagran.

Rajiv started as a television anchor with **Ru-Ba-Ru** – a weekly celebrity based chat show on ZEE TV produced by B.A.G. Films. Since then he has become a household name with anchoring and hosting TV programs produced by B.A.G. Films. This includes Nishan - a weekly issue based Politico-Social Discussion Show.

In 2000, he resigned his job in Observer to become a Member of Parliament – Rajya Sabha, where he serves the country in various standing and non-standing committees of the Parliament and the Government of India. He is also the convener of the Indo-US Parliamentary Forum and a member of the Board for Control Cricket in India (BCCI).

VIII. KEY MANAGERIAL PERSONNEL

| Name of the Key Personnel | Age Yrs. | Date of Joining | Qualification | Designation | Details of Previous Employment |
|---------------------------|----------|-----------------|------------------------------------|-------------------------------------|---|
| Rajesh Chadha | 32 | 01-06-1996 | B.Sc. , MBA | Head of Operations- Mumbai | <ul style="list-style-type: none"> ▪ Drishti India Ltd., Sr. Marketing Executive |
| Vinay Srivastava | 35 | 13-03-1995 | M.Com., LLB | Executive Producer - Delhi | <ul style="list-style-type: none"> ▪ Alok Jindal & Co., Accounts Clerk. ▪ S. Goel & Co. Accounts Clerk |
| Manish Moza | 31 | 13-08-2001 | B.Sc., PGDBM | General Manager- Marketing | <ul style="list-style-type: none"> ▪ Kay Communications Pvt. Ltd., Executive Producer ▪ CCIL Ltd., Head -Advertising & PR Cell |
| Seema Sharma | 26 | 01-11-2001 | B.A. (Hons.) Pol. Sc., GNIIT, MCSD | Manager – New Media & IT | <ul style="list-style-type: none"> ▪ NIIT Ltd., System Associate/Faculty ▪ Software Research Group Inc (USA), Analyst/Programmer ▪ Infocus Interactive Technology Pvt. Ltd., Software Engineer |
| Adarsh Rastogi | 34 | 10-04-1994 | B.Com | Chief Editor | <ul style="list-style-type: none"> ▪ Vision Creator, Editor |
| Jaivir Singh | 33 | 01-06-1998 | M.A. (Pol. Sc.) M. Lib. Sc. | Chief Librarian | <ul style="list-style-type: none"> ▪ Dr. Vijay Pal Library, Delhi, Librarian ▪ Inst. of Marketing Management, Delhi, Librarian |
| Gulab Makhija | 39 | 13-12-1994 | M.Com | Senior Manager – Accounts & Finance | <ul style="list-style-type: none"> ▪ Korbett Steels Pvt. Ltd., Manager- Manager - Accounts ▪ S. Tuli & Co., Chartered Accountants, Sr. Audit Incharge ▪ Farms Equipments & Machinery Co., Manager Accounts ▪ Joy Mukherjee & Associates, Chartered Accountants, Chief Audit Incharge. |
| Gorav Arora | 30 | 22-11-2001 | B.Com (H), ACS | Company Secretary | <ul style="list-style-type: none"> ▪ Omaxe Construction Limited, Company Secretary |

The management has been implementing corporatization of the enterprise and more and more professional managers are being employed to reduce the dependence on core promoters.

Brief profiles of key managerial personnel employed by B.A.G. Films are as under:

Rajesh Chadha

Head of Operations - Mumbai

Rajesh heads the Mumbai bureau. He is responsible for the programs that are produced in Mumbai. He is also in charge of the liaising with various channels and new programming. Rajesh brings in his experience in the television industry as well as marketing to his current assignment.

Vinay Srivastva

Executive Producer - Delhi

Vinay heads the entire Production Department of Delhi Office. He plans, schedules and executes programmes that are produced in Delhi. He works closely with the programming team headed by its respective directors and ensures quality levels for the programs that are rolled out of the Company. Vinay brings in his experience as an administrator and a finance person to his present job.

Manish Moza

General Manager - Marketing

Manish is the person who markets the programs Company produces. He liaises with clients outside to get a feel of the market requirements, and send a feedback to the programming department accordingly. Apart from marketing, Manish is also in charge of generating ads for Company's sponsored programs.

Seema Sharma**Manager - New Media & IT**

Seema Sharma, head of New Media initiative, is an MCSD in Information Technology, and is responsible for upcoming New Media Projects. Among the projects that Seema is right now involved with the Interactive Voice Response Project, which is being done in partnership with Bharti Cellular Ltd. Seema also heads the EDP department of the organization.

Adarsh Rastogi,**Chief Editor**

In-Charge of News and current affairs, Adarsh has the responsibility of research and editing news for the daily news show ' Rozana' and for other Chat shows. Adarsh has extensive experience in the Media industry for over 10 years.

Jaivir Singh,**Chief Librarian**

He is one of the few qualified librarians of the industry. He has to his credit a Masters Degree in Library and Information Science. Before joining B.A.G. Films, he was the librarian and information officer in the Institute of Marketing & Management.

He, besides the maintenance of the library, has also the responsibility of maintaining the stocks and up-dating the library bank.

Gulab Makhija**Sr. Manager- Accounts & Finance**

Gulab Makhija is a hands-on person as far as Finance is concerned. In charge of the Company's production and administrative costs and expenditure, Gulab does the job of a Finance controller.

Gorav Arora**Company Secretary**

Gorav Arora, Company Secretary, is in charge of Secretarial and legal Department of the Company. He is the Associated Member of Institute of Company Secretaries of India. He has also done NSE Certification in Financial Market with respect to Depository System from NSDL.

The Company is also availing services of following professionals who hold key positions in the day to day operations of the Company.

Avinash Mehrotra,**CEO**

Mr. Avinash Mehrotra, 39 years, has been appointed as the Chief Executive Officer of the Company with effect from 02-07-2000. Mr. Mehrotra is a qualified Chartered Accountant, with an experience of over 14 years in the areas of business management, strategic thinking and finance. He has been an active member of the Institute of Chartered Accountants of India and is a former Chairman of its Central India Regional Council (CIRC). He was also a Public Nominee to the Disciplinary Committee of the U.P. Stock Exchange for 1994-95. He was also a member of the Endowment Fund Management Committee of IIT, Kanpur.

Mr. S.C. Aggarwal**Business Development Consultant**

Mr. S.C. Aggarwal, is having more than 40 years of experience, out of which he is having about 14 years of experience in the areas of mass communication research and about 15 years in supervisory capacity in Doordarshan. He has handled department dealing with acquisition of feature films, sponsored programmes, international relations, international marketing of Doordarshan programmes and DD India – International Channel of Doordarshan.

Mr. Nalin S. Kohli**Business Advisor, International School of Media and Entertainment (iSOMES)**

Nalin, overall in charge of iSOMES Project, is a Postgraduate in Business Management from the FORE School of Management. He has scripted, produced and directed programs on a variety of subjects and styles including Documentaries, Corporate films, short duration Public Announcement Spots, programs on subjects of social importance, Art and Culture, Health and Fitness, Tourism Promotion among others. He was a Special Correspondent (Indian Subcontinent) MSNBC on the Internet, , which is a joint venture between Microsoft Corporation and NBC. He has also been a freelance stringer for ABC Radio (USA) for news stories from India. Nalin has also worked as Consultant, Ministry of Rural Development, Government of India with a rank of Joint Secretary upto July 2002.

As informed by the Company, there is no change in the key senior managerial personnel particularly in charge of production, planning, finance and marketing during the last one year.

BOARD OF DIRECTORS

Overall management of the Company is vested in the Board of Directors, which comprise of the following five members:

| Name, Address, Age and Occupation | Other Directorships |
|---|---|
| Ms. Anuradha Prasad, 41 yrs Chairperson and Managing Director C 1/2, Amrita Shirgill Marg, Lodhi Garden, New Delhi-110039 Business | Anu Films and Communications Pvt. Ltd. Cineasia Entertainment Pvt. Ltd. B.A.G. Infotech Pvt. Ltd. |
| Mr. Rajiv Shukla, 46 yrs Director C 1/2, Amrita Shirgill Marg, Lodhi Garden, New Delhi-110039 Member of Parliament, Rajya Sabha | Anu Films and Communications Pvt. Ltd. Cineasia Entertainment Pvt. Ltd. FCL Technologies and Products Ltd. B.A.G. Infotech Pvt. Ltd. |
| Mr. Bhupindar Singh, 64 yrs Nominee Director of IDBI K-43, Kailash Colony, New Delhi-110048 Business | Amulet International Pvt. Ltd. SMW Entertainers Pvt. Ltd. Amulet Marketing & Services Pvt. Ltd. Swosti Plaza Ltd. |
| Mr. Surendra Singh, 66 yrs Director E-87, Pashchimi Marg, Vasant Vihar, New Delhi-110 057. Retired IAS Officer | CMC Ltd. NIIT Ltd. West Bengal Power Development Corporation Ltd. UTI Bank Ltd. Jubilant Organosys Ltd. |
| Dr. Vinayshil Gautam, 57 yrs Nominee Director of UTI C/o. Management Department, IIT, Hauz Khas, New Delhi – 110 016. Teaching | JK Industries Ltd. UTI Asset Management Company Pvt. Ltd. |

IX. DETAILS ABOUT THE PROJECTS

B.A.G. Films has embarked on the following projects:

Project I: Development of in-house production facilities, including a full-fledged Convergence Studio Complex with state-of-the-art digital equipment and all necessary peripheral infrastructure.

Project II: Setting up of a media School under the banner of iSOMES, having international affiliation and state-of-the-art facilities for creative and technical media professionals.

Project III: Production of low and middle budget Feature Films.

LOCATION OF THE PROJECT:

CONVERGENCE STUDIO COMPLEX

The Convergence Studio Complex project is located at the NOIDA Film City. NOIDA Film City today hosts offices of various channels & production houses and lacks a proper large format film studio for shooting game shows and other television shows. B.A.G. Films' Convergence Studio Complex will have one of the largest studio floors for shooting television shows in the area. It will be fully equipped with state-of-the-art equipment. Infrastructure is being created to provide 100% power backup and air conditioning and a complete setup for production and post-production at one location. B.A.G. Films also proposes to have at the same location its own office complex providing administrative manpower to productions from companies or producers who want to use Company's studio for their programs.

MEDIA SCHOOL

The Media School is proposed to be located in Institutional Area in Greater Noida Town, a half-an-hours drive from New Delhi via the new 8-Lane expressway. Greater Noida is developed on international standards. Already many Management Schools and Engineering Colleges have opened shop in Greater Noida. The Company has already acquired 6 acres of land in the area and land development is in progress. Being just about 15 minutes from the Company's Studio & Office Complex, the property is synergistically connected to Company's main project.

PRODUCTION OF LOW AND MIDDLE BUDGET FEATURE FILMS

For production of feature films, no particular location is required. The location for production of feature film is decided based on the story of the feature film.

PLANT AND MACHINERY, TECHNOLOGY, PROCESS, ETC.

CONVERGENCE STUDIO COMPLEX

The following major equipments are required to be bought by the Company for Convergence Studio Complex, for which the Company had received the following quotation dated 15.12.2000 from M/s. Shaf Broadcast Equipment Ltd.:

(Rs. in Lacs)

| | Particulars | Nos. | Cost per Unit | Total Value |
|----------|--|------|---------------|---------------|
| A | VIDEO EQUIPMENTS | | | |
| | SONY make Betacam SX digital cameras, Sachler tripods, set of lenses including 16X lenses, digital control camera unit, remote control panels and joysticks, view finders, picture monitors for CCU, Wave form monitors, camera cables, dollies and other essential accessories like test charts, camera alignment chart etc. Sets | 5 | 32.00 | 160.00 |
| | Component digital video switcher with chroma keyer, special effects and DSK,DVE interface as well as control panel and control cables | 1 | 18.00 | 18.00 |
| | Digital Video Effects | 1 | 12.00 | 12.00 |
| | Production Control 9" colour picture monitors (6nos), preview output and end control precision picture monitors, W.F.M., and Vectorscope | 1 | 12.00 | 12.00 |
| | Menu monitor for DVE, Character generator and preview | 1 | 1.00 | 1.00 |
| | VDA/ VE/ Patch panels / processing amplifiers, test signal generator, Sync pulse generator, equipment racks. | 1 | 6.00 | 6.00 |
| | Serial digital interfaces, ADC, DAC, cabling & connectors | 1 | 2.00 | 2.00 |
| | TOTAL(A) | | | 211.00 |
| B | AUDIO EQUIPMENT | | | |
| | Microphones(20 nos.) assorted including 2 nos. of R.F. Microphones. | 1 | 12.00 | 12.00 |
| | Audio mixers 32 channel with digital rev. unit | 1 | 7.00 | 7.00 |
| | Audio playback systems such as tape, cassettes, C.D., conventional disc. | 1 | 2.00 | 2.00 |
| | Amplifiers, Distribution Amplifiers, Programme Amplifiers | 1 | 5.00 | 5.00 |
| | Total (B) | | | 26.00 |
| C | STUDIO LIGHTING / FITTINGS AND MOVEMENTS | | | |
| | Computer Light control System with mimic display | 1 | 20.00 | 20.00 |
| | Dimmers & Rackers | 22 | 0.40 | 8.80 |
| | Light Fittings (75 nos.) 500W, 1Kw, 2Kw, 5 Kw | 1 | 8.00 | 8.00 |
| | Self Climbing Hoists and telescopes 48 hoists , 20 telescopes | 1 | 22.70 | 22.70 |
| | Cabling, Control Panels, Connectors and other hardware | 1 | 5.00 | 5.00 |
| | Cyclorama, Curtain and Mounting Hardware | 1 | 3.00 | 3.00 |
| | Total (C) | | | 67.50 |

| | Particulars | Nos. | Cost per Unit | Total Value |
|----------|---|-------|---------------|---------------|
| D | OTHER EQUIPMENTS | | | |
| | Digital Betacam recorder with Analogue compatibility similar to Sony DVW- A500P | 2 | 22.00 | 44.00 |
| | 14" colour picture monitor (4 nos.) with one precision colour picture monitor with digital interface and digital component waveform monitor | 1 set | 9.00 | 9.00 |
| | Digital assignment switcher with 10 inputs and 4 outputs for both audio & video including control panel and control cable | 1 | 10.00 | 10.00 |
| | Total (D) | | | 63.00 |
| E | EDIT MACHINES | | | |
| | Velocity Machines | | | |
| | A/B Roll editing system with three machine operation, video switcher, digital effects, C.G., colour corrector, colour monitors Wave-form monitors, cabling & consoles etc. | 1 | 40.00 | 40.00 |
| | Non Linear post production suite Edit station and one digital betacam recorder.(one for Mumbai) | 4 | 21.00 | 84.00 |
| | Total (E) | | | 124.00 |
| F | GRAPHICS MACHINES | | | |
| | Video graphics work station for paint, animation of type Quantal paint box or silicon graphics IRIS system with digital store on M.O.D. and hook up with digital beta recorder. | 1 | 68.00 | 68.00 |
| | Total (F) | | | 68.00 |
| G | CABLING, CONNECTIONS & INSTALLATION | | 2.30 | 2.30 |
| | Total Equipments (A+B+C+D+E+F+G) | | | 561.80 |

The purchase order for the above equipment has been placed with M/s. Shaf Broadcast Equipment Ltd. on 24.12.2000. The order was placed based upon the track record of the supplier for turnkey projects of similar nature.

The Company paid an advance of Rs. 350 Lacs to M/s. Shaf Broadcast Equipment Ltd.. The order placed with M/s Shaf Broadcast Equipment India Ltd. was for turnkey supply of all necessary equipment and incorporates a clause to the effect that the Company has the right to replace individual items of equipment with the latest models being offered by the manufacturing company. The delay in supply of equipment has been due to delay in completion of the building and not due to a default on the part of Shaf Broadcast Equipment Ltd..

The status of deliveries of equipment as on 30.06.03 is as under:

| | | | | (Rs. in Lacs) |
|---------|---------------------------------------|---------------|---------------------------|-----------------------------|
| SR. NO. | PARTICULARS | PROJECTED | DELIVERED AS ON 30.6.2003 | BALANCE YET TO BE DELIVERED |
| A | Video equipments | 211.00 | 47.44 | 163.56 |
| B | Audio equipments | 26.00 | — | 26.00 |
| C | Studio lighting, fittings & movements | 67.50 | — | 67.50 |
| D | Other equipments | 63.00 | 1.53 | 61.47 |
| E | Edit machines | 144.00 | 136.81 | 7.19 |
| F | Graphics machines | 48.00 | 4.21 | 43.79 |
| G | Cabling, Connections & Installation | 2.30 | — | 2.30 |
| | TOTAL EQUIPMENTS | 561.80 | 189.99 | 371.81 |

There is no need for reworking of the equipment specifications and costs on account of delay in procurement, as M/s. Shaf Broadcast Equipment Ltd. is still agreed to supply all the equipment at the quoted price only

The whole project was delayed first due to the late availability of the appropriate land and then later on for lack of release of funds from IDBI. As per the revised schedule, the delivery and installation of equipment was to be completed by 31.07.2003, but M/s. Shaf Broadcast Equipment Ltd. has not been able to complete their deliveries and installation because of further delay in completion of the building due to shortage of funds.

The advance from M/s. Shaf Broadcast Equipment Ltd. could not have been recovered pursuant to delays in implementation of projects, as the delays were on Company's part and not on supplier's part.

The suppliers have been instructed and have agreed to deliver and install the equipment on dates as per the implementation schedule. As per the Implementation Schedule the delivery and installation shall be completed by May 31, 2004:

Except for Sony Beta Recorders, which are no more sold in the Beta Format as Sony International has shifted manufacturing to Digi-beta standard, but the Indian Television Industry continues to use Beta as the dominant standard, no other equipment has been purchased or is proposed to be purchased second hand. In the last three years, the Company purchased two Second hand Sony Beta Broadcast Series 75P recorders, costing in the aggregate Rs. 15 Lacs. The residual life of these machines is over 5 years and all spares, maintenance etc. are available through authorized dealers.

MEDIA SCHOOL

The following major equipment is required to be bought by the Company for Media School:

| Particulars | Nos. | Cost per Unit (in Rs.) | Total (Rs. in Lacs) |
|---|-------------|-----------------------------------|--------------------------------|
| Hi-8 Cam corders with accessories | 2 | 3,00,000 | 6.00 |
| 1 SONY make Betacam SX digital cameras, Sachler tripods, set of lenses including 16X lenses, digital control camera unit, remote control panels and joysticks, view finders, picture monitors for CCU, Wave form monitors, camera cables, dollies and other essential accessories like test charts, camera alignment chart etc. | 1 | 32,00,000 | 32.00 |
| Studio Lighting | | | |
| Dimmers & Racks | 15 | 40,000 | 6.00 |
| Light Fittings (25 nos.) 500 W, 1KW,2KW, 5KW | 1 | 3,00,000 | 3.00 |
| Cabling, Control Panels, Connectors and other hardware | 1 | 2,50,000 | 2.50 |
| Cyclorama, Curtain and mounting hardware | 1 | 1,00,000 | 1.00 |
| A/B Roll editing system with three machine operation, video switcher, digital effects, C.G., colour corrector, colour monitors Wave-form monitors, cabling & consoles etc. | 2 | 40,00,000 | 80.00 |
| Video graphics work station for paint, animation of type Quantal paint box or silicon graphics IRIS system with digital store on M.O.D. and hook up with digital beta recorder. | 2 | 48,00,000 | 96.00 |
| 35 mm slide projectors | 2 | 25,000 | 0.50 |
| VHS VCR with color picture monitors | 4 | 30,000 | 1.20 |
| Writing Boards | 8 | 5,000 | 0.40 |
| Color picture receiver monitors | 6 | 15,000 | 0.90 |
| VCD/ DVD Player | 2 | 20,000 | 0.40 |
| Dish antenna | 1 | 2,00,000 | 2.00 |
| Air Conditioners | 8 | 50,000 | 4.00 |
| Sound Systems | 2 | 30,000 | 0.60 |
| Cable, Connectors and other miscellaneous items | lot | | 1.00 |
| | | Total Cost | 237.50 |

The orders for the above equipments / machines have not been placed as the building is not ready. The orders shall be placed in time as per the implementation schedule. As most of the machines in this project are common with the Convergence Studio Complex project, separate quotations have not been taken for these machines. Other costs are based on prevailing market estimates.

No second hand machinery is proposed to be bought for the Media School Project.

PRODUCTION OF LOW AND MIDDLE BUDGET FEATURE FILMS

For production of feature films, the Company doesn't propose to purchase any equipments or machinery, as most of the equipments, which are used for production of television software, will be multitasked for production of feature films also. Rest of the equipment like cameras, etc. will be hired.

COLLABORATION, ANY PERFORMANCE GUARANTEE OR ASSISTANCE IN MARKETING BY THE COLLABORATORS

INTERNATIONAL AFFILIATION

To operate the Media School on an international standard and to enable the students to get insight into international production practices, BAGFL had initiated discussions with major international media Schools for affiliation with iSOMES.

The Company signed a "Memorandum of Understanding" dated 20th May 2003 with the School of Journalism, a part of the University of Missouri at Columbia, United States of America (also known as 'Missouri School of Journalism'), which states the intention of the two parties to affiliate the Company's International School of Media and Entertainment Studies.

The school is regularly ranked at the top of the Gourman Report rankings, which attempt to rank the United States of America's best academic programs in various disciplines. Each year, Missouri students win national contests - some even in competition with working professionals.

Missouri School of Journalism has a faculty of more than 80 full-time experts.

The Missouri School of Journalism has expressed its interest in exploring ways to advise, consult and collaborate with iSOMES. The areas of advice and consultation could include subjects such as curriculum, teaching methodologies, information resources, professional development and faculty processes. In pursuit of a long-term working relationship between the institutions, the future areas of collaboration could include visiting faculty and student exchanges as well research and professional development opportunities.

The Company and the School of Journalism, University of Missouri - Columbia are in the process of working out the details of the long-term working relationship.

As per the MoU entered into between the parties, representatives of the Missouri School of Journalism will visit iSOMES in October 2003 and study the feasibility of the collaboration together with representatives of iSOMES and present two the two institutes a report laying out the strategy and methodology of starting the school.

Once the report is ready, the faculty recruitment and training will begin and course design will be finalized.

The main advantages envisaged by such an affiliation are:

- Form a key marketing feature for the School and immediate visibility
- Provide the students an international exposure through exchange programs, international guest faculty and international standard curricula
- Enable selection of best of talented faculty for the School

The two senior academicians of School of Journalism, University of Missouri – Columbia, Mr. Roger Gafke, Professor of International Programs and Prof. Phill Brooks, Director, State Government Reporting Program, have already agreed to join the Advisory Board of iSOMES.

Mr. Roger Gafke, since joining the faculty of Missouri School of Journalism in 1968, have participated in virtually all aspects of the university's advancement program with an emphasis on program development and evaluation. His roles have included:

- Chairman of his academic department (1980-82 and 1995-2000)
- Associate dean (1982-1984)
- Acting dean (1983)
- Vice chancellor for development, university and alumni relations (1984-1994)
- Executive director of the Accrediting Council on Education for Journalism and Mass Communications (1983-1985)

- Coordinator of the Missouri Humphrey Program — host for broadcasters from developing countries who spend an academic year at our school (2000-present)

He also holds professional accreditation from the Association of Fundraising Professionals and from Langevin Learning Services. Before joining the journalism faculty, he served as a radio news director, newspaper city editor, public information officer for the U.S. Air Force and political science instructor. He received bachelor of journalism and master of arts degrees from the University of Missouri.

Prof. Phill Brooks is director of the Missouri School of Journalism's State Government Reporting Program, where newspaper and broadcast students work in the school's first converged newsroom. He has been a statehouse reporter since 1972 — making him the dean of the Missouri statehouse press corps. Prior to joining the faculty, Brooks had been the Congressional reporter for National Public Radio and morning news editor for Time-Life Broadcast in Denver. Brooks has consulted on computing in journalism in the United States of America and Europe for a variety of newsrooms and computing firms, including IBM. He designed and programmed the world's first newspaper microcomputer network city desk system. He continues managing the multi-media Web site on state government news.

Professor Aires Vaz of the University of Navarra, Spain, has also agreed to join the Advisory Board of iSOMES. Since, 1975, when Prof. Vaz was appointed Associate Dean for Administration of the School of Journalism of the University of Navarra, he has been actively involved in the education of media practitioners. Currently, he directs an international programme, "Programa Balboa para periodistas Iberoamericanos", aimed at Latin American journalists.

In the unlikely event of the affiliation with Missouri School of Journalism not materializing, the Company will consider other good names in the Industry for International Affiliation.

The Company has made a provision for 100% captive electricity through DG Sets in both the projects i.e. Convergence Studio Complex and Media School. The water requirement for operations of the projects is insignificant and does not have an impact on the performance. Therefore, the Company plans to apply for power and water supply for the projects in due course.

For Production of Feature Films Project, water and electricity requirement for operations of the project is insignificant and does not have an impact on the performance.

THE SCHEDULE OF IMPLEMENTATION OF ALL THE PROJECTS IS AS FOLLOWS:

Convergence Studio Complex

| Activity | Earlier Start Date | Current Start Date | Earlier Target Date | Current Target Date | Remarks |
|--|--------------------|--------------------|---------------------|---------------------|--|
| Acquisition of Land | | N.A. | Completed | Completed | N.A. |
| Building | 14-12-2002 | 14-12-2002 | 30-06-2003 | 31-03-2004 | Delayed due to delay in IPO and release of funds towards the building. |
| Interiors, Finishing and Equipment Fitting | 01-06-2003 | 01-04-2004 | 31-07-2003 | 31-05-2004 | — do — |
| Delivery of Equipment and installation | Started in parts | N.A. | 31-07-2003 | 31-05-2004 | — do — |
| Testing and Commissioning of the Studio | 01-08-2003 | 01-06-2004 | 30-09-2003 | 30-06-2004 | — do — |
| Commence of Business in the Studio | | | 30-09-2003 | 30-06-2004 | — do — |

Media School

| Activity | Earlier Start Date | Current Start Date | Earlier Target Date | Current Target Date | Remarks |
|--|--------------------|--------------------|-------------------------|-------------------------|--|
| Acquisition of Land Building | 01-06-2003 | 01-12-2003 | Completed 31-12-2003 | Completed 31-05-2004 | Delayed to delay in IPO and release of funds |
| Interiors, Finishing and Equipment Fitting | 01-01-2004 | 01-06-2004 | 29-02-2004 | 31-07-2004 | — do — |
| Equipment Delivery and installation | 01-02-2004 | 01-07-2004 | 29-02-2004 | 31-07-2004 | — do — |
| Testing and Commissioning of Equipment | 01-02-2004 | 01-08-2004 | 31-03-2004 | 15-08-2004 | — do — |
| Finalization of Syllabus & curriculum | 01-10-2002 | 01-10-2002 | 31-05-2003 | 31-01-2004 | Delayed due to delay in signing MoU with Missouri School of Journalism |
| Finalization of Courses being launched in First Year | 01-05-2003 | 01-05-2003 | 31-05-2003 | 31-01-2004 | — do — |
| Appointment of Dean | 01-05-2003 | 01-10-2003 | 31-07-2003 | 31-11-2003 | — do — |
| Appointment of Permanent Faculty | 01-05-2003 | 01-11-2003 | 31-07-2003 | 31-01-2004 | — do — |
| Finalization of International Associate | 01-07-2002 | 01-07-2002 | 31-07-2003 | 31-07-2003 | Completed |
| Issue of Prospectus to Students | 01-08-2003 | 01-06-2004 | 10-08-2003 | 10-08-2004 | Delayed due to delay in signing MoU with Missouri School of Journalism |
| Selection and admission of Students | 10-08-2003 | 10-08- 2004 | 14-08-2003 | 14-08-2004 | — do — |
| Commence of First Session | | | 16-08-2003 | 16-08-2004 | — do — |

Feature Films

| First Feature Film | | | | | |
|---|--------------------|--------------------|---------------------|---------------------|--|
| Activity | Earlier Start Date | Current Start Date | Earlier Target Date | Current Target Date | Remarks |
| Work on selection of story | 01-11-2002 | 01-11-2002 | 07-12-2002 | 07-12-2002 | Completed |
| Acquisition of Rights of the Story | 10-12-2002 | 10-12-2002 | 10-12-2002 | 10-12-2002 | Completed |
| Script & Screenplay Writing | 01-01-2003 | 01-01-2003 | 15-04-2003 | 30-11-2003 | Delayed due to delay in IPO and release of funds |
| Finalization of core team, viz., Director, Executive Producer, Script & Screenplay Writer, major lead stars, etc. | 03-03-2003 | 03-03-2003 | 31-05-2003 | 31-10-2003 | — Do — |
| Finalization of other pre-production details | 16-04-2003 | 01-11-2003 | 31-05-2003 | 31-12-2003 | — Do — |
| First Schedule Shooting | 09-06-2003 | 01-02-2004 | 27-07-2003 | 15-03-2004 | Delayed as cannot shoot in Winters in France. |
| Second Schedule Shooting | 18-08-2003 | 01-04-2004 | 30-09-2003 | 15-04-2004 | — Do — |
| Post Production | 01-10-2003 | 01-04-2004 | 30-11-2003 | 31-05-2004 | Cumulative Delay |
| Marketing | 15-11-2003 | 01-04-2004 | Christmas, 2003 | 31-05-2004 | Cumulative Delay |
| Release | | | Christmas, 2003 | 01-06-2004 | Cumulative Delay |

Second Feature Film

| Activity | Earlier Start Date | Current Start Date | Earlier Target Date | Current Target Date | Remarks |
|---|--------------------|--------------------|---------------------|---------------------|------------------|
| Work on selection of story | 01-02-2003 | 01-02-2003 | 28-02-2003 | 28-02-2003 | Completed |
| Acquisition of Rights of the Story | 01-03-2003 | 01-03-2003 | 15-04-2003 | 15-04-2003 | Completed |
| Script & Screenplay Writing | 16-04-2003 | 16-04-2003 | 30-06-2003 | 30-06-2003 | Completed |
| Finalization of core team, viz., Director, Executive Producer, Script & Screenplay Writer, major lead stars, etc. | 15-06-2003 | 15-06-2003 | 31-08-2003 | 30-09-2003 | Minor delays |
| Finalization of other pre-production details | 16-08-2003 | 16-08-2003 | 31-08-2003 | 30-09-2003 | Minor delays |
| First Schedule Shooting | 09-09-2003 | 15-12-2003 | 31-10-2003 | 31-01-2004 | Cumulative Delay |
| Second Schedule Shooting | 12-11-2003 | 15-02-2004 | 23-12-2003 | 15-03-2004 | Cumulative Delay |
| Post Production | 01-01-2004 | 01-02-2004 | 28-02-2004 | 30-04-2004 | Cumulative Delay |
| Marketing | 15-02-2004 | 01-03-2004 | Mid March, 2004 | 31-05-2004 | Cumulative Delay |
| Release | | | Mid March, 2004 | 01-06-2004 | Cumulative Delay |

Third Feature Film

| Activity | Earlier Start Date | Current Start Date | Earlier Target Date | Current Target Date | Remarks |
|---|--------------------|--------------------|---------------------|---------------------|---------------------------------------|
| Work on selection of story | 01-05-2003 | 01-05-2003 | 15-06-2003 | 31-10-2003 | Slowed due to delay in other projects |
| Acquisition of Rights of the Story | 20-06-2003 | 01-11-2003 | 30-06-2003 | 15-11-2003 | — Do — |
| Script & Screenplay Writing | 16-07-2003 | 16-11-2003 | 30-09-2003 | 13-12-2003 | — Do — |
| Finalization of core team, viz., Director, Executive Producer, Script & Screenplay Writer, major lead stars, etc. | 01-09-2003 | 16-11-2003 | 10-12-2003 | 31-12-2003 | — Do — |
| Finalization of other pre-production details | 25-11-2003 | 1-12-2003 | 10-12-2003 | 31-01-2004 | — Do — |
| First Schedule Shooting | 15-12-2003 | 01-06-2004 | 31-01-2004 | 31-07-2004 | — Do — |
| Second Schedule Shooting | 15-02-2004 | 01-09-2004 | 31-03-2004 | 30-09-2004 | — Do — |
| Post Production | 05-04-2004 | 01-08-2004 | 31-05-2004 | 01-11-2004 | — Do — |
| Marketing | 15-05-2004 | 01-10-2004 | Mid June, 2004 | Christmas, 2004 | — Do — |
| Release | | | Mid June, 2004 | Christmas, 2004 | — Do — |

Land has been acquired, Orders for the plant and machinery have been placed, some part of the plant and machinery as was related to augmenting present production capacities, has already been delivered and deployed. The construction of building for Convergence Studio Complex is on and will be completed as per the revised schedule of implementation. As the Company is already in business and production, trial production, commercial production, etc. is not applicable to the Company.

THE PRODUCTS

- i. The Company produces TV Serials, advertisement films and other Value Added Videos, which are used by broadcasters and corporate customers.
- ii. B.A.G. Films' business focus is mainly on two entertainment activities - Television Software & Feature Films. The market of these two activities in India has been described in the following paragraphs.

GROWTH IN TELEVISION MEDIA

Industry experts estimate that television would contribute nearly 50% share of the total Entertainment Industry in India (Source: Published Report of FICCI – KPMG on The Indian Entertainment Sector). One of the major reasons attributing to the growth of television penetration in the Indian households is explosion of satellite television in India. Currently television reaches more than 50% of the total Indian population, with many of them receiving more than 50 Indian and foreign television channels. This would fuel a substantial growth in the overall television viewership in India and also amongst the cultural Indian population across the globe. With steady increase in its penetration and share of ad spend, television is expected to further secure its position in the media field.

CURRENTLY MORE THAN 70 CHANNELS ON AIR

From a modest start of about 4 to 5 channels in early 90's, the Indian C&S market is now flooded by over 70 channels, luring the Indian viewers with a variety of programming mix. Currently out of the 70 odd channels, about 15 are generic Hindi channels (DD-1, DD Metro, Star Plus, Sony, Zee T.V, Sahara TV, B4U, CCC, CVO, etc.), about 35 regional channels (Surya TV, Vijay TV, Sun, Gemini, ETV, Zee Alpha, DD regional etc.) and about 20 niche channels (CNBC, Aaj Tak, ESPN, Zee News, Star News, HBO, Discovery etc.)

ADVERTISEMENT ON TELEVISION

The advertisement in India has been historically tilted more towards the print media. However with the increasing reach of electronic media amongst Indian viewership, the advertisers have slowly moved towards television and are expected to further increase its share in the next 3-4 years. This is a major attraction for channel operators in India.

INDIAN TELEVISION SOFTWARE INDUSTRY

INDUSTRY OVERVIEW

There has been growing demand from the export markets in the European, American and the Middle East Asia, where there is ethnic Indian population. There has been direct arrangement between the international broadcaster and Indian software producers for production of fresh software for the export market.

The Indian television software market is fragmented and includes a large number of small units in the unorganized sector. As most channels find their in-house production capabilities limited, a major portion of the software requirement is outsourced. Although there are some medium and large software production houses in the organized sector, a major portion of the software demand is still fulfilled by small and one-off software producers. Even among the organized production houses, very few are capable of producing software in varied programming categories with equal efficiencies and quality.

Some of the major television software producers are:

- Balaji Telefilms
- UTV
- Cinevista
- Creative Eye
- NDTV
- Nimbus
- TV 18

INDIAN FILM INDUSTRY

INDUSTRY OVERVIEW

Film entertainment has been one of the most popular forms of entertainment in India. The outlook for the Feature Films segment is strong, and the growth will be driven by improvement in exhibition infrastructure, government incentives, growth in theatres & multiplexes, increased access to institutional finance, improvement in quality and distribution due to digital technology. Besides growing disposable income, availability of broadband Internet access, new revenue streams such as pay per view and video on demand will further strengthen the segment.

Some of the Major & Active Hindi Feature Films Production Houses are:

- Mukta Arts
 - Rajshri Pictures
 - Yashraj Films
 - B.R. FILMS
 - Pritish Nandy Communications
 - Balaji Telefilms
- iii. The Company's products are generally marketed to broadcasters, which are not a retail market, and the sales are dependent upon credibility of the Company and the creative talent. The Company has a large experience in this business and has confidence in the ability to manage the market.
- iv. There are no committed export contracts on which the Company is obliged to deliver.
- v. In the Media School that the Company is proposing to start will have an increasing student capacity over the time. The educational courses offered are flexible and will be modified according to the demand for the courses in the market.
- vi. The Company has diversified in to Convergent Technology media and is in the process of implementing the Convergence Studio Complex Project to ensure that it is able to encash on the increasing future potential of the entertainment industry. The future prospects of the Company's products – basically content of various kinds – are unlimited and is being tapped appropriately.

CAPACITY & CAPACITY UTILISATION

- a. Entertainment being a creative industry, the installed capacity and capacity utilization does not apply to the Company. The same setup can be used to produce larger number of programs and can be scaled down for a much smaller volume. Equipment utilization is dependent upon the opportunity to deploy and the Company has a practice of letting the infrastructure out on hire when under utilized to generate additional revenues.
- b. The Company's proposal to produce new programs/ videos in the coming three years is definitely higher by over 25% against the average hours of programming in the last three years. This is supported by the additional infrastructure and manpower being created by the Company in the project under development. The Company's turnover for 2002-03 is higher than the previous year by 51.61%, which is apparent from the annual audited accounts included in the Prospectus.

The hours of programming produced by the company for the last three years is as under:

| Year | No. of Hours of Programming Produced | | |
|---------|--------------------------------------|-----------------------|--------|
| | Sponsored Programs | Commissioned Programs | Total |
| 2002-03 | 142.92 | 225.25 | 368.17 |
| 2001-02 | 72.50 | 286.50 | 359.00 |
| 2000-01 | 26.00 | 341.50 | 367.50 |

The Company is proposing to set up a completely integrated production and post-production facility at its Convergence Studio Complex Project for meeting out the higher infrastructure needs of the Company in the coming years. The synergistic project of setting up the Media School will help the Company to create a talent pool of fresh young talent.

Company's diversification into films will help the Company to utilize the same infrastructure and talent pool and increase efficiency and productivity.

X. STOCK MARKET DATA

This being the first public issue by the Company, no stock market data is available.

XI. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

A summary of past financial results for the last five years are given below:

(Rs. in Lacs)

| Year ended March 31 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--|--------|----------|----------|----------|----------|
| Income | | | | | |
| Commissioned Serials | 211.85 | 413.02 | 950.35 | 793.86 | 928.12 |
| Sponsored Serials | 140.07 | 649.58 | 40.85 | 44.31 | 340.37 |
| Corporate Films & Other services | 2.50 | 3.07 | 63.84 | 32.01 | 122.61 |
| Equipment Hiring | 0.11 | 1.41 | — | — | — |
| Footage Transfer | 0.08 | 0.23 | 9.48 | 12.13 | 10.17 |
| T.V. Marketing | 4.67 | — | — | 0.80 | — |
| Studio Hiring | 1.10 | 1.15 | 0.05 | 1.30 | — |
| Hiring | — | — | — | — | 1.77 |
| Exports | — | — | 1.67 | — | 1.31 |
| Re-Run of serials | — | — | 14.25 | 43.75 | 4.59 |
| Media School | — | — | — | 1.90 | 1.58 |
| IVR Services | — | — | — | — | 1.08 |
| Miscellaneous Income | 6.46 | — | 0.06 | 0.57 | 0.40 |
| Total | 366.84 | 1,068.46 | 1,080.55 | 930.63 | 1,411.99 |
| Other Income | 2.92 | 1.09 | 1.15 | 30.40 | 9.71 |
| Increase/Decrease in Inventories | 5.67 | (3.01) | 27.26 | 39.21 | 164.95 |
| TOTAL | 375.43 | 1,066.54 | 1,108.96 | 1,000.24 | 1,586.65 |
| Expenditure | | | | | |
| Production Cost | 189.06 | 651.45 | 394.71 | 347.79 | 410.19 |
| Other Production Expenses | 68.61 | 134.71 | 274.41 | 273.51 | 583.31 |
| Staff Costs | 26.13 | 31.61 | 57.07 | 69.89 | 63.29 |
| Administration Expenses | 40.42 | 79.31 | 127.45 | 158.07 | 180.43 |
| Selling & Distribution Expenses | 3.18 | 4.27 | 18.51 | 9.58 | 13.16 |
| Financial Exp. | 4.33 | 5.13 | 7.59 | 5.87 | 1.56 |
| Depreciation | 13.42 | 16.77 | 28.09 | 33.75 | 27.61 |
| Miscellaneous Expenditure Written Off | 0.01 | 0.01 | 8.82 | 8.82 | 9.32 |
| TOTAL | 345.16 | 923.26 | 916.65 | 907.28 | 1,288.87 |
| Net Profit before Tax and Extraordinary Items | 30.27 | 143.28 | 192.31 | 92.96 | 297.78 |
| Taxation | 9.02 | 54.35 | 77.12 | 18.89 | 31.39 |
| Net Profit before Extraordinary Items (Net of tax) | 21.25 | 88.93 | 115.19 | 74.07 | 266.39 |
| Extraordinary Items (Net of Tax) | 0 | 0 | 0 | 0 | 0 |
| Net Profit after Extraordinary Items | 21.25 | 88.93 | 115.19 | 74.07 | 266.39 |

ANALYSIS

The Turnover of the Company showed a steady growth up to the Financial Year ended 2000. In the year 2000-2001, the Entertainment Industry got engulfed in a major slump and revenues and profitability of almost all units in the industry fell sharply. B.A.G. Films also suffered a setback to its operations as its programs were discontinued due to closure of channels. **Rozana**, an important component of B.A.G. Films' News and Current Affairs Division had to close because Doordarshan closed down the DD-News Channel. Company's Comedy show "**Tedhe Medhe Sapne**" closed because Channel Nine wrapped up its operation in India due to non-extension of their contract by DD-Metro Channel. B.A.G. Films' new programming that was to come on air in 2001-02, got postponed and has come on air now in 2002-03. This resulted to lower turnover and lower profitability.

In the year 2002-03, **Rozana** has come on air on DD Metro Channel at 10:30 PM, five days a week from 19th of August, 2002. Although in sponsored category, the program has been able to make enough money to sustain its profitability, as upto 31st March 2003, the total cost attributed to the program was Rs.251.81 lacs against the total revenues of Rs.319.53 Lacs. Another program **Khaberein Bollywood Ki** came on air on DD Metro initially three days a week from January 2002. In the initial few months this program suffered some losses, but since August 2002 it is in profits and by October 2002 the past losses have also been recovered.

The second quarter of financial year 2002-2003 also saw the airing of two of B.A.G. Films' fiction programs, **Kumkum - Pyara Sa Bandhan** – a daily soap on Star Plus (4 days a week) started on July 15, 2002 and "**Poo Villangu**" another daily soap in Tamil which also came on air on the same date on Vijay TV (5 days a week). In January 2003, another game show **Hai Na Bolo Bolo** was also started on Star Plus (one a week).

Important Accounting Ratios for last five years are as under:

| Important Accounting Ratios | 31.03.99 | 31.03.00 | 31.03.01 | 31.03.02 | 31.03.03 |
|-----------------------------|----------|----------|----------|----------|----------|
| EPS (in Rs.) | 3.76 | 4.31 | 0.41 | 0.26 | 0.68 |
| NAV per Share (in Rs.) | 8.97 | 7.77 | 2.48 | 2.64 | 4.93 |
| Return on Net worth {% | 22.79 | 51.38 | 16.49 | 9.95 | 13.85 |

The details of investments, loans and advances, provisions for the last 5 years are as under:

| | Amount (in Rs.) | | | | |
|---|------------------|------------------|--------------------|--------------------|--------------------|
| | 31.03.99 | 31.03.00 | 31.03.01 | 31.03.02 | 31.03.03 |
| INVESTMENTS | | | | | |
| 5,000 Equity shares of Mukta Arts Limited @ Rs.100/- | 0 | 0 | 0 | 5,00,000 | 5,00,000 |
| 12400 Equity Shares of B.A.G.Infotech (P)Ltd. @ Rs.10/- (*) | 0 | 0 | 0 | 0 | 1,24,000 |
| TOTAL | 0 | 0 | 0 | 5,00,000 | 6,24,000 |
| LOANS & ADVANCES | | | | | |
| ADVANCE INCOME TAX INCL. T.D.S. | 17,80,871 | 63,69,478 | 1,62,43,067 | 38,17,494 | 58,70,188 |
| SELF ASSESSMENT TAX | 0 | 1,01,610 | 0 | 0 | 0 |
| ADVANCES TO STAFF | 83,971 | 33,312 | 1,35,964 | 2,16,134 | 63,256 |
| ADVANCES TO OTHERS | 4,27,084 | 4,40,592 | 1,48,44,719 | 12,38,059 | 38,71,139 |
| INVESTMENTS IN SHARES | | | | | |
| PENDING ALLOTMENT | 0 | 0 | 6,24,000 | 1,24,000 | 0 |
| INCOME TAX RECEIVABLE | 0 | 0 | 0 | 27,08,071 | 0 |
| UNUTILISED BANKED FCT | 0 | 0 | 0 | 14,66,800 | 95,12,791 |
| PREPAID EXPENSES | 0 | 0 | 1,23,328 | 2,81,801 | 3,75,663 |
| ADVANCE RENT | 0 | 0 | 2,83,500 | 1,41,226 | 0 |
| SECURITY DEPOSITS | 0 | 0 | 3,17,03,470 | 62,16,470 | 42,69,547 |
| CAPITAL ADVANCES | 0 | 0 | 0 | 3,97,21,440 | 3,13,03,610 |
| MARGIN MONEY ON DISCOUNTED DEBTS | 0 | 0 | 0 | 0 | 2,45,000 |
| TOTAL | 22,91,926 | 69,44,992 | 6,39,58,048 | 5,59,31,495 | 5,55,11,194 |

| | 31.03.99 | 31.03.00 | 31.03.01 | 31.03.02 | 31.03.03 |
|-------------------------------------|------------------|------------------|--------------------|------------------|------------------|
| PROVISIONS | | | | | |
| PROVISION FOR INCOME TAX | 17,55,833 | 67,88,272 | 1,40,49,132 | 18,89,000 | 50,28,311 |
| PROVISION FOR EXPENSES | 3,64,959 | 4,17,913 | 15,42,626 | 14,55,057 | 6,10,991 |
| PROPOSED DIVIDEND | 2,26,040 | 8,26,020 | 9,53,369 | 28,20,775 | 28,32,650 |
| ADDITIONAL TAX ON PROPOSED DIVIDEND | 22,604 | 82,602 | 95,337 | 0 | 0 |
| PROVISION FOR GRATUITY | 0 | 1,80,159 | 3,04,212 | 3,89,762 | 3,93,936 |
| SERVICE TAX PAYABLE | 0 | 0 | 0 | 0 | 2,69,210 |
| TOTAL | 23,69,436 | 82,94,966 | 1,69,44,676 | 65,54,594 | 91,35,098 |

(*) The Company has invested Rs. 1,24,000 in the equity shares of B.A.G. Infotech Pvt. Ltd., a Company promoted by Issuer Company's promoters. The Net Asset Value of B.A.G. Infotech Pvt. Ltd. is NIL.

In the opinion of the directors, no circumstances have arisen since the date of last financial statements as disclosed in the prospectus, which materially and adversely affect or are likely to affect the trading or profitability of the company, or the value of its assets or its ability to pay its liabilities within next 12 months.

Unusual or infrequent events or transactions and Significant Economic changes that Materially affected or are likely to affect the Company's operations

In the financial year 2000-01, the Company earned a one time consultancy fees of Rs. 53.78 Lacs from Channel Nine for assisting them in selection of programming and producers and in setting up their operations in India.

Significant economic changes that materially affected or are likely to effect income from continuing operation

The General Economic Slump suffered by the Indian Economy at large was very highly visible in the Entertainment Industry too. Most of the firms in the industry had lower revenues and lower profits for the year ended March 31, 2001 and 2002 as against earlier years. This Company also suffered lower revenues and lower profits, but was able to remain in profits. However, as per audited results the Company's turnover and profitability has already shown a growth in the financial year 2002-03.

Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

The Entertainment Industry and the Company also suffered the general industrial and economic slow-down suffered by the country since January 2001. As the economic scenario improves now, the Company's performance is improving and no further adverse impact is anticipated. Nevertheless, in case the economic scenario fails to improve, the Company may not be able to achieve its projected performance. Also considering diversification into films, new-media and telecom related content delivery, the Company does not foresee losses in the near foreseeable future.

An increase in the available Channels in the period during 1998-2001 caused the margins for producers like B.A.G. Films to shrink as the total advertising pie was shared by more and more players. The Company's margins too were under pressure, but the increased volumes sustained the profitability of the Company. The shakeout from January 2001 onwards saw the closure of quite a few channels such as some on the Tara Network, Zee TV's UTN, Channel Nine, DD News, etc. This balanced the much lower growth in ad-spends in this period. With the reversal of the national economic trend, the trend towards ad-spends is also expected to grow substantially and so are the channels.

The Company does not suffer much disadvantage in either of the scenarios as the lower margins are inevitably accompanied by higher volumes, which support the Company's performance.

Future Changes in relationship between Costs and Revenues

The trend in the electronic industry has been of falling prices. The prices of raw stock, the prices of advanced technical equipment and all other major costs have been in falling trend in the last decade. The trend is expected to continue. The manpower costs that are expected to increase in the immediate future due to high speed "digitalization" of the entertainment industry are likely to be offset by the higher revenue realization from high quality digital products. As more technology enters the industry, it is expected to bring with it lower costs of operation and higher quality of output, fetching a higher selling price for the products.

As it is, there is no significant risk of adverse price fluctuations making the Company's operation uneconomic.

The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.

Up to the year ended March 1999, the Company was heavily dependent on Sponsored Programming for its revenues. Since then, the Company has deliberately focused on commissioned programming as its mainstay as the Doordarshan platform, on

which most of the sponsored programming is aired, was undergoing a transition. Doordarshan had invited bulk sponsors such as Channel Nine, Discovery Channel, etc. and the profitability of producers like B.A.G. Films was extremely strained. With the DD platform having opened again for retail producers, the Company has started 2 sponsored programs, "Khaberein Bollywood Ki" and "Rozana", which are both making profits.

The nature of the industry is such that all increases in sales come with either one super success program/ film or through continuous launch of new middle level entertainment products, at a speed higher than the speed at which the existing products out live their product lifecycles. B.A.G Films is continuously innovating new concepts, formats and story lines for dramas, which are regularly pitched to the channels. This is evident from the fact that the Company always has more and more programs in the pipeline, and ensures that new products are available much before old ones die out.

Status of any publicly announced new products or business segment

The Company has not made any such announcement as yet. The Company is now planning to produce Feature film and commencing its media education courses.

Extent to which business is seasonal

The business is not seasonal. Although festival seasons see a rise in advertising spends, but increase remains part of the annual advertising budgets of major advertisers.

Any significant dependence on a single of few suppliers or customers

The Company presently works for major Television Network in the Hindi Belt such as Star TV, Doordarshan, Sahara TV and also for a few other regional channels. This Channel diversification is created for reducing the excessive dependence on one party. During the year 2002-03, the revenues from Star TV Network form a significant part of the Company's revenues i.e. Rs.566.30 Lacs, which amounts to almost 40.21% of the total revenues. The share in the revenue of the Top three clients for the year 2002-03 is as under:

| Ranking | Clients Name | Revenue (Rs. in Lacs) | % Share in Total Revenue |
|---------|--------------|-----------------------|--------------------------|
| 1 | Star TV | 566.30 | 40.21 |
| 2 | Doordarshan | 400.19 | 28.42 |
| 3 | Sahara TV | 156.00 | 11.08 |

The present expansion and diversification in to Media Education & Feature Films will diversify the revenue stream.

Competitive conditions

The Indian television software market is highly fragmented. As most channels find their in-house production capabilities limited, a major portion of the software requirement is out-sourced. In the last few years, some medium and large software production houses have come up in the organized sector.

Even among the organized production houses, very few are capable of producing software in varied programming categories with equal efficiencies and quality.

The fragmented structure of the sector poses a good opportunity for a medium/large media house to distinguish itself from the lot and create a position of strength by having a diversified product mix and a varied channel penetration along with the necessary infrastructure for quality production.

XII. FINANCIAL INFORMATION OF GROUP COMPANIES

The information for the last 3 years based on the audited statements in respect of all the companies, firms, ventures, etc. promoted by the promoters irrespective of whether these are covered under section 370 (1)(B) of the Companies Act, 1956 are given as under:

| Particulars | Amount (in Rs.) | | | |
|---|--|--------------------------------------|----------------------------------|---|
| | Name of the Group Companies, Firms, Ventures, etc. promoted by the Promoters | Anu Films & Communications Pvt. Ltd. | Cineasia Entertainment Pvt. Ltd. | B.A.G. Infotech Pvt. Ltd. |
| Date of Incorporation | 30.08.1988 | 22.01.2001(*) | 17.11.1998 | 21.05.1999 |
| Nature of activities | Equipment Rental, Corporate Films and Consultancy | Business not Commenced | Business not Commenced | Event Management and Commissioned Serials |
| Equity Capital / Capital | | | | |
| 31.03.03 | 22,30,200 | 10,25,000 | 2,26,000 | 13,84,971.50 |
| 31.03.02 | 22,30,200 | 10,25,000 | 2,26,000 | 2,40,696.50 |
| 31.03.01 | 22,30,200 | N.A. | 2,000 | 4,83,448.50 |
| Share Application Money | | | | |
| 31.03.03 | 6,00,000 | 16,06,722 | 30,00,000 | N.A. |
| 31.03.02 | 6,00,000 | 16,06,722 | 15,00,000 | |
| 31.03.01 | 6,00,000 | N.A. | 7,24,000 | |
| Reserves (excluding revaluation reserve) | | | | |
| 31.03.03 | 39,81,306 | Nil | Nil | N.A. |
| 31.03.02 | 35,70,696 | Nil | Nil | |
| 31.03.01 | 29,15,765 | N.A. | Nil | |
| Sales / Income | | | | |
| 31.03.03 | 8,40,000 | Nil | Nil | 4,40,323.00 |
| 31.03.02 | 16,00,000 | Nil | Nil | 7,15,000.00 |
| 31.03.01 | 10,80,000 | N.A. | Nil | 32,85,000.00 |
| Profit after tax / (Loss after Tax) (PAT) | | | | |
| 31.03.03 | 4,08,987 | (17,995) | (8,005) | 2,09,275.00 |
| 31.03.02 | 6,54,931 | (17,995) | (58,192) | 59,768.00 |
| 31.03.01 | 7,44,416 | N.A. | (1,82,370) | 3,70,393.00 |
| Earnings per share (EPS) | Face Value: | Face Value: | Face Value: | |
| | Rs.100/- | Rs.10/- | Rs.10/- | |
| 31.03.03 | 18.34 | Nil | Nil | N.A. |
| 31.03.02 | 29.37 | Nil | Nil | |
| 31.03.01 | 33.38 | N.A. | Nil | |
| Net Asset Value (NAV) per Share | | | | |
| 31.03.03 | 278.49 | 8.33 | (20.75) | N.A. |
| 31.03.02 | 260.05 | 8.34 | (20.64) | |
| 31.03.01 | 230.66 | N.A. | (3188.02) | |

EPS = Net Profit After Tax / No. of Shares Outstanding as on 31st March of the Respective Year.

NAV per Share = Net Worth less Miscellaneous Expenditure (not written off.) / No. of Shares Outstanding as on 31st March of the Respective Year

(Note: While calculating Net Worth, Share Application Money has not been considered, as there has been a considerable difference in share application money and shares eventually allotted)

* **Note:** Since, **Cineasia Entertainment Pvt. Ltd.** was incorporated on 22.01.2001; the first Balance Sheet and Profit & Loss Account of the Company were finalized on 31.03.2002.

1. Companies in the Promoters Group that have suffered losses in the last three years:

| Companies which have suffered Losses | Amount (in Rs.) | | |
|--------------------------------------|-----------------|-------------------------------|----------|
| | 2003 | Year Ended March 31 - 2002 | 2001 |
| Cineasia Entertainment Pvt. Ltd. | 17,995 | 17,995 | 0 |
| B.A.G. Infotech Pvt. Ltd. | 8,005 | 58,192 | 1,82,370 |

2. (a) None of the Group Company is listed with any Stock Exchange in India.
(b) None of the Group Companies is either a Sick Company, or has been referred to BIFR.
3. The Promoters have not been associated with any such Company from which they have disassociated themselves in the last three years.
4. There are common pursuits among the group companies. Anu Films and Communications Pvt. Ltd., a company promoted by Promoters of B.A.G. Films, is engaged into production of corporate films and consultancy, whereas Approach Inc., a proprietorship concern of Ms. Anuradha Prasad, Managing Director of B.A.G. Films, is engaged into production of commissioned serials. However, considering the total turnover and profitability of these two concerns during last financial year, there is no material significance on the financial performance of B.A.G. Films.
5. Transactions with Group companies:
- Anu Films and Communications Pvt. Ltd., a group Company, has objects, which are similar to the Company, and has been in the business of hiring video equipment to television software producers. There is no conflict of interest as currently no equipment owned by Anu Films & Communications Pvt. Ltd. has been hired by B.A.G. Films. Anu Films and Communications has neither produced any television serial in the last three years, nor is intending or planning to produce in the near foreseeable future.
 - The Company has invested Rs. 1.24 Lacs in the equity shares of B.A.G. Infotech Pvt. Ltd., a Company promoted by Issuer Company's promoters. The Net Asset Value of B.A.G. Infotech Pvt. Ltd. is NIL.
 - There is no consequence on the profitability of the Company due to the above transaction.
6. There are no transactions of Sales or Purchases between Promoters Group in the last 3 years, except the sale of its lone Video Camera by Anu Films & Communications Pvt. Ltd. to B.A.G Films at book value and, consequentially, there is no material income or expenditure arising out of transactions in the promoters group.

XIII. PARTICULARS REGARDING COMPANIES UNDER THE SAME MANAGEMENT AND PREVIOUS PUBLIC ISSUES

PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370 (1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS

There are no listed companies under the same management within the meaning section 370 (1)(B) of the Companies Act, 1956, which made any capital issue during the last three years.

PROMISE VIS-À-VIS PERFORMANCE

B.A.G. Films has not made any public issue of shares since its incorporation. There is no group Company, which has made any public issues.

LISTED VENTURES OF PROMOTERS (IF ANY) - PROMISE VIS-À-VIS PERFORMANCE

There are no listed ventures of Promoters.

XIV. BASIS FOR ISSUE PRICE

Qualitative Factors:

- One of the established production houses in the industry incorporated in the year 1993, with multi lingual, multi genre and multi time band products in its portfolio.
- A profit making Company for over five years.
- The Company is promoted by Ms. Anuradha Prasad and Mr. Rajiv Shukla, who are professionals from the media and entertainment industry.

- “Haqueeqat”, a programme produced by the Company for Sahara TV, has won two awards in Indian Television Awards, 2002 at Mumbai for “Best Director” and “Best Screenplay”.

Quantitative Factors:

1. Adjusted Earning Per Share (EPS)

| | EPS | Weight | Gross |
|--------------------------------|------|--------|-------------|
| a) 2000-01 | 0.41 | 1 | 0.41 |
| b) 2001-02 | 0.26 | 2 | 0.52 |
| c) 2002-03 | 0.68 | 3 | 2.05 |
| d) Weighted Average EPS | | | 0.50 |

Note: EPS has been calculated by using Closing Capital.

2. Price/Earning Ratio (P/E) in relation to Issue Price

Based on weighted average EPS at Issue Price of Rs. 10/- 20.16

Entertainment / Electronic Media Software Industry P/E Ratio, High, Low, Average

(Based on Trailing 12 months)

| | |
|--------------|-------|
| i) Highest | 195.8 |
| ii) Lowest | 5.7 |
| iii) Average | 29.0 |

(Source: Capital Market, Vol.XVIII/10 Aug. 3, 2003)

3. Return on Net Worth

| | | Weights | |
|--|---------------|---------|---------------|
| a) 2000-01 | 16.49% | 1 | 16.49% |
| b) 2001-02 | 9.95% | 2 | 19.90% |
| c) 2002-03 | 13.85% | 3 | 41.54% |
| d) Average & Weighted Average | 13.43% | | 12.99% |

4. Minimum Return on Total Net Worth Post Issue Needed for maintaining EPS at Rs. 0.68

For Issue at Rs. 10

| | |
|--|----------|
| Total Net Worth After Issue (Rs. in Lacs) | 3,868.93 |
| No. of Equity shares after the issue (in Lacs) | 590.06 |
| Profits required to get required EPS (Rs. in Lacs) | 402.59 |
| Min. Required RONW for maintaining above EPS | 10.41% |

5. Net Asset Value (NAV) Rs. Per share

| | |
|---------------------|-------|
| a) As at 31.03.2003 | 4.93 |
| b) After Issue | 6.56 |
| c) Issue Price | 10.00 |

XV. OUTSTANDING LITIGATIONS OR DEFAULTS

As on 31st March, 2003, there are no:

1. Litigations in which the promoters are involved,
2. Defaults to the financial institutions/banks,
3. Non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the promoters and the companies/firms promoted by the promoters.

There are no such cases of pending litigations, defaults, etc. in respect of companies / firms / ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.

There are no litigations against the promoter or director, involving violation of statutory regulations or criminal offence.

There are no pending proceedings initiated for economic offences against the directors, the promoters, companies and firms promoted by the promoters.

There are no cases against the Company or its promoters of economic offences in which penalties were imposed by the concerned authorities.

Cases filed by the Company

The Company has filed a complaint for grievance redressal and award of damages against Dishnet DSL Limited for failure to deliver on promises and deficiency of services. The matter is pending before the consumer court. Neither the award claimed nor the possibility of non-award, have any material affect on the present or future performance of the Company. Even in case of complete rejection of Company's application, there is no possibility of award of any costs against the Company.

There are no outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956).

The details of sundry debtors more than Rs. 1.00 Lac. along with an aging analysis as on 31st March, 2003 are as under:

| Name of the Party | Debt outstanding for period exceeds six months | Debt outstanding for period less than six months | Amount (in Rs.) |
|--|--|--|--------------------|
| Adwaves Advertising | — | 4,67,500 | 4,67,500 |
| Arihant Video Communications | — | 1,17,392 | 1,17,392 |
| ATCO Industries | 3,12,000 | | 3,12,000 |
| Carat Integra Pvt.Ltd. | — | 2,91,975 | 2,91,975 |
| Data Access (India) Limited | — | 9,70,040 | 9,70,040 |
| Doordarshan-Kashir | — | 7,50,000 | 7,50,000 |
| Duncan Industries Limited | 6,76,978 | — | 6,76,978 |
| Fusion Media Services | 1,71,859 | — | 1,71,859 |
| Gammon India Limited | 55,00,000 | — | 55,00,000 |
| Heighten Trading Co. Pvt Ltd. | — | 5,00,000 | 5,00,000 |
| Indian Airlines Limited | — | 3,53,430 | 3,53,430 |
| Innovative Media | — | 2,66,825 | 2,66,825 |
| Interface Medialand Pvt Limited | — | 13,15,653 | 13,15,653 |
| Kare Advertising agency | — | 4,75,340 | 4,75,340 |
| Madison Communications Pvt Ltd. | — | 1,93,375 | 1,93,375 |
| Mantora Oil Products Limited | 15,00,000 | — | 15,00,000 |
| Mayur Advertising & Marketing | — | 9,05,250 | 9,05,250 |
| Mc Cann Erickson (India) Pvt Ltd. | 1,73,102 | — | 1,73,102 |
| Ministry of Rural Development | — | 17,07,500 | 17,07,500 |
| Sahara India Media Communications Ltd. | — | 21,82,258 | 21,82,258 |
| Star India Limited | — | 2,21,32,658 | 2,21,32,658 |
| Veejay Savio Lakshmi Machinery Ltd. | — | 15,00,000 | 15,00,000 |
| Vijay Television Limited(Chennai) | — | 34,50,000 | 34,50,000 |
| Zee TV | 19,64,085 | 16,39,000 | 36,03,085 |
| Grand Total | 1,02,98,024 | 3,92,18,196 | 4,95,16,220 |

A list of all Creditors having an outstanding balance of Rs. 1.00 Lac or more outstanding for more than 30 days is mentioned herein below:

**Creditors to whom the Company owes a sum exceeding Rs. 1.00 Lac
(which is outstanding more than 30 days as on 30.06.2003)**

| Sr. No. | Name of the Creditor | Amount (in Rs.) |
|---------|-------------------------------------|-----------------|
| 1 | AJAY KAPOOR | 1,65,813 |
| 2 | AMBITIOUS MARKETING | 17,05,345 |
| 3 | ANU FILMS & COMMUNICATIONS PVT.LTD. | 3,80,514 |
| 4 | ASHOK SUNITA CHADHA & CO. | 2,85,804 |
| 5 | DOORDARSHAN KENDRA | 14,95,888 |
| 6 | DRISHTI INDIA LIMITED | 5,33,019 |
| 7 | EAGLE SALES | 3,20,200 |
| 8 | FAMOUS CINE EQUIPMENTS | 2,59,850 |
| 9 | GYAN SAHAI | 3,15,241 |
| 10 | I SOFT | 4,30,870 |
| 11 | KAMAL VIDEO VISION | 3,40,000 |
| 12 | MIRAJ INFOTECH LIMITED | 5,46,900 |
| 13 | MODERN FURNITURE | 1,71,350 |
| 14 | NAUSHEEN | 1,87,852 |
| 15 | PREET MARKETING CORPORATION | 3,16,400 |
| 16 | RAVI BAHL | 4,69,631 |
| 17 | RITU DESIGNS | 1,05,780 |
| 18 | R.G.B. VISION | 1,01,350 |
| 19 | R R CATERING SERVICES | 1,42,183 |
| 20 | SAURABH NARANG | 2,84,625 |
| 21 | SPARK VIDEO | 3,08,253 |
| 22 | VIDEO EFFECTS | 1,99,268 |
| 23 | UTV SOFTWARE COMMUNICATION LIMITED | 1,10,250 |

(None of the above are Registered SSI Unit)

XVI. RISK FACTORS AND MANAGEMENT PERCEPTION THEREOF

INTERNAL FACTORS:

- The Company is proposing to deploy Rs. 916 Lacs out of the proposed issue of Rs. 1,486 Lacs towards production of feature films, which amounts to over 60% of funds raised from IPO. Such a large proportion of funds earmarked for feature films expose the company to a very significant risk, which is difficult to quantify. The feature films project has neither been financed nor appraised by any financial institution and there will be no monitoring of deployment of funds received for the same under the issue. The appraising agency for the revised cost of project at Rs. 4,524 Lacs (which includes the feature films component) is not participating in the means of finance. The appraisal of UTI / IDBI was at Rs. 2,990 Lacs which did not include the feature film project.
- The production of feature films is merely a plan as on date, since the Company has only selected two books for the story of feature films to be produced by it and work on conversion of one of the book into a screenplay has been started. Except this progress, only negotiations have been started with the proposed Director, Co-producer, Leading Star Cast, etc. The final selection of the entire production team will depend upon the availability of the right people, which is very uncertain. This can cause adverse delay in the production of feature films. Further, the first and second feature films, which were planned to be released during Christmas, 2003 and Mid-March 2004 respectively, as per the revised schedule of implementation, will now be released in June 2004.

Management Perception: Rights for the two books have been acquired. The Company has provided an implementation schedule of all these steps and is adhering to the same. In the feature film industry there is no "right person". Every major actor or technical person has given flops and hits.

3. The Media School was supposed to become operational by September 2001, but there has been considerable delay in implementation. The Company is yet to finalise the selection of Architects, consultants, contractors etc. for construction of the Media School building. The delay has already caused accumulated interest on funds disbursed by financial institutions. Further, there has been opportunity loss of revenue to the Company due to non-completion of the Media School in time. The Company has not placed orders for the equipment worth Rs. 238 Lacs for the Media School, which is 100% of the equipment for the said project. The agreement with School of Journalism is effectively a Memorandum of Understanding and the steps to work out a formal working relationship are yet to take place. Any delay in this regard will adversely effect the implementation of the Media School project. Further, as per the revised schedule of implementation, there has been a delay of one full year in starting of first session of Media School.

Management Perception: The land for the School has been acquired and building plans are being prepared. The first set of courses will be launched in August 2004. The Media School will initially operate from the present Studio Complex of the Company till the completion of the building. There is trend of obsolescence in the media and broadcast equipment hence the Company has not placed orders for equipment required at a later stage.

4. The Convergence Studio Complex was supposed to become operational in November / December 2001, but there has been considerable delay in implementation. As per the revised schedule of implementation, there has been a delay of nine months in commencement of business in the studio. The delay has already caused accumulated interest on funds disbursed by financial institutions. Further, there has been an opportunity loss of revenue to the Company. The Company is yet to procure equipments for convergence studio complex against orders placed on 24.12.2000 with an outstanding advance of Rs.228.19 Lacs as on 30th June 2003. The procurement delays have severely impacted the setting up of the Convergence Studio. Moreover, there is no firm tie up for renting or use of Convergence Studio Complex till date.

Management Perception: The interest cost of delay is built into the revised Cost of Project and the project will not face fund shortage for the same. The construction work on the site has been started. The Company intends to use the Convergence Studio Complex, to the extent possible, for internal purposes.

5. The Company's registered office, administrative office and other offices at Mumbai & Chennai are located in residential areas and the Company does not have necessary permissions to carry out commercial operations from residential premises and no such permissions have been applied for.

Management Perception: The Company will soon shift all its Delhi operations to its own Studio Complex at Film City, Noida. For other locations, the Company does not foresee any difficulty in shifting to commercial properties if the need arises.

6. The Company doesn't have any prior experience of producing a feature film. Production of feature films is considerably a different business line altogether compared to the existing business line of the Company.

Management Perception: Considering the new dynamics of the film distribution business, experience does not play much of a role anymore. Many national and international distribution agencies have started operating in India. Using professional distributors and exhibitors for its films in India and worldwide will reduce the risk for the Company.

7. According to the terms and conditions of the lease deed for land at NOIDA, the plot was allotted to the Company for the purpose of construction and setting up a multi media software production facilities and establishment of media education school, whereas the Company has decided to construct and set-up of the Convergence Studio Complex only on this plot, which will provide multi media software production facilities to the Company. If the Company will not be able to get its decision ratified from the NOIDA, the entire investment made on land including the construction thereon can be a loss for the Company.
8. According to the terms and conditions of the lease deed for land at Greater Noida, the plot was allotted to the Company for the purpose of constructing a building for running a Higher Secondary School and Vocational Institute, whereas the Company has decided to construct and running the Media School only, which can be treated as Vocational Institute. If the Company will not be able to get the approval of the Greater Noida Industrial Development Authority for construction and running the Media School only, the entire investment made on land including the construction thereon can be a loss for the Company.
9. The Company has converted 14% Fully Convertible Debentures along with interest accumulated thereon allotted to UTI & IDBI, aggregating to Rs. 1,434.41 Lacs at 10% discount to the Issue Price i.e. at Rs. 9/- per share.
10. Delay in conversion of FCDs has resulted in interest burden to the Company. The interest burden due to delay in conversion till 14th July 2003 is Rs. 10.11 Lacs.

11. The Company paid an advance of Rs. 350.00 Lacs to M/s. Shaf Broadcast Equipment Ltd. The order placed with M/s Shaf Broadcast Equipment India Ltd. was for turnkey supply of all necessary equipment in December 2000. The equipment has yet not been fully delivered.

Management Perception: The delay in delivery of equipment is not due to the failure of the supplier but due to the delay in completion of building.

12. The promoters of the Company viz. Ms. Anuradha Prasad and Mr. Rajiv Shukla are first generation entrepreneurs.

Management Perception: The promoters have more than 15 years experience in production of television software and 6 years experience in marketing of airtime on television. Moreover, this Company has been a profit making Company for over 5 years.

13. The Company's operations are dependent on the skill set and the creative influence of the management personnel, especially the full time involvement of Ms. Anuradha Prasad, Promoter and Managing Director. The Company's operational performance in the past was driven by the involvement of Ms. Anuradha Prasad. The Company doesn't have sufficient strength of professional managers in full time employment.

Management Perception: The management has been implementing corporatization of the enterprise and more and more professional managers are being employed to reduce the dependence on core promoters.

14. Anu Films & Communications Pvt. Ltd., a Company promoted by Ms. Anuradha Prasad & Mr. Rajiv Shukla, who are also the promoters of the Issuer Company, is engaged in the same line of activity of production of Corporate Films, which leads to conflict of business interest.

15. Approach Inc., a proprietorship concern of Ms. Anuradha Prasad, who is also a Promoter & Managing Director of the Issuer Company, is engaged in the same line of activity of production of Commissioned Serials, which leads to conflict of business interest.

16. Funding of the production of feature films will be out of the proceeds of IPO. Delayed IPO/unsuccessful IPO will adversely impact the production process, as out of the total cost of production of feature films i.e. Rs. 1,085 Lacs, Rs. 916 lacs has been envisaged out of the IPO proceeds and the Company does not have any other alternate source of funds.

Management Perception: As the Company proposes to have 100% underwriting for its IPO, this risk has been substantially mitigated.

17. There is no success formula for a feature film; even a movie with all the right combination of good star cast, good director, good songs, and good locations may flop.

Management Perception: With increasing corporatization and insurance of completion and other such modern methods entering the industry, and the percentage of box office in gross revenue is expected to fall from the present 80% to under 65% in the time to come (Source: Published Report of FICCI – KPMG on The Indian Entertainment Sector).

18. The Company's ability to sell airtime is dependent upon the popularity of its programs.

Management Perception: The Company makes all efforts to ensure that its programs are popular.

19. The Company's revenues could depend largely on market acceptance of the TV Software and Feature Films produced by the Company. The performance of the Company could be affected in the event of some of the Channels not approving the proposed programs for telecast or discontinuing some of the Programs currently on air.

Management Perception: The past experience has been that the Company's programs have been readily accepted by the market and channels and have enjoyed good ratings and Company makes all efforts to ensure that its programs are popular

20. The Company relies on Star TV Network for a significant part of the company's revenue (40.21% in the year 2002-03), which exposes it to risk associated with reliance on a single client.

21. Doordarshan commissions programs for 26 or 52 episodes and grants further extension (s) / renewal (s) based on its policies laid down in this regard.

Management Perception: The Company's revenues are not substantially dependent on Doordarshan's commissioned programming, as the total share of revenue from Doordarshan's commissioned programming is only 4.25% in 2002-03. Hence, such a policy change may not have a major impact on the Company.

22. The operating results of the Company depend on their relationships with a limited number of leading Channels.

Management Perception: To spread its risks of limited channels in Hindi, the Company has already started regional language productions for regional channels. Diversification into films will also reduce the risk in this regard.

23. As on 31st March 2001, 2002 & 2003, the Company had debtors of Rs.292 Lacs, Rs.301.47 Lacs and Rs.505.14 Lacs respectively. Such high outstanding debtors may increase Company's collection risk, which could adversely affect Company's results of operations. Company's inability in future to accelerate the realization of receivables could adversely impact their operations.

24. Most of the equipments related to the projects are electronic, which are subject to obsolescence.

Management Perception: At the time of purchase, the Company will take care to purchase only the latest equipment.

25. The Company's image and operations may be impacted if the of Mr. Rajiv Shukla in politics results in adverse controversies.

26. The Company is starting two new business segments i.e. Feature Films & Media School, for which a major part of the issue is proposed by the Company.

27. There is an increasing trend of building and owning studios by the producers, the channel owners and other industry players. In the medium term, this may lead to slackening of outside demand.

28. The entertainment industry has witnessed rapid technological changes till date. The studio is exposed to the risk arising out of changes in technology.

Management Perception: A continuous upgrade in technology is taken up by the Company to mitigate obsolescence risk. For an organized Company in an industry dominated by small unorganized players, this is a benefit rather than a risk.

29. There are more than 30 Media Schools in the country and a few are under consideration. Although the most of them cater to niche areas, there is a possibility of strong competition in future.

Management Perception: Continuously upgraded course curriculum and the synergies with the companies own production operations will provide a competitive edge to the Company's Media School.

30. Indian film industry is one of the highly competitive industries, where almost 800 feature films are produced in a year. This competition may pose difficulties for the new entrants.

31. The Indian Film Industry is plagued by serious issues such as Piracy and unwieldy tax system (entertainment tax, show tax, etc.) resulting in revenues loses. Further, the Industry is largely unorganized and there is a marked lack of professionalism.

Management Perception: With the State governments waking up to the rising potential of the entertainment industry, more and more exemptions are being provided to investments in upgrade and modernization of the exhibition infrastructure. A rationalization of tax on entertainment is also being worked on. Many large chains are organization the theatre business through multiplexes.

32. There is a fall in turnover & profitability during financial year 2001-02.

Management Perception: The fall in turnover & profitability is a result of general economic recession in the Indian Economy and a widespread slump in the television industry. For years, substantial business of the Company depended upon National Broadcaster Doordarshan and Zee TV. With a popularity shift towards other channels, this business faced lower turnover. Since then, the Company is now producing 2 major shows for Star Plus, the leading C&S Channel in the country.

33. In case of sponsored programs where telecast time has to be purchased there is a chance of substantial increase in telecast fees, due to its less availability.

Management Perception: The advertising market is dependent upon the Doordarshan Platform for deeper penetration in to the Indian Market, as C&S offers less than 50% penetration as compared to DD's terrestrial Network (Source: Published Report of FICCI – KPMG on The Indian Entertainment Sector). Any increase in the time slots price by DD will be absorbed by the increase in the advertising revenues realized. Furthermore, over the last 5 years, the experience has been of telecast fee and the advertising prices consistently falling over time.

34. The Company has invested Rs.5.0 Lacs in 5,000 equity shares of Mukta Arts Ltd. (face value of Rs.5/- per share fully paid up purchased @ Rs.100/- per equity share). The market value of the these shares as on 31st March 2003 was Rs.43.90 per share, which amounted to Rs.2.20 Lacs, but the Company has not made provision for diminution of Rs.2.80 Lacs in the value of investment.
35. The Company has invested Rs. 1.24 Lacs in the equity shares of B.A.G. Infotech Pvt. Ltd., a company promoted by Issuer Company's promoters. The Net Asset Value of B.A.G. Infotech Pvt. Ltd. is NIL.
36. The following group companies/ ventures promoted by the promoter have reported losses or have accumulated losses are:

| Name of the Company | Amount (in Rs.) | |
|----------------------------------|------------------------------|---------------------------------------|
| | Loss for the year 2002-03 | Accumulated Losses Up to 31.3.2003 |
| Cineasia Entertainment Pvt. Ltd. | 17,995 | 35,990 |
| B.A.G. Infotech Pvt. Ltd. | 8,005 | 6,67,968 |

Management Perception: As none of these companies have commenced business operations, the losses are due to statutory and other expenses.

37. The Company has taken premises located at Malviya Nagar, New Delhi on rent from the promoters for a monthly rent of Rs. 8,500 per month each paid to Ms. Anuradha Prasad and Mr. Rajiv Shukla.

Management Perception: The property is next door to the Company's present studio and the rent paid is fair rent of the property. The property will continue to be rented till the Company shifts into its own premises at Film City Noida.

38. M/s. Anu Films and Communications Private Limited is the Company under the same management and the Company has paid a sum of Rs. 3.60 Lacs as hiring charges for Camera for the 9 months period ending December 31, 2002. Further, the Company purchased the said Camera from Anu Films and Communications Private Limited at the book value of Rs. 1,80,514/-.

Management Perception: Amount paid is the Fair market rent of the equipment. The Company has since acquired the said camera from M/s Anu Films and communications Pvt. Ltd. at Book Value, and no further rent is payable.

39. As on 31st March 2003, there was a contingent liability of Rs.214.50 Lacs towards orders placed for Fixed Assets, for which no provision has been made in the books of accounts.

Management Perception: The funds relating to the payment of contingent liability arising on supply of the ordered goods is incorporated in the Cost of Project.

40. In case the proposed affiliation with international School / institute of repute fails to fructify, it will rob the Media School of its competitive advantage and would impact the marketability of the project

41. The diversification and expansion plans drawn by the Company are based on projected business opportunities in these fields. Any deviation in the market conditions could adversely affect the profitability of the Company.

42. There are no standard valuation methodology or accounting practices in the media and entertainment industry. Further, the financials of the Issuer Company are not comparable with the existing players in the industry.

Management Perception: The Company complies will all the relevant accounting standards and practices applicable. All accounting policies have been adequately disclosed.

EXTERNAL FACTORS:

1. Major share of the Indian entertainment industry is still unorganised and there is a tendency to employ low cost untrained personnel. Due to this, media education is not that much developed concept in India compared to the developed countries.
2. The audience views and tastes keep changing from time to time; therefore it is difficult to produce a successful performance keeping track of the viewers pulse. There are no scientific methods to judge the psychology of the viewers. The entertainment industry is prone to unforeseen shifts in the tastes and preferences of the audiences.

Management Perception: The Company has, over the years, learned to be flexible in changing its programming genre to the audience tastes. The Company has an experience of producing almost all major genre of television programming thus mitigating this risk.

3. The entertainment industry is dependent on individual skill sets, which may not be readily available/ replaceable. Low availability of skilled manpower & high rate of employee turnover in the industry will lead to additional cost for investing in employee's training.

Management Perception: In all creative endeavors, the exact replacement of the artist is not possible, but it does not have a serious adverse impact on the performance of the industry or the firm.

4. Highly competitive market with a few organized players and more unorganized one.

Management Perception: This works and an advantage to the Company in terms of better acceptability among the Broadcasters.

5. Some of the broadcasters are getting into backward integration by starting their own production house.

Management Perception: Considering the brand value of the Company and the established potential in the generation of creative programming, the Company is not affected by such backward integration as none of the programs in the Company's present or proposed product mix are such that channels would like to produce in-house.

6. Changes in Government policies and regulatory environment may have an impact on the Company's business.

7. Changes in the regulatory environment may have an impact on the business of the company.

8. Investors have suffered in the past in the Entertainment/Media Industry due to unrealistic, non-sustainable valuations.

9. The valuations in the media & entertainment industry are presently high and may not be sustained in future and may also not be reflective of future valuations for the industry.

10. The nature of the film industry is such that all sales increases come with either one super success program / film or through continuous launch of new middle level entertainment products at a speed higher than the speed at which the existing programs outlive their product lifecycles.

11. The profits and losses depend on the success of the key Programs.

12. The Media Industry is generally personality driven.

13. The foreign exchange risk arising from any import of equipment.

14. The company had a large share (32.70%) of other income as a percentage of Net Profit Before Tax (NPBT) for the year ending 31.03.2002. The share of other income as a percentage of Net Profit Before Tax (NPBT) for the year ending 31.03.2003 was 3.26%.

Notes:

1. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page 51 before making an investment in this Issue.

2. Had the face value of shares been Rs.10/- the offer price would have worked out to be Rs.50/-.

3. The Company has invested Rs. 1.24 Lacs in the equity shares of B.A.G. Infotech Pvt. Ltd., a company promoted by Issuer Company's promoters. The Net Asset Value of B.A.G. Infotech Pvt. Ltd. is NIL.

4. Related party Disclosure as per AS-18 issued by Institute of Chartered Accountants of India for year 2002-03, are as under:

a) Mrs. Anuradha Shukla (Anurradha Prasad) is the Managing Director of the company and holds 23.91% of Company's Shares and is paid the following sums:

| | |
|--|----------------|
| i. Remuneration as Managing Director | Rs. 6,00,000/- |
| ii. Rent for premises used as Company's Office (No minimum commitment or fixed minimum charges are agreed to be paid) | Rs. 1,02,000/- |
| iii. Payment of Dividend for F/Y 2001-2002 | Rs. 8,35,482/- |
| iv. Anchor Fees for ROZANA | Rs. 2,00,000/- |

b) Mr. Rajiv Shukla is the Director of the company and holds 16.43% of Company's Shares and is paid the following sums:

| | |
|---|----------------|
| i. Rent for premises used as Company's Office (No minimum commitment or fixed minimum charges are agreed to be paid) | Rs. 1,02,000/- |
| ii. Sitting Fees for attending Board Meetings | Rs. 15,500/- |
| iii. Payment of Dividend for F/Y 2001-2002 | Rs. 5,74,142/- |
| iv. Fees as Content Editor for ROZANA | Rs. 2,35,500/- |

c) M/s Anu Films and Communications Private Limited is the company under the same management and is paid following sums :

| | |
|--|----------------|
| i. Hiring Charges for Camera * | Rs. 3,60,000/- |
| ii. Camera Purchase (at Book Value) | Rs. 1,80,514/- |
| iii. Payment of Dividend for F/Y 2001-2002 | Rs. 6,71,250/- |

*Amount paid is the Fair market rent of the equipment. No Fixed period commitment or guaranteed minimum rent has been agreed to be paid.

5. The net worth of the Company as on March 31, 2003 was Rs. 1,923.73 Lacs.
6. The average cost of acquisition of Equity Shares of the Promoters is Rs.1.02 per share.
7. The book value per share as on March 31, 2003 is Rs 4.93.
8. Investors may note that in case of over subscription allotment shall be on proportionate basis.
9. As on 31st March 2003, there was a contingent liability of Rs.214.50 Lacs towards orders placed for Fixed Assets

XVII. DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Company and the Registrar will provide for retention of records with the Registrar for a period of one year from the last date of dispatch of Letters of Allotment/Share Certificates/Refund Orders to enable the investors to approach the Registrar for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Alankit Assignments Limited giving full details such as name, address of the applicant, number of Shares applied for, amount paid on application and the bank branch/collection center where the application was submitted.

Disposal of Investor Grievances

The average time required by the Company/Registrar 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 where external agencies are involved, the Company/Registrar would strive to redress these complaints as expeditiously as possible.

There are no listed Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.

PART II

A. GENERAL INFORMATION:

CONSENTS

The written consents of Directors, Company Secretary, Auditor, Legal Advisor, Lead Managers to the Issue, Registrar to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, NCT of Delhi & Haryana, as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration.

EXPERT OPINION

The Company has not obtained any expert opinions related to the present issue, except the opinion of the Company's tax Consultant, M/s Nangia & Co. on the benefits available to the investors.

CHANGES IN BOARD OF DIRECTORS DURING THE LAST THREE YEARS AND REASONS THEREOF

Changes in the Board of Directors in the last three years are as follows:

| Name | Designation | Date of Appointment | Date of Cessation, if any | Reason |
|----------------------|-----------------------|---------------------|---------------------------|-----------------|
| Ravi Shankar Prasad | Director | 15/02/2001 | 30/08/2001 | Resignation |
| Dushyant Kumar Tyagi | Nominee Director IDBI | 02/07/2001 | 13/07/2001 | Changed by IDBI |
| Bhupindar Singh | Nominee Director IDBI | 13/07/2001 | N.A. | _____ |
| Surendra Singh | Director | 14/06/2002 | N.A. | _____ |
| Dr. Vinayshil Gautam | Nominee Director, UTI | 14/05/2003 | N.A. | _____ |

CHANGES IN AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF

There is no change in the Statutory Auditor of the Company during the last three years.

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide Special Resolution passed at the Annual General Meeting of the Company held on September 30, 2002 and a resolution passed by the Board of Directors at its meeting held on September 6, 2002.

PROCEDURE AND TIME SCHEDULE FOR ALLOTMENT AND ISSUE OF SHARE CERTIFICATES

B.A.G. Films reserves full, unqualified and absolute right to accept or reject an application either in whole or in part and in either case, without assigning reasons. In case an application is rejected in full, the entire application money will be refunded to the applicant. In case an application is rejected in part, the excess application money received, will be adjusted towards the allotment money due and unpaid calls, and the balance if any, will be refunded to the applicant within 10 weeks of the closing of this Issue.

B.A.G. Films, as far as possible, will allot the equity shares within 30 days from the date of closure of the Issue and shall pay interest @ 15% p.a. for the delayed period if the allotment is not made and/or the refund orders are not dispatched within 30 days from closure of the issue. No interest shall be payable under this clause to the underwriters, in case the issue devolves on them, and to applicants applying through Stockinvest.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY

B.A.G. Films will inform the applicants in respect of the allotments made or applications rejected by dispatch of Acceptance Letters/Share Certificates or Letters of Regret together with refund cheques or pay orders or stockinvests, as indicated below, as the case may be, at the applicant's sole risk to the first named/sole applicant within 70 days of the closure of this issue. If such money is not repaid within 8 days from the date of allotment of shares under this issue, the Company and every Director of the Company who is an Officer in default shall on and from the expiry of the 8th day be jointly and severally liable to repay that money with interest @ 15% p.a. except to the applicants applying through stockinvest.

B.A.G. Films as far as possible will allot equity shares within 30 days from the closure of the offer and shall pay interest @ 15% p.a. except to the applicants applying through Stockinvest.

B.A.G. Films shall ensure dispatch of Refund Orders of value up to Rs.1,500/- Under Certificate of Posting (UPC) and refund orders over the value of Rs.1,500/- and Share Certificates by Registered Post only. B.A.G. Films would also make available adequate funds to the Registrar to the Issue for the purpose of dispatch of Refund Orders.

Refund will be made by cheques/drafts/pay-orders or demand drafts drawn on a bank appointed by the Issuer as the Refund Banker and bank charges, if any, for encashing such cheques or pay orders at other centers will be payable by the applicants.

Such cheque or pay order or demand draft will however be payable at par at places where the applications are received, subject to RBI guidelines in this regard.

No receipt will be issued for Application Money. However, the Bankers to the Issue receiving the applications will acknowledge receipt stamping and returning the detachable acknowledgement slip at the bottom of each Application Form.

DISPOSAL OF APPLICATIONS MADE BY STOCKINVEST

The procedure for applications made by cash or cheque or bank drafts will apply mutatis mutandis to applications accompanied by stockinvest except the following:

1. In case of non-allotment, the Registrar to the Issue will return the stockinvest directly to the applicant with the stamp 'CANCELLED' and/or 'NOT ALLOTTED' across the face of the instrument within 70 days from the closure of the issue.
2. On allotment/partial allotment, the Registrar to the Issue shall fill in the amount, which will be equal to or less than the stockinvest to the respective issuing bank for payment to the extent of allotment. The issuing bank will lift the lien on the balance amount, if any, of the deposit.

ISSUE OF SHARE CERTIFICATES

In case the Company issues letters of allotment, the related equity share certificates will be dispatched through registered post within two (2) months from the date of allotment in exchange for the letters of allotment

BASIS OF ALLOTMENT

In the event of public issue of equity shares being over-subscribed, the basis of allotment will be finalised by the Board of Directors of the Company in consultation with DSE, Lead Manager & Registrar to the Issue in marketable lots and on a proportionate basis.

The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a public representative on the Governing Board of the DSE. The basis of allotment shall be signed as correct by the Executive Director/Managing Director of the DSE and the public representative (where applicable) in addition to the lead merchant banker responsible for post issue activities and the Registrar to the Issue.

DENOMINATION OF SHARE CERTIFICATES

As the trading of the Company's shares will be undertaken in dematerialized form only, the Company shall issue the shares to all applicants who provide their demat account details in dematerialized form only. In case the details of the demat account are not mentioned, the Registrar to the Issue will issue to the said allottee a single certificate for all the shares allotted to the said applicant. This will save dematerialization costs for the applicant.

B.A.G. Films Ltd. hereby undertakes that at any given time there shall be only one denomination for the shares of the Company and that the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

REGISTERED OFFICE

B.A.G. Films Limited

C-4, Shivalik,
Near Malviya Nagar Market,
New Delhi – 110 017.
Tel.: +91-11-26686425, 26680099
Fax: +91-11-26683341
E-Mail Address: ipo@bagfilmsonline.com
website: www.bagfilms.com

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. Gorav Arora

Company Secretary,
B.A.G. Films Limited,
C-4, Shivalik,
Near Malviya Nagar Market,
New Delhi – 110 017.
Tel.: +91-11-26686425, 26680099
Fax: +91-11-26683341
E-Mail Address: gauravarora@bagfilmsonline.com

LEAD MANAGERS TO THE ISSUE

KJMC Global Market (India) Limited

SEBI Regn. No.: INM000002509
168, Atlanta, 16th Floor,
Nariman Point, Mumbai - 400 021
Tel: (+91-22) 2288 5201 / 2283 2350
Fax: (+91-22) 2285 2892
E-mail: hitesh@kjmc.com

UTI Securities Ltd.

SEBI Regn. No. INM000007458
4th Floor, Merchant Chamber,
41, Sir Vithaldas Thackersey Marg,
New Marine Lines, Mumbai – 400 020.
Tel: (+91-22) 5633 1545 / 5633 1546
Fax: (+91-22) 2203 0165
E-mail: gigym@utisel.com

REGISTRAR TO THE ISSUE**Alankit Assignments Ltd.****SEBI Regn. No.: INR000002532**205-208, Anarkali Market, Jhandewalan Extension,
New Delhi - 110 055.

Tel: +91-11-2361 0220-24 / 2354 6001

Fax: +91-11-2355 2001

E-mail: alankit@alankit.com

LEGAL ADVISOR TO THE ISSUE**AP&J Chambers**C-128, 2nd Floor,
Defence Colony,

New Delhi-110024

Tel: 011-2433 2348 / 6836

Fax: 011-2433 2339

E-mail: apjlaw@vsnl.com

AUDITORS**Joy Mukherjee & Associates**Chartered Accountants,
104, Ravindra Garden,

Sector – E, Aliganj,

Lucknow-226 024

Ph: (O) 2281015, (R) 2330045

E-mail: rampam4u@yahoo.com

BROKERS TO THE ISSUE

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

B. FINANCIAL INFORMATION**AUDITORS' REPORT**The Board of Directors,
B.A.G. Films Limited,
C-4, Shivalik,
Near Malviya Nagar Market,
New Delhi - 110 017.

Dear Sirs,

Sub: Your Proposed Public Issue

We have reviewed the books of accounts for four years ended on 31st March 1999, 31st March 2000, 31st March 2001 and 31st March 2002 duly audited by us and adopted by the members of the Company and for the year ended 31st March 2003 audited by us and proposed to the members for adoption.

In accordance with requirements of paragraph B (1) and (2) of Part II of Schedule II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure & Investor Protection) Guidelines, 2000, we report that the Assets & Liabilities and Profit & Loss Account for the five financial year ended on 31st March 2003 are as set out below.

We hereby confirm that the accounts are prepared in accordance with the mandatory accounting standards issued by Institute of Chartered Accountants of India and relevant presentation requirement of Companies Act, 1956.

The Impact of changes in accounting policies adopted by the Company has been appropriately dealt with and the amount pertaining to prior periods have been adjusted, if any, in arriving at the profits of the years to which they relates.

Thanking you,
For Joy Mukherjee & Associates
Chartered Accountants

Joy Mukherjee
(Partner)

Date : 14th August 2003

Place : New Delhi

TAX CONSULTANT**Nangia & Co.**Chartered Accountants,
D-11, Greater Kailash Enclave-I,
New Delhi- 110 048

Ph.: 011-51633063, 26241552

Fax: 011-26241682

E-mail: nangia@vsnl.com

BANKERS TO THE COMPANY**HDFC Bank Ltd.**G-28-29-30, Sector-18,
Noida – 201 301.

Tel: 2515197-98, 2814201, 2592241

Fax: 2514534

Central Bank of IndiaMalviya Nagar Branch,
Malviya Nagar Market,
New Delhi - 110017**BANKERS TO THE ISSUE****HDFC Bank Ltd.****SEBI Regn. No.: INBI00000063**

Financial Institutions & Government Business Group

6th Floor, Hindustan Times House,

18-20 K. G. Marg,

New Delhi – 110 001.

Tel: 2373 1212, 2373 1919, 2370 4671, 2373 9437

Fax: 2335 9601, 23725993

STATEMENT OF PROFIT AND LOSSES

(Rs. in Lacs)

| | 31.03.99 | 31.03.00 | 31.03.01 | 31.03.02 | 31.03.03 |
|--|---------------|-----------------|-----------------|-----------------|-----------------|
| INCOME | | | | | |
| Sales | | | | | |
| Commissioned Serials | 211.85 | 413.02 | 950.35 | 793.86 | 928.12 |
| Sponsored Serials | 140.07 | 649.58 | 40.85 | 44.31 | 340.37 |
| Corporate Films | 2.50 | 3.07 | 10.06 | 32.01 | 122.61 |
| Advertisement | 6.05 | — | — | — | — |
| Advisory Services | — | — | 53.78 | — | — |
| Equipment Hiring | 0.11 | 1.41 | — | — | 1.77 |
| Camera Hiring | — | — | — | — | — |
| Commission | 0.41 | — | — | — | — |
| Footage Transfer | 0.08 | 0.23 | 9.48 | 12.13 | 10.17 |
| T.V. Marketing / Gift Hampers | 4.67 | — | — | 0.80 | — |
| Studio Hiring | 1.10 | 1.15 | 0.05 | 1.30 | — |
| Exports | — | — | 1.67 | — | 1.31 |
| Re-Run of serials | — | — | 14.25 | 43.75 | 4.59 |
| Media School | — | — | — | 1.90 | 1.58 |
| Miscellaneous Income | — | — | 0.06 | 0.57 | 0.40 |
| Income from IVR Services | — | — | — | — | 1.08 |
| | 366.84 | 1,068.46 | 1,080.55 | 930.63 | 1,411.99 |
| Other Income | 2.92 | 1.09 | 1.15 | 30.40 | 9.71 |
| Increase/(Decrease) in Inventories | 5.67 | (3.01) | 27.26 | 39.21 | 164.95 |
| Total | 375.43 | 1,066.54 | 1,108.96 | 1,000.24 | 1,586.65 |
| EXPENDITURE | | | | | |
| Cost of Production | 257.67 | 786.16 | 669.12 | 621.30 | 993.50 |
| Staff Costs | 26.13 | 31.61 | 57.07 | 69.89 | 63.29 |
| Administration Expenses | 41.35 | 81.70 | 128.20 | 159.10 | 180.43 |
| Selling & Distribution Expenses | 3.18 | 4.27 | 18.51 | 9.58 | 13.16 |
| Interest | 3.40 | 2.74 | 6.84 | 4.84 | 1.56 |
| Depreciation | 13.42 | 16.77 | 28.09 | 33.75 | 27.61 |
| Miscellaneous Expenditure Written Off | 0.01 | 0.01 | 8.82 | 8.82 | 9.32 |
| Total | 345.16 | 923.26 | 916.65 | 907.28 | 1,288.87 |
| Net Profit before Tax and Extraordinary Items | 30.27 | 143.28 | 192.31 | 92.96 | 297.78 |
| Taxation | 9.02 | 54.35 | 77.12 | 18.89 | 31.39 |
| Net Profit before Extraordinary Items (Net of Tax) | 21.25 | 88.93 | 115.19 | 74.07 | 266.39 |
| Extraordinary Items (Net of Tax) | 0 | 0 | 0 | 0 | 0 |
| Net Profit after Extraordinary Items | 21.25 | 88.93 | 115.19 | 74.07 | 266.39 |
| OTHER INCOME AS % OF NET PROFIT BEFORE TAX | 9.66 | 0.76 | 0.60 | 32.71 | 3.26 |

The break up of other income for the year 2002-03 is as under:

| Particulars | Amt. in Rs. |
|------------------------|-------------|
| INTEREST ON FDR (Nett) | 5,84,557 |
| PROVISION Written Off | 3,86,324 |

DISCLOSURE OF DETAILS OF OTHER INCOME (NET OF RELATED EXPENSES) FOR THE FINANCIAL YEAR 2001-02 WHEREIN OTHER INCOME EXCEEDS 20% OF NET PROFIT BEFORE TAX

| Other Income | Rs. in Lacs |
|--|--------------------|
| Interest Received on FDR with Banks | 22.2 |
| Accrued Interest on FDR with Banks | 2.4 |
| Profit on Sale of Car | 0.3 |
| Income from IVR services | 0.1 |
| Provision Wrongly created in 2000-2001 now Written Off | 5.2 |
| Dividend on Investment in Shares of Mukta Arts Ltd. | 0.1 |
| Total | 30.4 |
| Net Profit before Taxation | 92.97 |
| 20% of Net Profit before Taxation | 18.59 |
| Other Income (% of Net Profit before Taxation) | 32.70% |

Note: The Other Income has arisen out of normal business activities and is of Non Recurring nature

STATEMENT OF ASSETS AND LIABILITIES

(Rs. in Lacs)

| | 31.03.99 | 31.03.00 | 31.03.01 | 31.03.02 | 31.03.03 |
|--|-----------------|------------------|--------------------|--------------------|--------------------|
| A. Fixed Assets: | | | | | |
| Gross Block | 114.61 | 171.99 | 399.13 | 806.81 | 821.52 |
| Less: Depreciation | 31.98 | 48.61 | 76.70 | 110.45 | 138.06 |
| Net Block | 82.63 | 123.38 | 322.43 | 696.36 | 683.45 |
| Less: Revaluation Reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Block after Adjustment for Revaluation Reserve | 82.63 | 123.38 | 322.43 | 696.36 | 683.45 |
| Capital Work-in-Progress | 0.00 | 0.00 | 0.00 | 226.55 | 554.68 |
| Total Fixed Assets | 82.63 | 123.38 | 322.43 | 922.91 | 1,238.13 |
| B. Investments | 0.00 | 0.00 | 0.00 | 5.00 | 6.24 |
| C. Current Assets, Loans and Advances | | | | | |
| Inventories | 9.47 | 6.47 | 33.73 | 72.93 | 237.88 |
| Sundry Debtors | 158.14 | 172.40 | 292.00 | 301.47 | 505.14 |
| Cash and Bank Balances | 8.27 | 75.99 | 824.92 | 139.13 | 165.20 |
| Loans and Advances | 23.40 | 70.09 | 639.58 | 559.31 | 555.11 |
| | 199.28 | 324.95 | 1,790.23 | 1,072.84 | 1,463.34 |
| D. Liabilities and Provisions: | | | | | |
| Secured Loans | 23.65 | 23.60 | 999.57 | 1091.36 | 485.56 |
| Unsecured Loans | 15.02 | 0.04 | 0.00 | 0.00 | 0.00 |
| Current Liabilities & Provisions | 150.01 | 251.61 | 414.60 | 164.72 | 298.42 |
| | (188.68) | (275.25) | (1,414.17) | (1,256.08) | (783.98) |
| E. Net Worth | 93.23 | 173.08 | 698.49 | 744.67 | 1,923.73 |
| F. Represented by | | | | | |
| 1. Share Capital | 11.30 | 41.30 | 564.16 | 564.16 | 780.87 |
| 2. Share Application Money | 42.53 | 12.53 | 0.00 | 0.00 | 0.00 |
| 3. Reserves | 39.44 | 119.28 | 213.65 | 272.11 | 1,268.67 |
| Less: Revaluation Reserve | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Reserves (Net of Revaluation Reserves) | 39.44 | 119.28 | 213.65 | 272.11 | 1,268.67 |
| Less: Miscellaneous Expenditure not yet W/off | 0.04 | 0.03 | 79.32 | 91.60 | 125.81 |
| Net Worth | 93.23 | 173.08 | 698.49 | 744.67 | 1,923.73 |
| EPS (in Rs.) | 3.76 | 4.31 | 0.41 | 0.26 | 0.68 |
| NAV per Share (in Rs.) | 8.97 | 7.77 | 2.48 | 2.64 | 4.93 |
| Return on Net worth (%) | 22.79 | 51.38 | 16.49 | 9.95 | 13.85 |
| No. of Equity shares (Rs 2 Per Share) | 5,65,100 | 20,65,050 | 2,82,07,750 | 2,82,07,750 | 3,90,43,418 |

EPS = Net Profit After Tax / No. of Share Outstanding as on 31st March of Respective Year.

NAV per Share = Share Capital (Excludes Share Application money)+ Reserves & Surplus - Miscellaneous Expenditure Not yet written off / No. of Shares Outstanding as on 31st March of respective year

Note 1: The Equity shares of the Company were, initially, of the face value of Rs. 100 each and were subdivided into 10 equity shares of Rs. 10 each on 29.12.2000 and again were subdivided into 5 equity shares of Rs. 2 each on 30.9.2002. For the sake of comparison the EPS has been adjusted to show at a presumed Face Value of Rs. 2 each throughout.

Note 2: Share Application Money has not been considered while computing NAV.

Note 3: The previous years figures have been re-grouped and re-classified for sake of comparison, wherever necessary.

STATEMENT OF DIVIDEND FOR IMMEDIATELY PRECEEDING FIVE FINANCIAL YEARS

| Financial Year Ended | No. of Shares on Which Dividend is Paid/Payable | Rate of Dividend % | Amount of dividend (Rs. in Lacs) |
|----------------------|---|--------------------|----------------------------------|
| 03/31/1999 | 11,302 | 20 | 2.26 |
| 03/31/2000 | 41,301 | 20 | 8.26 |
| 03/31/2001 | 56,41,550 | 5 | 9.53 |
| 03/31/2002 | 56,41,550 | 5 | 28.21 |
| 03/31/2003 | 3,90,43,418 | 5 | 28.33 |

Notes:

1. Dividend Rate is the rate recommended by the Directors and approved by the Shareholders in Annual General Meeting for each of the above years, except for year ended 2003, for which Annual General Meeting will be held in due course. In respect of additional share capital issued during the course of any year, actual Dividend paid is computed on a pro-rata basis
2. The Equity shares of the Company were of the face value of Rs. 100 each and were subdivided into 10 equity shares of Rs. 10 each on 29.12.2000 and again were subdivided into 5 equity shares of Rs. 2 each on 30.9.2002.

TAX SHELTER STATEMENT

(Rs. in Lacs)

| | 31.03.99 | 31.03.00 | 31.03.01 | 31.03.02 | 31.03.03 |
|--|----------|----------|----------|----------|----------|
| Tax Rate (Including Surcharges) | 35.00% | 38.50% | 39.55% | 35.70% | 36.75% |
| Net Profit Before Tax | 30.27 | 143.27 | 192.31 | 92.97 | 297.78 |
| Tax at Notional Rate (A) | 10.59 | 55.16 | 76.06 | 33.19 | 109.43 |
| Adjustments: | | | | | |
| Export Profits u/s 80HHF | 0 | 0 | 0.24 | 0 | 0 |
| Export Profits u/s 80HHF | 0 | 0 | 0 | 0 | 0.28 |
| Difference between | | | | | |
| Tax Depreciation and Book Depreciation | 5.08 | 4.81 | 3.50 | 17.91 | 54.27 |
| Other Adjustments | (0.62) | (2.70) | (2.80) | 22.15 | 233.39 |
| Net Adjustments | 4.46 | 2.11 | 0.94 | 40.06 | 287.94 |
| Tax Savings on Net Adjustments (B) | 1.56 | 0.81 | 0.37 | 14.30 | 105.82 |
| Total Taxation (A-B) | 9.03 | 54.35 | 75.69 | 18.89 | 23.17* |
| Taxation on extra-ordinary items | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tax on profits before extra-ordinary items | 9.03 | 54.35 | 75.69 | 18.89 | 23.17* |

* Tax have been calculated as per Section 115JB - Minimum Alternative Tax of the Income Tax Act 1961

CAPITALISATION STATEMENT

| | Pre Issue as at 01.04.2003 (Rs. in Lacs) | As adjusted for Issue (Rs. in Lacs) |
|--------------------------|--|---|
| Short-Term Debt | Nil | Nil |
| Long-Term Debt | 483.04 | Nil |
| <u>Shareholders Fund</u> | | |
| Share Capital | 780.87 | 1,180.11 |
| Reserves | 1,268.67 | 2,814.63 |
| Total Shareholders Funds | 2,049.54 | 3,994.74 |
| Long Term Debt/ Equity | 0.24 : 1 | Nil* |

* After the Term Loan of IDBI of Rs. 700 Lacs is disbursed, the Long Term Debt/Equity

Ratio will become 0.17 : 1

The Company has no subsidiaries.

No part of the proceeds, of the issue of the shares is proposed to be applied directly or indirectly -

- i. in the purchase of any business; or
- ii. in the purchase of an interest in any business.

No part of the proceeds of the issue of shares is proposed to be applied directly or indirectly in any manner resulting in the acquisition by the Company of shares in any other body corporate;

PRINCIPAL TERMS OF LOAN AND ASSETS CHARGED AS SECURITY:

The Company was sanctioned financial assistance from Industrial Development Bank of India (IDBI) & Unit Trust of India (UTI) for its Convergence Studio Complex and Media School Project as under:

| | (Rs. in Lacs) |
|--|---------------------|
| Fully Convertible Debentures (FCDs) from IDBI: | 400 |
| Fully Convertible Debentures (FCDs) from UTI: | 750 |
| Optionally Fully Convertible Debentures (OFCDs) from IDBI: | 400 |
| Debt-Rupee Term Loan from IDBI: | <u>700</u> |
| TOTAL | <u>2,250</u> |

Salient Features of Agreements with IDBI & UTI

The salient features of the subscription agreement for FCDs with IDBI dated 16.03.01 are as under:

1. Trustees for The Debenture Holders: UTI Bank Ltd.
2. Conversion of the Debentures: The debentures together with interest accumulated thereon as provided in Interest and Dividend Clause herein below shall be compulsorily converted into equity shares of the Company within 24 months from the date of this agreement or prior to the date of Initial Public Offer (IPO) made by the Company, whichever is earlier.
3. Interest and Dividend:
 - i. The Company shall, till the debentures are fully converted into equity shares, accumulate interest @ 14% p.a. on quarterly compounding basis (on February 1, May 1, August 1, November 1 each year) including any broken period and the entire accumulated interest together with principal amount of debentures shall be converted into equity shares of the Company as provided in Conversion of the Debentures hereinabove at a discount of 10% to the IPO price.
 - ii. In the event the Company fails to go in for IPO within 24 months from the date of this agreement, interest on the debentures, shall be payable in a manner so as to give a return equal to the ceiling rate for term loans prevailing as on the date of subscription agreement.

- iii. All the interest on the debentures due and not paid under as per para i. & ii. above, shall carry further interest at the rate applicable. Computed from the respective due dates and shall become payable upon the footing of compound interest with quarterly rests.
4. Redemption:
- i. The Company shall redeem the debentures along with the accumulated interest thereon by way of conversion into equity shares of the Company at a discount of 10% to the IPO price within 24 months from the date of this Agreement. The IPO price shall mean, in case of the IPO being on fixed price basis, the issue price mentioned in the prospectus, and in case the IPO is made at market discovered price, the lowest price acceptable to the Company as disclosed in the prospectus.
 - ii. In the event of non-conversion of the debentures into equity shares as provided in Clause Conversion of the Debentures hereinabove, the Company agrees to redeem the debentures at a price so as to yield a return equal to the ceiling rate for term loans prevailing as on the date of this agreement.
 - iii. The Company shall not, except with the prior approval of debenture holders, redeem the debentures or any part thereof before the due dates or till such time as the conversion right reserved to the debenture holders are exercised in full or has lapsed.
 - iv. The Company undertakes that in the event of the debenture holders exercising the right of conversion as aforesaid, the Company shall get the equity shares, which will be issued to the debenture holders as a result of conversion, listed with at least two stock exchanges.
5. Security for the Debentures: The debentures, together with premium on redemption, all interest, liquidated damages, remuneration payable to the trustees, costs, expenses and all other monies whatsoever stipulated in this agreement, shall be secured by pledge of 40,9,500 equity shares together held by Shri Rajiv Shukla and Smt. Anuradha Prasad, being 13% of their total shareholding in the capital of the Company. The said pledge of shares shall also stand as security for subscription by the lender to the Optionally Fully Convertible Debentures (OFCDs) of the Company of Rs.40 millions vide subscription agreement dated 16th March 2001.
6. The Agreement shall become binding on the Company and debenture holders on and from the date first above written. It shall be in force till all the monies due and payable under this agreement are fully converted into equity shares of the Company or fully redeemed.

The salient features of subscription agreement for FCDs with UTI dated 08.03.01 are as under:

- a. The Company shall ensure that the Debentures shall rank pari-passu inter se to all intents and purposes without any preferences or priority of one over the other.
- b. The Company shall ensure that the Equity Shares arising out of the conversion of the Debentures shall rank pari-passu inter se and also with the existing Equity Shares of the Company to all intents and purposes without any preferences or priority of one over the other.
- c. Trustees for the Debenture Holders: UTI Bank Ltd.
- d. Interest on Debentures Outstanding: The Company agrees that the debentures shall, until the Debentures are redeemed or paid off or converted into Equity Shares, carry interest @ 14% p.a. compounded on yearly basis on the 31st Day of March of each year. The first instalment of interest shall accrue for the broken period from the date of allotment / subscription upto immediately following 31st day of March. The interest for the last broken period shall accumulate upto the date of redemption / conversion of the debentures.

Provided however, in the event of any default in the conversion or redemption of the debentures and all other monies payable pursuant to this Agreement read with the letter of sanction bearing no. UT / DOI / 214 / B-274 / 2000-2001 dated 16/01/2001, with applicable modifications thereto, the Company shall pay to the holder/s of the debenture, further interest at the rate of 2.1% per annum as and by way of liquidated damages for the period of default on the amount of such defaulted installment of redemption upon the footing of compound interest as aforesaid and all such compound interest shall be a charge secured by the debentures.
- e. Conversion: The Company agrees that the debentures together with the interest compounded as per above clause and compounded upto the date of conversion shall be converted into fully paid up equity shares of the Company at a price determined hereunder on the date of opening of Initial Public Offer of the Company's Equity Shares in Indian Market, which Initial Public Offer, the Company undertakes to do within a period of 2 (two) years from the date of subscription to the debentures by the debenture holder / s.

The Company agrees that the conversion referred to above shall be at a price of 10% discount to the Issue Price of Equity Shares in the Initial Public Offer referred to above. The Company shall intimate the debenture holder / s of the date of Opening of Initial Public Offer and shall deliver the Share Certificate arising out of conversion immediately to the Debenture holder / s.

The Company agrees and undertakes that on exercise of conversion option, the debenture holder/s are entitled to receive benefits of Bonus / Rights Equity Shares, if any, issued prior to the date of such conversion on pro rata basis in respect of the Equity Shares allotted on conversion.

- f. Terms and Conditions to Apply *Mutatis Mutandis*: On the debentures being converted into equity shares as stated herein, all the rights and privileges of the debenture holder / s as it existed prior to the conversion and all terms, conditions, obligations, stipulations and restrictions set out herein shall automatically apply in respect of the Equity Shares *mutatis mutandis* so long as UTI holds Equity Shares acquired pursuant to the Conversion.
- g. Computation of Interest and Other Charges: In all cases in which it shall be necessary to compute the amount of interest which shall have accrued under this agreement for even periods of 12 months such computation shall be made on an annual basis. In all other cases, such computation shall be on a daily basis using 365 days factor (or 366 days factor for periods falling in a leap year).

In all cases in which it shall be necessary to compute any other charges, which shall have accrued under this Agreement for even periods of 3 months, such computation shall be made on an annual basis. In all other such computation shall be on a daily basis using 365 days factor (or 366 days factor for periods falling in a leap year).

- h. Security for the Debentures: The debentures together with interest calculated as per section d, above till they are converted into equity shares as stated in section e above and the Equity Shares till they are listed in the Stock Exchange(s) as may be acceptable to the Equity Shareholder / s, together with further interest by way of liquidated damages, costs, charges, expenses and other charges payable in respect of the debentures and / or Equity Shares shall be secured by pledge of 4,09,500 number of equity shares of the Company held by Shri Rajiv Shukla and Smt. Anuradha Prasad, the Promoters, constituting 13% of the paid-up Equity Share Capital of the Company.

The Company and the Pledgors should ensure that the Equity Shares pledged are free from any lock-in period.

The Company shall execute and should arrange for and ensure that the Pledgors execute a Deed of Pledge and such other deeds and documents in such form and manners as may be stipulated by the Debenture holder / s.

- i. Acquisition of additional Immovable Properties: So long as any monies remain due and outstanding to the debenture holder / s, the Company undertakes to notify the debenture holder / s / debenture trustees in writing of all its acquisitions of immovable properties and as soon as practicable thereafter shall make out a marketable title to the Debenture Trustees by way of first charge in such form and manner as may be decided by the debenture trustees / debenture holder /s.
- j. Debenture Redemption Reserve: The Company shall create Debenture Redemption Reserve (DRR) out of its profits before distribution of any dividend and transfer to it suitable amounts in accordance with Government Guidelines issued from time to time or by any other prescribed Statutory or other Authority in their behalf and in force during the currency of the debentures. The Company shall submit to the debenture trustees and the Debenture holders / s, a Certificate duly certified by the Auditors certifying that the Company has transferred a suitable sum to DRR at the end of each financial year.
- k. The subscriber shall have the right to call upon the Promoters, viz. Shri Rajiv Shukla and Smt. Anuradha Prasad, to buy-back the Equity Shares arising out of the conversion in terms of this Subscription Agreement, if the Equity Shares are not listed within 2 (two) years from the date of subscription to the Debentures. The aggregate Equity Shares shall be bought back at a price equal to the sum of the amount subscribed to the debentures and the accumulated interest calculated as per section d hereof upto the date of buying-back by the Promoters.

The Company shall arrange that the Promoters furnish an unconditional and irrevocable Undertaking for the Buy-back of Shares as stipulated hereinabove.

The salient features of subscription agreement for OFCDs by IDBI dated 16.03.01 are as under:

- a. Trustees for the Debenture Holders: UTI Bank Ltd.
- b. Conversion of the Debentures:
 - i. The debenture holders shall have the right to convert the debentures, at its option, total or part of the debentures together with accumulated interest into fully paid-up equity shares of the Company at a discount of 10% to the Initial Public Offer (IPO) price, within 24 months from the date of this agreement or prior to the date of IPO, whichever is earlier.

- ii. The debentures will be converted into equity at the option of the Debenture Holder in the manner specified in a notice in writing to be given by the debenture holders to the Company prior to the date on which the conversion is to take effect.
 - iii. On receipt of notice of conversion, the Company shall allot and issue the requisite number of fully paid up equity shares to the debenture holders as from the date of conversion and the debenture holders shall accept the same in redemption and satisfaction of the principal amount together with accumulated interest of the debentures to the extent so converted. The part of the debentures so converted shall cease to carry interest from the date of conversion and the debentures shall stand correspondingly reduced. Upon such conversion to the debentures redeemable after the date of conversion shall stand reduced proportionately by the amount of debentures so converted. The equity shares so allotted and issued to the debenture holders shall carry from the date of conversion the right to receive proportionately the dividends and other distributions declared in respect of the equity capital of the Company. Save as aforesaid the said shares of the Company in all respects. The Company shall at all times maintain sufficient unissued equity shares for the above purpose.
- c. Interest and Dividend:
- i. The Company shall, till the debentures are fully converted into equity shares, accumulate interest @ 14% p.a. on quarterly compounding basis (on February 1, May 1, August 1, November 1 each year) including any broken period and the entire accumulated interest together with principal amount of debentures shall be converted into equity shares of the Company at a discount of 10% to the IPO price. The IPO price shall mean, in case of the IPO being on fixed price basis, the issue price mentioned in the prospectus, and in case the IPO is made at market discovered price, the lowest price acceptable to the Company as disclosed in the prospectus.
 - ii. In the event the Company fails to go in for IPO within 24 months from the date of this agreement or in the event of the debenture holders opting not to convert the debentures into equity in part or full, the accumulated interest on the debentures shall become payable forthwith. Thereafter, the debenture shall carry interest @ Minimum Term Lending Rate + 2.5% p.a. prevailing at the time of exercise of conversion option. Such interest shall be payable on February 1, May 1, August 1, November 1 each year.
 - iii. All the interest on the debentures due and not paid as per para (ii) above, shall carry further interest at the rate applicable, computed from the respective due dates and shall become payable upon the footing of compound interest with quarterly rests.
- d. Redemption:
- i. The Company shall redeem the debentures, in part or full along with the accumulated interest thereon by way of conversion into equity shares within 24 months from the date of this agreement or simultaneously with (FCDs), whichever is earlier, at the option of the debenture holders.
 - ii. In the event of non-conversion of the debentures into equity shares within 24 months from the date of this agreement, the outstanding amount of the debentures shall become repayable in twelve quarterly installments commencing from May 1, 2003.
 - iii. The Company shall not, except with the prior approval of debenture holders, redeem the debentures or any part thereof before the due dates or till such time as the conversion right reserved to the debenture holders are exercised in full or has lapsed.
 - iv. The Company undertakes that in the event of the debenture holders exercising the right of conversion as aforesaid, the Company shall get the equity shares, which will be issued to the debenture holders as a result of conversion, listed with at least two stock exchanges.
- e. Debenture Redemption Reserve: The Company shall out of its divisible profits as hereinafter defined set apart annually commencing from its financial year ending on March, 2002 a sum not less than Rs.4 millions (Rupees four millions only) till March 31, 2006 and shall transfer to and credit such sums to a reserve to be called "Debenture Redemption Reserve".
- f. Security for the Debentures:
- i. The debentures, together with premium on redemption, all interest, liquidated damages, remuneration payable to the trustees, costs, expenses and all other monies whatsoever stipulated in this agreement, shall be secured by:
 1. a mortgage in favour of the debenture holders in a form satisfactory to the debenture holders of all the Company's immovable properties both present and future;

2. a charge by way of hypothecation in favour of the debenture holders of all the Company's movable (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and / or to be created in favour of the Company's Bankers on the Company's stocks of raw materials, semi-finished and finished goods, consumables stores and such other movables as may be agreed to by the Trustees for securing the borrowings for working capital requirements in the ordinary course of business.

The mortgage and the charges as aforesaid shall rank pari-passu to the mortgage / charges created / to be created in favour of IDBI for its rupee term loan of Rs.70 mn.

- ii. The borrower shall make out a good and marketable title to its properties to the satisfaction of the debenture holders and comply with all such formalities as may be necessary or required for the said purpose.
- iii. The debenture, together with premium on redemption, all interest, liquidated damages, remuneration payable to the trustees, costs, expenses and all other monies whatsoever stipulated in this agreement, shall be secured by pledge of 409500 equity shares together held by Shri Rajiv Shukla and Smt. Anuradha Prasad, being 13% of their total shareholding in the capital of the Company. The said pledge of shares shall also stand as security for subscription by the lender to the Fully Convertible Debentures (FCDs) of the Company of Rs.40 millions vide subscription agreement dated 16th March 2001.
- g. The Agreement shall become binding on the Company and debenture holders on and from the date first above written. It shall be in force till all the monies due and payable under this agreement are fully converted into equity shares of the Company or fully redeemed.

The salient features of the loan agreement with IDBI dated 16.03.01 are as under:

- a. Security for the Debentures: The loan together with all interest, liquidated damages, premia on prepayment or on redemption, costs, expenses and all other monies whatsoever stipulated in this agreement, shall be secured by:
- i. a first mortgage and charge in favour of the lenders in a form satisfactory to the lenders of all the Borrower's immovable properties both present and future;
- ii. a first charge by way of hypothecation in favour of the lenders of all the Borrower's movable (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and / or to be created in favour of the Borrower's Bankers on the Borrower's stocks of raw materials, semi-finished and finished goods, consumables stores and such other movables as may be agreed to by the lenders for securing the borrowings for working capital requirements in the ordinary course of business;

The mortgage and the charges as aforesaid shall rank pari-passu to the mortgage / charges created / to be created in favour of IDBI for its subscription to Optionally Fully Convertible Debentures of the Borrower and

- iii. pledge of equity shares to the extent of 74% of the promoters' equity holding in the Borrower.

The borrower shall make out a good and marketable title to its properties to the satisfaction of the debenture holders and comply with all such formalities as may be necessary or required for the said purpose.

- b. The Agreement shall become binding on the Borrower and the Lenders on and from the date first above written. It shall be in force till all the monies due and payable under this agreement are fully paid off.

Till date, the Company has received disbursements as under:

| Name of the Institutions | Nature of Securities | Face Value | Paid-up Value | No. of Securities | Aggregate Value | Date |
|--------------------------|----------------------|------------|---------------|-------------------|-----------------|----------|
| UTI | 14% FCDs | Rs.100 | Rs.100 | 7,50,000 | 7,50,00,000 | 28/03/01 |
| IDBI | 14% FCDs | Rs.100 | Rs.50 | 4,00,000 | 2,00,00,000 | 28/03/01 |
| IDBI | 14% OFCDs | Rs.100 | Rs.100 | 2,00,000 | 2,00,00,000 | 01/08/02 |
| IDBI | 14% FCDs | Rs.100 | Rs.50 | 4,00,000 | 2,00,00,000 | 15/07/03 |

Out of the above, OFCDs worth Rs. 200 Lacs allotted to IDBI have been redeemed on July 15, 2003.

The Company has not availed the Rupee Term Loan from IDBI worth Rs.700 Lacs as up to the date of this document. The Company has redeemed the OFCDs of Rs. 200 Lacs allotted to IDBI in August 2002 and the proceeds of the redemption has been applied to fully pay up the FCDs of Rs. 400 Lacs allotted to IDBI in March 2001, which were standing as partly paid up at principal value of Rs. 200 Lacs, before the FCDs have been converted into equity shares.

DETAILS OF PROPERTY MORTGAGED BY THE COMPANY

The Company's properties as detailed below have been mortgaged for the above loans mentioned there against with the following parties:

For the Term Loan of Rs. 700 Lacs from IDBI, the following properties have been mortgaged: -

1. The plot no. FC-23, Sector 16-A, Film City, Noida, U.P. has been pledged under equitable mortgage.
2. The Plot No. HS-20, Sector P-7, Greater Noida, U.P. has been pledged under Equitable Mortgage.
3. All moveable property of the Company has been hypothecated in their favour.

For the Optionally Fully Convertible Debentures the Company had offered the following security: -

A charge over the following properties already pledged to IDBI to be available to debentures also:

1. The plot no. FC-23, Sector 16-A, Film City, Noida, U.P. has been pledged under equitable mortgage.
2. The Plot No. HS-20, Sector P-7, Greater Noida, U.P. has been pledged under Equitable Mortgage.
3. All moveable property of the Company has been hypothecated in their favour.

As the said debentures have been redeemed, the above charge is ceased now.

For the FCDs of UTI and FCDs and OFCDs of IDBI, UTI Bank Ltd. was appointed as debenture trustees and the Company's flat at Nala Sopara, Dist. Thane, Maharashtra was Mortgaged with the debenture trustees as a registered mortgaged. As all the debentures of the Company have been either converted into equity shares or redeemed, this property is free after respective conversion and redemption.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (AS AT 31st March 2003)

SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

- a. The accounts are prepared in accordance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and relevant presentation requirements of the Companies Act, 1956.
- b. The accounts have been prepared on historical cost basis.
- c. The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

2. INVENTORIES

Inventories are valued at Cost.

In case of programme pilots the net realizable value is not ascertainable, Therefore cost is taken. In all other cases the realizable value of the programmes is higher than the cost.

3. DEPRECIATION

Depreciation on fixed assets is provided on written down value method at the rates and manner prescribed in Schedule XIV of the Companies Act, 1956.

4. REVENUE RECOGNITION

1. Sale is recognized on delivery of Software programmes to customers.
2. Production expenses are net of recoveries, if any.
3. Free Commercial Time (FCT) available to the company is accounted for as sold. Unsold and banked FCT, if any, is recognized as an asset as well as revenue at the average realization rate for each program on Balance Sheet date.

5. FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. Cost comprises of purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

6. INVESTMENTS.

Investment in Equity Shares is shown at Cost. In case of Listed Investments, the market Value on Balance Sheet date is disclosed.

7. RETIREMENT BENEFITS

Contribution to Provident Fund is made as per the statutory norms and is charged to profit & loss account. Provision for Gratuity is made as per the Payment of gratuity act. Such provision are being charged to Profit & Loss Account on accrual basis.

8. BORROWING COST

Borrowing costs attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

9. SEGMENTAL REPORTING

- 1) Primary segments : The Group Operates in three primary business segments viz, Audio-Video Production, Media Education and Hiring.
- 2) Secondary segments : The Company caters to the needs of Indian market representing a singular economic environments with similar risks and rewards and hence there are no reportable geographical segments.
- 3) Directly identifiable expenses have been accounted for directly in respective segments.Overheads are apportioned pro-rata on revenues.Depreciation is not divided among segments.

10. TAXATION

Tax expense for the period , comprising current tax and deferred tax is included in determining the net profit for the period . Deferred Tax Liability is recognized in accordance with AS-22 issued by Institute of Chartered Accountants of India.

11. MISCELLANEOUS EXPENDITURE

Miscellaneous expenditure represents preliminary and pre-operative expenses, which is carried forward to be charged to revenue, over ten and five years respectively.

NOTES TO ACCOUNTS

1. The Depreciation on assets relating to the projects under implementation is capitalized as pre-operative expenses.
2. The NAV of the Investment in B.A.G.Infotech Pvt.Ltd. (non listed company under the same management) is NIL.
3. **The company has valued its investment in shares of Mukta Arts Ltd. at cost. The current market price of the said shares shows a fall in value of Rs 2,80,500/-. This being a long-term investment the company considers this fall in value as temporary.**
4. **Additional information required to be given pursuant to Part II of schedule VI of the Companies Act, 1956 is as follows:**
 - a. The Company is in the business of producing media software which is not subject to any license, hence licensed capacity is not given for the type of business of the company, the installed capacity is not quantifiable.
 - b. Earnings in foreign currency-
Value of exports Rs. 1,30,995/- (Previous period Nil)
5. Contingent Liability towards orders placed for Fixed Assets is Rs.2,14,50,000/-.
6. The Company incurred an expense of Rs.18,51,505/- in the financial year 2001-2002 on advertising for the purpose of "Brand Building" for its television software production business. The expense has been treated as deferred revenue expenditure as the benefit of the same will be realized over a much longer period. The expense is being absorbed at 20% every year over 5 years.
7. (a) 7,50,000, 14% Fully Convertible Debentures series A of Rs.100/- each fully paid up amounting to Rs.7,50,00,000/- were issued to Unit Trust of India and 4,00,000, 14% Fully convertible Debentures series B of Rs.100/- each, Rs.50/- paid up amounting to Rs.2,00,00,000/- and 2,00,000, 14% Optionally fully convertible debentures of Rs 100/- fully paid up amounting to Rs.2,00,00,000/- only were issued to Industrial Development Bank of India for the purpose of raising finance for setting up a Fully Integrated Studio Complex at Film City, Noida and Media School at Greater Noida. Interest accrued thereon has been capitalized as Capital Work In Progress for the studio project.

(b) 7.50 Lac 14% Fully Convertible Debentures of Rs 100 each fully paid up held by Unit Trust of India were converted on 28th of March into Equity shares of the Company along with the interest accrued thereon up to that date aggregating to Rs 9,75,21,012/- at a price of Rs 9 per share (Rs 2/- share capital plus Rs 7/- premium). In consequence of this conversion, UTI was allotted 1,08,35,668 Equity shares of the company. As this conversion amounts to redemption and allotment, the amounts has been considered as paid and received and the shares have been shown as allotted for cash.

(c) The Debentures pending conversion are not subject to redemption, as they are fully convertible. However on protective basis, Debenture Redemption Reserve has been created out of accumulated profits to the extent of 20% of the aggregate outstanding on Debentures for the financial year 2001-2002 and 2002-2003.(Face value of debentures and interest accrued but not due thereon).

8. The Capital Reserve of Rs 12,59,156/- has been transferred to General Reserve on account of realization of sale proceeds of land.

9. The company accounts for amounts receivable from Doordarshan for programs supplied or payable to Doordarshan (various channels) towards telecast fees on a net basis, i.e. to say, the amounts receivable or payable to Doordarshan are setoff against one another. Doordarshan, on the other hand, accounts for the amounts separately, for each channel, each account. The amounts shown by the company as receivable from Doordarshan have neither been confirmed by Doordarshan nor denied.

10. While making provision for Income Tax on the Profits for the year, the Company has taken as allowable the Interest accrued but not due on the 31st March 2003 on Fully Convertible Debentures allotted to UTI. The amount is deemed paid on conversion of the debentures along with interest accrued thereon into Equity Shares on the 28th of March 2003 and will be claimed as allowable u/s 43B of the Income Tax Act 1961 for the financial year 2002-03

11. The company accounts for Fixed Deposits with banks on a net basis after adjusting any temporary advances against such deposits. Similarly, the interest earned on such deposits is shown net of interest paid on any such advances.

12. Related party Disclosure as per AS-18 issued by Institute of Chartered Accountants of India for year 2002-03 are as under:

a) Mrs. Anuradha Prasad is the Managing Director of the company and holds 23.91% of Company's Shares and is paid the following sums:

| | |
|--|----------------|
| i. Remuneration as Managing Director | Rs. 6,00,000/- |
| ii. Rent for premises used as Company's Office (No minimum commitment or fixed minimum charges are agreed to be paid) | Rs. 1,02,000/- |
| iii. Payment of Dividend for F/Y 2001-2002 | Rs. 8,35,482/- |
| iv. Anchor Fees for ROZANA | Rs. 2,00,000/- |

b) Mr. Rajiv Shukla is the Director of the company and holds 16.43% of Company's Shares and is paid the following sums:

| | |
|---|----------------|
| i. Rent for premises used as Company's Office (No minimum commitment or fixed minimum } charges are agreed to be paid) | Rs. 1,02,000/- |
| ii. Sitting Fees for attending Board Meetings | Rs. 15,500/- |
| iii. Payment of Dividend for F/Y 2001-2002 | Rs. 5,74,142/- |
| iv. Fees as Content Editor for ROZANA | Rs. 2,35,500/- |

c) M/s Anu Films and Communications Private Limited is the company under the same management and is paid following sums :

| | |
|--|----------------|
| i. Hiring Charges for Camera * | Rs. 3,60,000/- |
| ii. Camera Purchase (at Book Value) | Rs. 1,80,514/- |
| iii. Payment of Dividend for F/Y 2001-2002 | Rs. 6,71,250/- |

*Amount paid is the Fair market rent of the equipment. No Fixed period commitment or guaranteed minimum rent has been agreed to be paid.

13. Previous year figures are regrouped, rearranged or recast where necessary to make them comparable with the current year figures.

C. DESCRIPTION OF INDUSTRY AND BUSINESS

INDIAN ENTERTAINMENT INDUSTRY

Entertainment has always occupied a prime position in the culture and social life of India. Indians are traditionally entertainment savvy. Right from traditional entertainment avenues of live performances – such as dramas, theatres, dance, folk performance etc. – to the jet-age entertainment mediums of satellite television, digital talkies, Internet etc. India has adopted all forms of entertainment and has included them in its vast culture.

The only available source of information about Entertainment Industry is the FICCI - KPMG Report on The Indian Entertainment Sector, which doesn't disclose the methodology of assessment. The classification of segments, industry size, segment size and other such figures are blurred. We have therefore refrained from use of segment and industry figures in the absence of reliable estimates.

The Industry experts broadly classify Indian Entertainment Industry into Films, Television, Radio, Music Sales, and Live Entertainment. During the last century, Cinema has generally dominated the entertainment industry. Films even today enjoy a strong viewer ship amongst the entertainment savvy Indian population. Television, which saw its advent in early 70's has since broken the virtual monopoly of Films and has penetrated the Indian households deeply.

Television & Films – The driving force for high growth

Amongst the various entertainment avenues, Television and Films continue their dominance in the Indian industry. With increasing usage of hi-tech production techniques and special emphasis on quality programming, Television and Films are expected to maintain their position of dominance over other entertainment avenues. However, between television and films also, television would be the more favoured Entertainment Avenue due to its position of being available 'in-house' and appealing to the mass diversified audience base. The great thing about television is that it is a means of entertainment, which can possibly be multitasked with other day-to-day activities and does not require special attention. With the growing information deluge and excessive competition on information acquisition and application, every person is overwhelmed with information and it's processing and has a severe shortage of time. This has led to a state of continuous multitasking.

Indian Television, in the last one decade has already witnessed a flood of Satellite channels penetrating the Indian households, breaking the three decade long monopoly of the state run Doordarshan and capturing a major share of Indian viewership. Currently television reaches more than 50% of the total Indian population, with many of them receiving more than 50 Indian and foreign television channels. This would fuel a substantial growth in the overall television viewership in India and also amongst the cultural Indian population across the globe. With steady increase in its penetration and share of ad spend, television is expected to further secure its position in the media field.

Indian Television Software Industry

An Introduction:

Television software industry has seen good growth since 1985, when Doordarshan decided to go for commissioned and sponsored programs. The subsequent rise in the number of broadcasting channels, especially regional channels, resulted in a promising demand for television content. Various television software companies have been set up and programming genres such as news, current affairs, talk shows, soap operas, game shows, musical shows, etc. were established. Initially, the quality of content was not important, but the constant competition among broadcasting channels to retain their viewership, the television software companies has specialized themselves in specific genres. Television software companies are now investing in state-of-the-art technology and infrastructure to improve their production quality and for expanding the operations.

The growth in television viewership is expected to attract various new broadcasting channels in the Indian Territory besides consolidation of existing broadcasting channels. Higher viewership and penetration would also make television emerge as the most favoured avenue for Indian and foreign advertisers, thereby attracting national and international majors in the Indian television industry.

Recent developments in Indian Television Software Industry:

- Commissioned programs are becoming more popular.
- Per serial realization of commissioned programs is increasing for successful producers.
- All major Television software companies are investing in state-of-the-art technology and infrastructure.
- The small television software companies are finding it difficult to exist due to technological costs.

Major Problems of Indian Television Software Industry:

- Globalization of Indian Entertainment Industry
- Lack of Corporate Governance
- Lack of uniform accounting policies and practices
- Missing organized Industry Association for collective bargaining for the interests of the producers.

Future Scenario of Indian Television Software Industry:

- Big budget Television Content will dominate the channels
- Content will drive viewership
- Banks will fund television software companies for infrastructure and working capital requirements.
- Organized large and medium producers will survive.

Indian Film Industry**An Introduction:**

Filmed entertainment is the most popular form of entertainment in India. The Indian film Industry is one of the largest film industries in the World, producing around 1000 films every year, which includes Hindi, Regional Language and dubbed foreign languages films.

Film production has developed into a sophisticated state-of-the-art process with the industry increasingly adopting digital technology. Indian Films are now days regularly screened at International film festivals and several films have even won awards.

It is difficult to exactly determine the size of the Indian Film Industry because unlike in the developed economies such as in the U.S. and the U.K., costs and revenues in India are not examined by any nodal agency. Therefore, the size of the Industry can be estimated using two different approaches, estimation of total costs and estimation of total revenue.

Recent developments in Indian Film Industry:

- The trend of corporatization is increasing.
- Film Insurance is becoming an established concept.
- A large number of multiplexes are being set up in various regions of the country.
- Indian Film Industry is adopting digital technology.
- Although with better film exhibition facilities, Box Office gross has been growing, box-office sales as a percentage of total film revenue is falling.

Major Problems of Indian Film Industry:

- Unorganized Sector
- Financing
- Professionalism
- Piracy
- Multiple taxes and high entertainment taxes
- Poor and inadequate exhibition infrastructure
- Right sizing of theatres
- Diversification
- Availability of trained manpower

Future Scenario of Indian Film Industry:

The Indian film industry has a strong growth prospective. Multiplexes, which will provide people with total entertainment experience, will attract more people into theatres. Availability of institutional finance and increasing adoption of digital technology will lead to more and better quality films for which viewers will be willing to pay. Film exports are also expected to increase gradually on account of demand from the NRI population. Measures such as strong and ruthless force against piracy, lowering entertainment tax rates and removal of restrictions on ticket pricing speed up industry growth. Once broadband Internet access becomes available in the country, the industry would be able to access new markets and new revenue streams from services such as video on demand, pay per view, etc. to grow faster.

Growing Demand for Trained and Qualified Professionals

Along with quality software, there exists a great need for trained and qualified technical professionals by the Indian television and film industry. This need arises from the fact that to build a competitive advantage and for production of quality software in times of rapid technological change, quality professionals are essential to execute critical activities in software production. This need for trained professionals provides a significant business opportunity for setting up an international standard Media School for imparting education and training in all the critical facets of software production, to meet the growing demand of the media industry.

Major Business Opportunities

- Increasing demand of quality software and trained & qualified professionals
- Demand for diversified program mix - Entertainment, film and film based programs, sitcoms, news and current affairs, game shows
- Demand and high scope for Software producers capable of producing technologically contemporary and viewer's demand driven programs.
- Increasing penetration of regional and niche channels in India.
- Increasing demand for organized and well equipped educational institutes and centers of excellence for imparting skills and nurturing talent

Growth Strategies

Software companies would require adopting the following strategies for ensuring long-term growth and continued existence in the television industry:

- Diversified Product Mix – Capability to produce a variety of programs including Entertainment, Infotainment, Film Based, News and Current Affairs, Educational programs, Game Shows, etc.
- Flexible programming methods – capable of adopting to changing viewer demands quickly and effectively
- Diversified Channel Mix – presence in Hindi, Regional and Niche Channels
- Launch of Film production to create a larger business platform
- Dedicated infrastructure facilities – to edge competition on cost, logistics and reduce external dependence
- Strong creative team and dedicated in-house research with close network with all major players of the industry – channels, artists, et al.
- Multi-tasking the infrastructure to produce, Films and Television Software and Value added videos.
- Better relationships with international film distribution and exhibition companies will help realize better revenues from the same products.

D. STATUTORY AND OTHER INFORMATION

MINIMUM SUBSCRIPTION:

The minimum subscription to be raised by this Issue is 1,33,74,000 Equity Shares aggregating to Rs. 13,37,40,000 being 90% of 1,48,60,000 Equity Shares aggregating to Rs. 14,86,00,000 offered through this Prospectus.

If the Company does not receive the minimum subscription of 90% of the Issue amount including devolvement of Underwriters and Syndicate Members, if any, within 60 days from the Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. For delay beyond 78 days from the Issue Closing Date, if any, in refund of such subscription, the Company shall pay interest as per Section 73 of the Companies Act, 1956. For delay beyond 78 days from the Issue Closing Date, in refund of amount collected, the Company and its Directors shall be jointly and severally liable to repay the amount with interest at the rate of 15% p.a.

EXPENSES OF THE ISSUE

The expenses of the Issue payable by B.A.G. Films inclusive of brokerage, fees payable to the Lead Manager to the Issue, Registrar to the Issue, Legal Advisors & Tax Consultants, Underwriting Commission, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will not exceed Rs.110 Lacs, and will be met out of the proceeds of the present issue.

FEES PAYABLE TO THE LEAD MANAGER

The total fees payable to the Lead Managers will be Rs. 12.50 Lacs, as per the Memorandum of Understanding dated October 11, 2002 and December 24, 2002 signed with the respective Lead Managers, copies of which are available for inspection at the Registered Office of the Company.

FEES PAYABLE TO THE REGISTRAR TO THE ISSUE

The fees payable to the Registrar to the Issue, will be Rs. 50,000 plus reimbursement of all cost as are set out in Memorandum of Understanding entered into with them dated 14/12/2002, kept open for inspection at the Registered Office of B.A.G. Films.

The Registrar will be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders/ letter(s) of allotment/share certificate(s) by registered post.

FEES PAYABLE TO THE LEGAL ADVISOR TO THE ISSUE

The fees payable to AP&J Chambers, Legal Advisor to the Issue, will be Rs. 5,000.

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

Underwriting Commission for the issue is payable @ 2.5% to the underwriters on the offer price of the Equity Shares issued through Prospectus to the Public for subscription and underwritten in the manner mentioned under "General Information" of Part I of the Prospectus.

Brokerage for the issue @ 1.5 % of the Offer Price of the Equity Shares would be paid by B.A.G. Films on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/ Agents' codes on the application form, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

PREVIOUS ISSUE FOR CASH

This being the first public issue of the Company, this clause does not apply.

PREVIOUS PUBLIC OR RIGHTS ISSUES (During the last five years)

This being the first public issue of the Company, this clause does not apply.

The Company has not made any public issue previously. Details of other issues of capital have been outlined in the paragraph on the build up of share capital under the Capital Structure.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

Since B.A.G. Films has not made any public or rights Issue since its inception, therefore there is no question of payment of commission or brokerage on previous issues.

ISSUE OF SHARES OTHERWISE THAN FOR CASH

B.A.G. Films has not issued any equity shares for consideration other than cash except by way of a bonus issue in the ratio of 4:1, allotted on 15.01.2001 details of which have been given under Notes to Capital Structure of this document.

ISSUE OF DEBENTURES, REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS

B.A.G. Films has not made any public or rights Issue of Debentures, Redeemable Preference Shares or any other instruments. However, B.A.G. Films had issued 14% Fully Convertible Debentures of "Series A" and "Series B" to UTI and IDBI respectively and also issued 14% Optionally Fully Convertible Debentures to IDBI. All the above Fully Convertible Debentures together with the accumulated interest thereon up to the date of conversion, as per the original terms of issue, has been converted into equity shares at 10% discount to IPO Price, whereas the Optionally Fully Convertible Debentures issued to IDBI have been redeemed. The details about conversion and redemption of these debentures are disclosed under Note 3 of Notes to Capital Structure.

OPTION TO SUBSCRIBE

No Options to Subscribe to equity shares have ever been issued by B.A.G. Films to any persons. As of the date of this document, there are no pending options to subscribe to equity shares or convertible instruments pending conversion into equity shares of any kind.

PURCHASE OF PROPERTY

No properties are proposed to be acquired out of the proceeds of this issue.

a. The Company has already acquired two properties, details of which are mentioned hereunder:

1. A plot of land in Film City Noida (District Gautam Budh Nagar, U.P.) admeasuring about 5,584.34 sq. mtrs. for the construction of Convergence Studio Complex for the Company, hereinafter called as "Noida Plot" under 90 years lease

2. A plot of land in Institutional Area Greater Noida (District Gautam Budh Nagar, U.P.) admeasuring 24,288.16 sq. mtrs. for the construction of the Media School and Higher Secondary School, hereinafter called as "GNoida Plot" under 90 years lease
- i. the names, address, descriptions and occupations of the vendors are as under:

Noida Plot: New Okhla Industrial Development Authority, Plot No. 23, Block FC, Sector 16 A, NOIDA, Dist. Gautam Budh Nagar, U.P.

The Authority is a State Government body responsible for the development of the Noida Town.

Greater Noida Plot: Greater Noida Industrial Development Authority, Plot No. HS-20, Sector P-7, Greater Noida, Dist. Gautam Budh Nagar, U. P.

The Authority is a State Government Authority responsible for the urban development of the Greater Noida Township.
 - ii. the amount paid to the vendor is as under:

Noida Plot: Amount paid for the above is Rs. 4,15,01,130/-, which include the upfront premium for the lease, lease rent for the first year and also the cost of the boundary wall constructed on a part of the plot. The whole of the amount has been paid to the Noida Authority.

Greater Noida Plot: Amount paid for the above is Rs. 1,54,84,979/-, which includes upfront premium and lease rent for the first two years. The whole of the above amount has been paid to the Greater Noida Authority.
 - iii. the nature of the title or interest in such property acquired by the Company is as under:

Noida Plot: The plot has been leased out by the authority under a transferable and renewable lease of 90 years. The plot has been given on lease for construction and setting up of a Multi Media Software Production Facilities and Establishment of Media Education School according to bye laws and building plans approved by the lessor. The right to mortgage is included subject to permission. The permission has been granted and the property has already been mortgaged under equitable mortgage with IDBI.

GNoida Plot: The plot has been leased out by the authority under a transferable and renewable lease of 90 years. The plot has been given on lease for running a Higher Secondary School and Vocational Institute according to the building plan approved by the lessor. The right to mortgage is included subject to permission. The permission has been granted and the property has already been mortgaged under equitable mortgage with IDBI.
 - iv. There is no property completed within the two preceding years, in which any vendor of the property to the Company or any person who is, or was at the time of the transaction, a promoter, or a director or proposed director of the Company had any interest, direct or indirect, specifying the date of the transaction and the name of such promoter, director or proposed director.

Both the above lands have been encumbered by Equitable Mortgage in favour of IDBI for the Term Loan sanctioned and Optionally Fully Convertible Debentures (OFCDs) agreed to be subscribed by them. No disbursement has yet been taken against the Term Loan. The OFCDs of Rs. 200 Lacs subscribed by IDBI are being redeemed by the Company before this issue.

None of the Directors of the Company have been related to any of the vendors, etc. in any manner, directly or indirectly.
- b. The property to which sub-clause (a) applies is a property purchased or acquired by the Company or proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription by the prospectus or the purchase or acquisition of which has not been completed at the date of issue of the prospectus, other than property -
 - i. the contract for the purchase or acquisition whereof was entered into in the ordinary course of the Company's business, the contract not being made in contemplation of the issue nor the issue in consequence of the contract; or
 - ii. as respect to which the amount of the purchase money is not material.
 - c. for the purpose of this clause, where a vendor is a firm, the members of the firm shall not be treated as separate vendors

The vendors in both cases are Government Authorities and not firms.
 - d. if the Company proposes to acquire a business which has been carried on for less than three years, the length of time during which the business has been carried

The Company is not proposing to acquire any running business as of now.

DETAILS ABOUT DIRECTORS OF THE COMPANY

Name and Address of the Directors of the Company:-

1. Ms. Anuradha Prasad, Managing Director
C 1/2, Amrita Shirgill Marg,
Lodhi Garden, New Delhi-110039
2. Mr. Rajiv Shukla, Director
C 1/2, Amrita Shirgill Marg,
Lodhi Garden, New Delhi-110039
3. Mr. Bhupindar Singh, Nominee Director - IDBI
K-43, Kailash Colony,
New Delhi-110048
4. Mr. Surendra Singh, Director
E-87, Pashchimi Marg,
Vasant Vihar,
New Delhi-110 057.
5. Dr. Vinayshil Gautam, Nominee Director - UTI
C/o. Management Department,
IIT, Hauz Khas,
New Delhi – 110 016.

APPOINTMENT AND REMUNERATION OF MANAGING DIRECTOR

Through a resolution passed in the meeting of Board of Directors of the Company held on 24th April 2000, Ms. Anuradha Prasad was appointed as Managing Director for a period of 5 years with effect from 1st April, 2000 at the following remuneration:

SALARY

She will be paid a sum of Rupees 30,000/- per month excluding dearness and all other allowances.

PERQUISITES

Perquisites shall be allowed, in addition to Salary.

Perquisite shall be restricted to an amount equal to the Annual Salary or Rs. 3,60,000/- per annum, whichever is less.

Perquisite are classified into three categories, Part A, B & C as under:

PART A

HOUSING

House Rent Allowance subject to ceiling of Rs. 15,000/- per month.

MEDICAL REIMBURSEMENT

Reimbursement of expenditure incurred for self and family subject to a ceiling of one month's salary in a year or 3 month's salary over a period of three years.

LEAVE TRAVEL CONCESSION

Leave Travel Concession for self and once in a year incurred in accordance with rules of the Company.

CLUB FEES

Fees of Clubs subject to maximum of two clubs. No admission and life membership fees will be paid.

PERSONAL ACCIDENT INSURANCE

Person Accident insurance of an amount the Annual Premium of which shall not exceed Rs. 4,000/- (Rupees Four Thousand).

PART B

(1) PROVIDENT FUND, GRATUITY ETC.

Contribution to provident fund and Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent that these, either singly or put together, are not taxable, under the Income Tax Act, 1961. Gratuity payable shall not exceed half month's Salary for each completed year of Service.

(2) EARNED LEAVE

On full pay and allowance as per the rules of the Company but not exceeding one month's leave for every eleven months of service. Encashment of leave at the end of the tenure shall not be included in the computation of the ceiling on perquisites.

PART C

Provision of car for use on the Company's business & telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of Car for private purpose shall be billed by the Company.

Through a resolution passed in the Extra Ordinary General Meeting of the Company held on 29th December 2000, the remuneration of Ms. Anuradha Prasad, Managing Director, was revised w.e.f. 1st September 2000 for a period of five years, as under:

SALARY

Rs. 50,000/= (Rupees Fifty Thousand) per month.

PERQUISITES

Perquisites shall be allowed, in addition to salary.

Perquisite shall be restricted to an amount equal to the annual salary or Rs. 6,00,000/- per annum, whichever is less.

Perquisite are classified into three categories, Part A, B & C as under:

PART A

HOUSING

The expenditure by the Company on hiring furnished accommodation will be subject to the following ceilings:

- 60% of the salary, over and above 10% payable by the appointee.
- If the Company does not provide accommodation to the Director, he shall be entitled to house rent allowance subject to the ceiling laid down in (a) above.
- If accommodation in the Company owned house is provided to the Director a deduction of 10% shall be made from the salary.

MEDICAL REIMBURSEMENT

Reimbursement of expenditure incurred for self and family subject to a ceiling of one month's salary in a year or 3 month's salary over a period of three years.

LEAVE TRAVEL CONCESSION

Leave Travel Concession for self and once in a year incurred in accordance with rules of the Company.

CLUB FEES

Fees of Clubs subject to maximum of two clubs. No admission and life membership fees will be paid.

PERSONAL ACCIDENT INSURANCE

Person Accident insurance of an amount the Annual Premium of which shall not exceed Rs. 4,000/- (Rupees Four Thousand).

PART B

(3) PROVIDENT FUND, GRATUITY ETC.

Contribution to provident fund and Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling

(4) EARNED LEAVE

On full pay and allowance as per the rules of the Company but not exceeding one month's leave for every eleven months of service. Encashment of leave at the end of the year shall not be included in the computation of the ceiling on perquisites.

PART C

Provision for car for use on Company's business & telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

In addition to the above remuneration, Ms. Anuradha Prasad, Managing Director of the Company, shall be eligible for such amount as may be decided by the Board of Directors from time to time for each episode of any Serial to be telecasted in which she appears as host.

INTEREST OF DIRECTORS

1. Ms. Anuradha Prasad , Managing Director is being paid the following sums:

- Remuneration as Managing Director, Rs. 6,00,000/- p.a.
- Rent for premises used as Company's Office, Rs. 1,02,000/- p.a.
(No minimum commitment or fixed minimum charges are committed)

Note: None of the payments made are in excess of the fair market value of the services provided.

2. Mr. Rajiv Shukla, Director is being paid the following sums:

- Rent for premises used as Company's Office, Rs. 1,02,000/- p.a.
(No minimum commitment or fixed minimum charges are committed)

Note: The payments made are not in excess of the fair market value of the services provided.

All the Directors of B.A.G. Films may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committees thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under the Articles of Association. All the Directors may also be deemed to be interested to the extent of equity shares, if any, already held by them and/or their friends and relatives in B.A.G. Films, or that may be subscribed for and allotted to them, out of the present Offer in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares.

The Directors may also be regarded as interested in the shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, Members, partners and/or trustees.

All Directors may be deemed to be interested in the contracts, agreements/ arrangements entered into or to be entered into by B.A.G. Films with any Company in which they hold Directorships.

DETAILS OF AMOUNT OR BENEFIT PAID OR GIVEN WITHIN THE TWO PRECEDING YEARS OR INTENDED TO BE PAID OR GIVEN TO ANY PROMOTER OR OFFICER AND CONSIDERATION FOR PAYMENT OF GIVING OF THE BENEFIT:

- The details of the appointment of Managing Director have been mentioned in the previous paragraph.
- Save as otherwise disclosed in this Prospectus, there are no material contracts entered into by the Company with any person whatsoever which are not in the ordinary course of business and or which at terms different from the fair market prices of the said contracts.
- The resolution relating to the appointment of the Managing Director can be inspected at the Registered Office of the Company during any working day in working hours.
- Save as otherwise stated in this Prospectus, no director or promoter of the Company has been interested in the promotion of any Company including this Company except to the extent of their shareholding. No property has been purchased or acquired by the Company from any director or promoter during the last two years. No director or promoter is interested, either directly or indirectly, in any of the properties acquired or disposed off by the Company during the last two years.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

SHARES

- The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores Only) divided into 7,50,00,000 (Seven Crores Fifty Lacs Only) Equity Shares of Rs.2/- (Rupees Two) each with power to subdivide consolidate and increase or decrease 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 subdivision of shares to apportion the right to participate in profits, in any manner as between the shares resulting from sub-division.
- The Company shall have power to issue Preference Shares carrying right to redemption out of profits which would otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purpose of such redemption, or liable to be redeemed at the option of the Company, and the Board may subject to the provisions of Section 80 of the Act, exercise such power in such manner as it thinks fit.
- Subject to the provisions of these Articles, the shares shall be under the control of the Directors who may allot or otherwise dispose off the same to such terms and condition, and at such time as the Directors think fit and with power to issue any shares as fully paid up in consideration of services rendered to the Company in its formation or otherwise, provided that where the Directors decide to increase the issued capital of the Company

by the issue of further shares, the provisions of Section 81 of the Act will be complied with. Provided further that the option or right to call of shares shall not be given to any person except with the sanction of the Company in general meeting.

- 5a. The Company shall have power subject to and in accordance with the provisions of Section 77A, 77AA, and 77B of the Act, and other relevant regulations including regulations laid down by the SEBI in this regard from time to time to purchase any of its shares or such other specified securities as notified by the Central Govt. from time to time on such terms and conditions and in such manner as may be prescribed by law from time to time.
6. Subject to the provisions of the Act, it shall be lawful for the Company to issue at a discount, shares of a class already issued.
7. The Company may, subject to compliance with the provisions of sections 76 of the Act, exercise the powers of paying commission on the issue of shares and debentures. The commission may be paid or satisfied in cash or shares, debentures or debenture stock of the Company.
8. The Company may pay a reasonable sum of brokerage, subject to the ceiling prescribed under the Act.
9. Save as herein otherwise provided and subject to Section 187C of the Act, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as by law required, be bound to recognise any trust, benami or equitable or other claim to or interest in such shares on any fractional part of a share whether or not it shall be have express or other notice thereof.

CERTIFICATE

10. The certificate of title to shares shall be issued under the Seal of the Company.
11. Every member shall be entitled free of charge to one certificate for all the shares of each class registered in his name or, if any member so wishes, to several certificate each for one or more of such shares. Unless the conditions of issue of any shares otherwise provide, the Company shall either within three months after the date of allotment and on surrender to the Company of its letter making the allotment or of its fractional coupons of requisite value (save in the case of issue against letter of acceptance or of renunciation or in case of issue of bonus shares) or within one month of receipt of the application for registration of the transfer, sub-division, consolidation, renewal or exchange of any of its shares, as the case may be, complete, and have ready for delivery the certificates of such shares. Every certificate of shares shall specify the name of the person in whose favour the certificate is issued, the shares to which it relates and the amount paid up thereon. Particular of every certificate issued shall be entered in the Register maintained in the form set out in the Companies, (Issue of Share Certificate) Rules, 1960.
12. (1) If any certificate of any share or shares be surrendered to the Company for sub-division or consolidation or if any certificate be defaced, torn or old, decrepit, worn-out or where the cages on the reverse for recording transfer has been duly utilised, then upon surrender thereof to the Company, the Board may order the same to be cancelled and may issue new certificate in lieu thereof, and if any certificate be lost or destroyed, then upon proof thereof to the satisfaction of the Board, and on such indemnity as the Board thinks fit being given a new certificate in lieu thereof, shall be given to party entitled to the shares to which such lost or destroyed certificate relate. Where a new certificate has been issued as aforesaid it shall state on the face of it and against the stub or counter foil that it is issued as aforesaid and against the stub or counter foil that it is issued in lieu of as share certificate or is a duplicate issued for the one so replaced and, in the case certificate issued in place of one which has been lost or destroyed, the word "duplicate" shall be stamped or punched in bold letters across the face thereof. For every certificate issued under this Articles there shall be paid to the Company such out of pocket expenses incurred by the Company in investigating evidence as the Board may determine.
- (2) No fee shall be charged for sub-division and consolidation of share and debenture certificates and for sub-division of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations, corresponding to the market units of trading, for sub-division of renounceable letters of rights; for issue of new certificate in replacement of those which are old decrepit or worn out, or where the cages on the reverse for recording transfers have been fully utilised. Provided that the Company may charged such fees as may be agreed by it with the stock exchange with which its shares may be enlisted for the time being for issue of new certificates in replacement of those that are torn, defaced, lost or destroyed, and for sub-division and consolidation of share and debenture certificates and for subdivision of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations other than those fixed for the market units of trading.

“DEMATERIALIZATION OF SECURITIES”

- 12(A) (i) Notwithstanding any thing to the contrary contained in these Articles the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialised form pursuant to the Depositories Act.
- (ii) When any securities of the Company are held or dealt in dematerialised form.
- (a) Every person holding securities of the Company through allotment or otherwise shall have the option to receive and hold the same in the dematerialized form with a depository.
- (b) All securities held by a depository shall be dematerialised and shall be in fungible form. Nothing contained in section 153, 153A, 153B, 187B, and 187C of the Act, shall apply to a depository in respect of the securities held by it on behalf of the beneficial owner.
- (c) Every person holding securities of the Company with a depository, being the beneficial owner thereof, may at any time opt out of the depository in the manner provided under the provisions of the Depositories Act, 1996 and the rules, if any, prescribed thereunder and on fulfillment of the conditions prescribed by the Company from time to time, the Company shall issue the relevant security certificate to the beneficial owner thereof.
- 12(B) (i) The Company shall make available to the depository, copies of the relevant records in respect of securities held by such depository for the beneficial owners thereof.
- (ii) When a holder or an allottee of the securities opts to hold the same with a depository, the Company shall intimate such depository the details of his holding or allotment of securities and thereupon the depository shall enter in its record the names of the holders/ allottees as the beneficial owners of such securities.
- 12(C) The register and index of Beneficial Owners of the securities maintained by a Depository under section 11 of Depositories Act, shall be deemed to be the Register and index of Members or of holders of Debenture or other securities of the Company.
- 12(D) (i) Transfer of securities held in a depository will be governed by the provision of Depositories Act, 1996.
- (ii) Every depository shall furnish to the Company information about the transfer of securities, the name of beneficial owners at such intervals and in such manner as may be specified under provision of Depositories Act, 1996.
- (iii) Section 108 of the Act shall not apply to transfer of securities effected by the transferor or and the transferee both of whom are entered as beneficial owners in the records of a depository.
- 12(E) (i) A depository shall be deemed to be the registered owner for the purpose of effecting the transfer of ownership of securities on behalf of the beneficial owners and shall not have any voting rights or any other rights in respect of the securities held by it.
- (ii) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.
- 12(F) Nothing contained in the Act or these Articles regarding the necessity of having numbers for securities issued by the Company shall apply to securities.
- 12(G) Notwithstanding anything contained in these Articles or the Act, the provisions of Depositories Act, 1996, relating to dematerialization of securities (including any modification or re-enactment thereof and Rules/ Regulation made thereunder) shall prevail and apply accordingly.

JOINT-HOLDERS OF SHARES

13. Where two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint-tenants with benefit of survivorship subject to provisions following and to the other provisions of these Articles relating to joint-holders:
- (a) The Company shall not be bound to register more than four persons as the joint-holder of any share.
- (b) The joint-holders of a share shall be liable severally as well as jointly in respect of all payments, which ought to be made in respect of such shares.
- (c) On the death of anyone of such joint-holders the survivor or survivors shall be the only person recognised by the Company as having any title to or interest in such share but the Board may require such evidence of death as it may deem fit.
- (d) Only the person whose names stands first in the register as one of the joint-holders of any share shall be entitled to delivery of the certificate relating to such share.

CALLS

14. The Directors may from time to time, subject to the terms on which any shares may have been issued, make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and not by the conditions of allotment thereto made payable at fixed times, and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Directors. A call may be made payable by instalments.
15. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.
16. Not less than 30 days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.
17. If by the terms of issue of any share or otherwise, the whole or part of the amount of issue price thereof is made payable at any fixed time or by instalments at fixed times, every such amount or issue price or instalment thereof shall be payable as if it were a call duly made by the Directors and of which due notice had been given and all the provisions herein contained in respect of calls shall apply to such amount or issue price or instalments accordingly.
18. If the sum payable in respect of any call or instalment be not paid on or before the day appointed for the payment thereof, the holder for the time being of the share in respect of which the calls shall have been made or the instalment shall be due, shall pay interest for the same at the rate of 12 per cent per annum, from the day appointed for the payment thereof to the actual payment or at such other rate as the Directors may determine but they shall have power to waive the payment thereof wholly or in part.
19. On the trial or hearing of any action or suit brought by the Company against any member or his representative to recover any debt or money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of defendant is, or was, when the arose, on the register of the Company as a holder, or one of the holders of the number of shares in respect of which such claim is made, that the resolution making the call is duly recorded in the minute book and that the amount claimed is not entered as paid in the books of the Company, and it shall not be necessary to prove the appointment of the Directors who made any call nor that a quorum of Directors was present at the meeting at which any call was made nor that such meeting was duly convened or constituted, nor any other matter whatsoever; but the proof of the matters aforesaid shall be conclusive evidence of the debt.
20. The Board may, if it thinks fit, receive from any member willing to advance the same, all or any part of the money due upon the shares held by him beyond the sums actually called for, and upon the moneys so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of call then made upon the share in respect of which such advance has been made the Company may pay interest at such rate not exceeding, unless the Company in general meeting shall otherwise direct, 6 per cent per annum as the member paying such sum as advance and the Board agree upon. Money so paid in excess of the amount of call shall not rank for dividends or confer a right to participate in profits. The Board may at any time repay the amount so advanced upon giving such member not less than three months notice in writing.

FORFEITURE AND LIEN

21. If any member fails to pay any call or instalment on or before the day appointed for the payment of the same, the Directors may at any time thereafter, during such time as the call or instalment remains unpaid, serve notice on such member requiring him to pay the same together with any interest that may have accrued and expenses, they may have been incurred by the Company by reasons of such non-payment.
22. The notice shall name a day (not being less than 30 days from the date of the notice) and a place or place on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time, and at the place or places appointed, the shares in respect of which such call was made or instalment is payable will be liable to be forfeited.
23. If the requirement of any such notice as aforesaid be not complied with, any shares in respect which such notice has been given may, at any time thereafter before payment of all calls or instalments, interest, and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share not actually paid before the forfeiture. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member of the Company in respect of his shares, either by way of principal or interest, nor any indulgency granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as herein provided.

24. When any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof, shall forthwith be made in the register but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
25. Any share so forfeited shall be deemed to be the property of the Company, and the Directors may sell, re-allot or otherwise dispose off the same in such manner as they think fit.
26. The Directors may at any time before any share so forfeited shall not be sold, re-allotted or otherwise disposed off, annual the forfeiture thereof upon such conditions as they think fit.
27. Any member whose shares have been forfeited shall notwithstanding such forfeiture be liable to pay and shall forthwith pay to the Company all calls, instalments, interest and the expenses, owing upon or in respect of such, shares at the time of all instalments, interest and the forfeiture together with interest thereupon, form the time of the forfeiture until payment at 12 per cent per annum or such other rate as the Directors may determine and the Directors may enforce the payment thereof without any deduction of allowance for the value of shares at the time of forfeiture but shall not be under any obligation to do so.
28. The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incidental to the share except only such of those rights as by these Articles are expressly saved.
29. A duly verified declaration in writing that the declarant is a Director of the Company and the certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and the receipt of the Company for the consideration, if nay given for the shares on the sale or deposition thereof, shall constitute a give title to such shares.
30. The Company shall have a first and paramount lien upon all the shares (not fully paid up) registered in the name of each member (whether a 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, and no equitable interest in any share be created except upon the footing and condition that Article 9 hereof is to have fully effect. Unless otherwise agreed, the registration of a transfer of shares, shall operate as waiver of the Company's lien, if any, on such shares.
31. For the purpose of enforcing such lien, the Directors may sell the shares subject thereof in such manner as they think fit, but no sale shall be made until such period as aforesaid shall have elapsed and until notice in writing of the intention to sell shall have been served on such member, his committee, curator bonis or other person recognised by the Company as entitled to represent such member and default shall have been made by him or them in the payment of the sum payable as aforesaid for thirty days after such notice. The net proceeds of any such sale shall be applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable by such member, and the residue (if any) paid to such member, his executors, administrators or other representatives or person so recognised as aforesaid.
32. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers by these presents given, the Directors may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of the shares sold and after his name has been entered in the register in respect of such shares his title to such shares shall not be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition, nor impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
33. Where any shares under the powers in that behalf herein contained are sold by the Directors and the certificate thereof has not been delivered to the Company by the former holders of the said shares the Directors may issue new certificate in lieu of certificate not so delivered up.

TRANSFER AND TRANSMISSION OF SHARES

34. Subject to the provisions of the Act, no transfer of shares shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor or transferee has been delivered to the Company together with the certificate or certificates of the shares, or if no such certificate is in existence along with the letter of allotment of shares. The instrument of transfer of any shares shall be signed both by or on behalf of the transferees and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof.
35. Application for the registration of the transfer of a share may be made either by the transferor or the transferee provided that, where such application is made by the transferor, no registration shall in the case of partly paid

shares be effected unless the Company gives notice of the application to the transferee in the manners prescribed by the Act, and, subject to the provisions of Articles 8, 37 and 38 hereof, the Company shall, unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the register the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

36. Before registering any transfer tendered for registration, the Company may, if it so thinks fit, give notice by letter posted in the ordinary course to the registered holder that such transfer deed has been lodged and that, unless objection is taken, the transfer will be registered and if such registered holder fails to lodge an objection in writing at the office of the Company within seven days from the posting of such notice to him he shall be deemed to have admitted the validity of the said transfer.
37. The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer of any share.
38. Subject to the provisions of section 111 of the Act, the Board, without assigning any reason for such refusal, may within one month from the date on which the instrument of transfer was delivered to the Company, refuse to register any transfer of a share upon which the Company has a lien and in the case of a share not fully paid, may refuse to register a transfer to a transferee of whom the Board does not approve.

Provided that the registration of a transfer of share 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.

- 38A.(i) Every holder of shares in, or debentures of the Company may at any time nominate in the manner prescribed under the Act, the person to whom his shares in, or debentures of, the Company shall vest in the event of death of such holder.
 - (ii) Where the shares in, or debentures of, the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of all the joint holders.
 - (iii) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer in any person the right to vest the shares in or debentures of the Company, the nominee shall on the death of the shareholder or holders of debentures of the Company, as the case may be, on the death of the joint holders become entitled to all the rights in the shares or debentures of the Company, as the case may be, off all the joint holders in such shares or debentures to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.
 - (iv) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures to make the nomination to appoint, in the manner prescribed under the provisions of the Act, any person to become entitled to shares in or debentures of the Company, in the event of his death, during the minority.
 - (v) The provisions of this Articles shall apply mutatis mutandis to a depositor of money with the Company as per the provision of section 58A of the Act.
- 38B (i). Any person who becomes a nominee by virtue of Articles 38A upon production of such evidence as may be required by Board and subject to its being in the name of nominee as hereinafter provided, elect, either:
 - (a) To be registered himself as holder of the shares or debentures, as the case may be; or
 - (b) To make such transfer of the shares or debentures, as the case may be as the deceased shareholder or debenture holder, could have made.
- (ii) If the nominee elects himself to be registered as holder of the shares or debentures as the case may be, shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied by the death certificate of the deceased holder.
- (iii) Subject to provisions of the Act and the Articles, the relevant shares or debentures may be registered in the name of the nominee or the transferee as if the death of the holder of the shares or debentures had not occurred and the notice of transfer signed by the Registered holder.
- (iv) A nominee on becoming entitled to any shares or debentures by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would have been entitled if he were the registered holder of the shares or debentures except that he shall not before being registered as a member of such shares or debentures, be entitled in respect of them to exercise any right conferred on a member or debenture holder in relation to meetings of the Company.

- (v) The Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares or debentures, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses, interest or other moneys payable in respect of relevant shares or debentures, until the requirements, of the notice have been complied with.
 - (vi) The provision of this Article shall apply mutatis mutandis to a depositor of money with the Company as per the provisions of the Section 58A of the Companies Act, 1956.
39. (1) No transfer shall be made to a minor or a person of unsound mind.
- (2) No fee shall be charged for registration of transfer, grant of probate grant of letter of administration, certificate to death or marriage, Power of attorney or similar other instruments.
40. All instrument of transfer duly approved shall be retained by the Company and in case of refusal, instrument of transfer shall be returned to the person who lodges the transfer deeds.
41. If the Director refuse to register the transfer of any shares, the Company shall, within one month from the date on which the instrument of transfer was lodged with the Company or intimation given, send to the transferor and the transferee or the person given intimation of such transfer notice of such refusal.
42. On giving seven days' notice by advertisement in a news paper circulating in the district in which the office of the Company is situated Register of Members may be closed during such time as the Directors think fit not exceeding in the whole forty five days in each year but not exceeding thirty days at a time.
43. The executors or administrators or the holder of a secession certificate in respect of shares of a deceased member (not being one of several joint-holders) shall be the only person whom the Company shall recognize as having any title to the shares registered in the name of such member and in case of the death of any one or more of the joint-holders of any registered shares the survivors shall be only persons recognized by the Company as having any title to or interest in such share but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person. Before recognising any legal representative or heir or a person otherwise claiming title to the shares the Company may request him to obtain a grant of probate or letters of administration or succession certificate, or other legal representation as the case may be from a competent court, provided nevertheless that in any case where the Board in its absolute discretion think fit it shall be lawful for the Board to dispense with production of probate or letters of administration or a succession certificate or such other legal representation upon such terms as to indemnity or otherwise as the Board may consider desirable.
44. Any person becoming entitled to or to transfer shares in consequence of the death or Insolvency of any member, upon producing such evidence that he sustains the character in respect of which proposes to act under this article, or of his title as the Directors thinks sufficient, may with the consent of the Directors (which they shall not be under any obligation to give), be registered as a member in respect of such shares or may, subject to the regulations as to transfer hereinbefore contained transfer such shares. This article is hereinafter referred to as 'The transmission article'. Subject to any other provisions of these Articles if the person so becoming entitled to shares under this or the last proceeding article shall elect to be registered as a member in respect of the shares himself he shall delivered or send to the Company a notice in writing signed by him standing that he so elect. If he shall elect to transfer to some other person he shall execute an instrument of transfer in accordance with the provisions of these Articles relating to transfer of shares. All the limitations, restrictions and provisions of the Articles relating to the rights to transfer and the registration of transfers of shares shall be applicable to any such notice of transfer as aforesaid.
45. Subject to any other provisions of these Articles if the Directors in their sole discretion are satisfied in regard thereof, a person becoming entitled to a share in consequences of the death or insolvency of a member may received and give a discharge for any dividends or other moneys payable in respect of the share.
46. The instrument of transfer shall be in writing and all the provisions of Section 10B of the Companies Act, 1956 and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and the registration thereof.

SHARE WARRANTS

47. Subject to the provision of section 114 and 115 of the Act and subject to any directions which may be given by the Company in General Meeting, the Board may issue share-warrants in such manner and on such terms and conditions as the Board may deem fit. In case of such issue Regulations 40 to 43 of table "A" in schedule 1 to the Act, shall apply.

STOCKS

48. The Company may exercise the power of conversion of its shares into stock and in that case Regulation 37 to 39 to Table "A" in schedule 1 to the Act shall apply.

ALTERATION OF CAPITAL

49. The Company may by ordinary resolution from time to time alter the condition of the Memorandum of Association as follows:-

- (a) Increase the share capital by such amount to be divided into shares of such amount as may be specified in the resolution.
- (b) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- (c) Sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, so however, that in the sub-division the proportion between the amount paid and the amount, if any unpaid on each reduced share shall be the same as it was in the share from which the reduced share is derived, and
- (d) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the share so cancelled.

50. Subject to the provisions of Sections 100 to 104 inclusive, of the Act, the Board may accept from any member the surrender of all or any of his shares on such terms and conditions as shall be agreed.

MODIFICATION OF RIGHTS

51. If any time the share capital is divided into different classes of shares the rights attached to any class (unless otherwise provided by the terms of issue of the share of that class) may whether on not the Company is being wound up, be carried with consent in writing of the holders of three fourths of the issued shares of that class, or with the sanction of a Special Resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of the Articles relating to general meeting shall apply, but so that the necessary quorum shall be two persons atleast holding or representing by proxy one-tenth of the issued share of the class but so that if at any adjourned meeting of such holders a quorum as above defined is not present those members who are present shall be a quorum and that any holder of shares of the class present in person or proxy may demand a poll and, on a poll, shall have one vote for each shares of the class of which he is the holder. The Company shall comply with the provisions of Section 192 of the Act as to forwarding a copy of any such agreement or resolution to the registrar.

BORROWING POWERS

52. The Board may, from time to time, and at its discretion; subject to the provisions of Section 292 and 293 of the Act, raise or borrow, either from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purpose of the Company.

53. The Board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it think fit, and in particular, by the issue of bonds, perpetual or redeemable debenture or debenture-stock, or any mortgage, or other security on the undertaking of the whole or of the property of the Company (both present and future), including its uncalled capital for the time being, provided that debentures with the rights to allotment of or conversion into shares shall not be issued except with the sanction of the Company in general meeting and subject to the provisions of the Act.

54. Any debentures, debenture-stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges, as to redemption, surrender, drawings, allotment of shares, appointment of Directors and otherwise. Debentures, debenture-stock, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

55. Save as provided in section 108 of the Act, no transfer of debenture shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and transferee has been delivered to the Company together with the certificate or certificates of debentures.

56. If the Board refuses to register the transfer of any debentures the Company shall, within two months from the date on which the instrument of transfer was lodged with the Company, send to the transferee and to the transferor notice of the refusal.

RESERVES

57. Subject to the provisions, of the Act, the Board shall in accordance with section 205(2A) of the Act, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company as the Board may from time to time think fit). The Board may also carry forward any profit, which it may think prudent not to divide without setting them aside as a reserve.
58. Any General Meeting may resolved that the whole or any part of the undivided profits of the Company (which expression shall include any premiums received on the issue of shares and any profits or other sums which have been set aside as a reserve or reserves or have been carried forward without being divide) be capitalized and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalized amount be applied on behalf of such members in paying up in full any unissued shares of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, and such distribution or payment shall be accepted by such member in full satisfaction of their interest in the said capitalized amount. Provided that any sum standing to the credit of a shares premium account or a capital redemption reserve account may, for the purposes of this Article only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.
59. For the purpose of giving effect to any resolution under two last preceding Articles the Directors may settle any difficulty which may arise in regard to the distribution as they think expedient and in particular may issue fractional certificate, and may determine their cash voucher in order to adjust the rights of all parties and may vest such cash in trustees upon such trusts for the persons entitled to the dividend or capitalized funds as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 75 of the Act and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalise fund and such appointment shall be effective.

GENERAL MEETING

60. The Directors may, whenever they think fit, call an extra ordinary general meeting provided however if at any time there are not in India, Directors capable of acting who are sufficient in number to form a quorum any Director present in India may call an extra ordinary general meeting in the same manner as nearly as possible as that in which such a meeting may be called by the Board.
61. The Board of Directors of the Company shall on the requisition of such member or members of the Company as is specified in subsection (4) of Section 169 of the Act forthwith proceed to call an extra ordinary general meeting of the Company and in respect of any such requisition and of any meeting to be called pursuant thereto, all the provisions of Section 169 of the Act and of any statutory modification thereof for the time being shall apply.
62. The quorum for a general meeting shall be five members present in person.
63. At every General Meeting, the chair shall be taken by the Chairman of the Board of Directors. If at any meeting, the Chairman of the Board of Directors be not present within fifteen minutes after the time appointed for holding the meeting or, though present be unwilling to act as Chairman, the members present shall choose one of the Directors present to be Chairman or if no Director shall be present and willing to take the chair then the members present shall choose one of their numbers, being a member entitled to vote, to be Chairman.
64. Any act or resolution which, under the provision of this Article or of the Act, is permitted shall be sufficiently so done or passed if effected by an ordinary resolution unless either the Act or the Articles specifically require such act to be done or resolution passed by a special resolution.
65. If within half an hour from the time appointed for the meeting a quorum be not present, the meeting, if convened upon a requisition of share holders shall be dissolved but in any other case it shall stand adjourned to the same day in the next week at same time and place, unless the same shall be public holiday when the meeting shall stand adjourned to the next day not being a public holiday at the same time and place and if at such adjourned meeting a quorum be not present within half an hour from the time appointed for the meeting those members who are present and not being less than two persons shall be a quorum and may transact the business for which the meeting was called.
66. In the case of an equality of votes the Chairman shall both on a show of hands and a poll have a casting vote in addition to the vote or votes to which he may be entitled as a member.

67. The Chairman of a General Meeting may adjourn the same, from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. It shall not be necessary to give notice to the members of such adjournment or of the time, date and place appointed for the holding of the adjourned meeting.
68. If a poll be demanded, the demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

VOTES OF MEMBERS

69. (1) On a show of hands every member present and being holder of Equity Shares shall have one vote and every person present either as a proxy on behalf of a holder of Equity Shares or as duly authorized representative of a body corporate being a holder of equity shares, if he is not entitled to vote in his own rights, shall have one vote.
- (2) On a poll the voting right of a holder of Equity Shares shall be as specified in Section 87 of the Act.
- (3) The voting right of a holder of the Preferences Shares including the Redeemable Cumulative Preference Shares shall be in accordance with the provisions of Section 87 of the Act.
- (4) No Company or body corporate shall vote by proxy so long as a resolution its Board of Directors under sections 187 of the Act is in force and the representative named in such resolution is present at the General Meeting at which the vote by proxy is tendered.
70. A person becoming entitled to a share shall not before being registered as member in respect of the share entitled to exercise in respect thereof any right conferred by membership in relating to the meeting of the Company.
- If any member be a lunatic or in diot, he may vote whether on a show of hands or at a poll by his committee or other legal curator and such last mentioned persons may give their votes by proxy provided twenty four hours atleast before the time of holding the meeting or adjournment meeting, as the case may be, at which any such person purposes to vote he shall satisfy the Board of his rights under this article unless the Board shall have previously admitted his right to vote at such meeting in respect thereof.
71. Where there are joint holders of any share any one of such persons may vote at any meeting either personally or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint-holders be present at any meeting either personally or by proxy then that one of the said persons so present whose name stands prior in order on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executor or administrators of deceased member in whose name any share stands shall for the purpose of this article be deemed joint-holders thereof.
72. The instrument appointing a proxy shall be in writing under the hand of the appointed or of his attorney duly authorized in writing or if such appointer is a corporation under its common seal or the hands of its attorney.
73. The instrument appointing a proxy and the power-of-attorney or other authority (if any) under which it is signed of a notarially certified copy of that power of authority shall be deposited at the office not less than forty eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote in default the instrument of proxy shall not be treated as valid
74. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of transfer of the share in respect of which the vote is given. Provided no intimation in writing of the death, insanity, revocation of transfer of the share shall have been received at the office or by the Chairman of the meeting before the vote is given. Provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.
75. Every instrument appointing a proxy shall, as nearly as circumstances will admit, be in the form set out in schedule IX to the Act.
76. No objection shall be taken to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote not disallowed at such meeting or poll and whether given personally or by proxy or otherwise shall be deemed valid for all purposes.
77. No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right or lien.

DIRECTORS GENERAL PROVISIONS

78. The number of Directors shall not be less than three and not more than twelve.
79. At the time of adoption of these Articles the present Directors are:
1. Anuradha Shukla (Anuradha Prasad)
 2. Rajiv Shukla
 3. Ravi Shanker Prasad
80. The Directors shall have power at any time and from time to time appoint any person as a Director as an additional to the Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed by the Articles, any Director so appointed shall hold office only until the next annual general meeting of the Company and shall be eligible for re-election.
81. A Director shall not be required to hold any share qualification.
82. Each Directors shall be entitled to be paid out of the funds of the Company by way of remuneration for his services not exceeding the sum of Rs.5000/- (Rupees Five Thousand only) or such other sum as may be fixed by the Companies Act, 1956 or any amendment there to from time to time for every meeting of the Board of Directors attended by him. Subject to the provisions of the Companies Act, the Directors shall also be entitled to receive in each year a commission @ 1% of the net profits of the Company, such commission to be calculated on the net profits of the Company to be computed in accordance with the provisions of the Companies Act, 1956 and such commission shall be divided among the Directors in such proportion and manner as may be determined by them. The Directors may allow and pay to any Directors who for the time being is resident out of the place at which any meeting of the Directors may be held and who shall come to that place for the purpose of attending such meeting expenses in connection with his attending at the meeting in addition to his remuneration as above specified. If any Director being willing is appointed to an executive office either whole time or part time or be called upon to perform extra services or to make any special exertions for any of the purposes of the Company then subject to section 198, 309, 310 and 314 of the Act the Board may remunerate such Director either by a fixed sum or by a percentage of profits or otherwise and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled to.
83. The continuing Directors may act notwithstanding any vacancy in their body but so that if the number falls below the minimum number above fixed the Directors shall not except for the purpose of filling vacancies or of summoning a General Meeting act so long as the number is below the minimum.
84. Subject to the provisions of section 297,299,309 and 314 of the Act, the Directors (including Managing Director) shall not be disqualified by reason of his or their office as such, from holding office under the Company or from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with a relative of such Directors or the Managing Director or with any firm in which any Director or a relative shall be a partner or with any firm in which any Director or a relative shall be a partner or with any other partner or with a private Company in which such Director is a member or Director interested be avoided, nor shall any Director or otherwise so contracting or being such members or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established.

APPOINTMENT OF DIRECTORS

85. The Company in General Meeting, may subject to the provision of these Articles and the Act, at any time elect any person to be a Director and may from time to time, increase or reduce the number of Directors and may also determine in what rotation such increased or reduced number is to go out of office.
86. If any Director appointed by the Company in general meeting vacates office of a Director before his terms of office will expire in the normal course the resulting casual vacancy may be filled up by the Board at a meeting of the Board, but any person so appointed shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director under section 284 of the Act.
87. The Company shall subject to the provisions of the Act, 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 of Directors of the Company upon such terms and conditions as the Company may deem fit. The corporation, firm or person shall be entitled from time to time to remove any such Director or Directors and appoint another or others in his or their places. He shall be entitled to the same right and privileges and be subject to the same obligation as any other Director of the Company.

88. Subject to the provisions of section 313 of the Act, the Board may appoint any person to act as an alternate Director for a Director during the latter's absence for a period of not less than three months from the state in which meeting of the Board are ordinarily held and such appointment shall have effect and such appointee, whilst he holds office as an alternate Director; shall be entitled to notice of meetings of the Board and to attend and vote thereat accordingly, but he shall ipso facto vacate office if and when the absent Director returns to state in which meetings of the Board are ordinarily held or the absent Director vacates office as a Director.

ROTATION OF DIRECTORS

- 89 (1) Not less than two-third of the total number of Directors shall be persons whose period of office is liable to determination by retirement of Director by rotation.
- (2) At each Annual General Meeting of the Company one-third or such of the Directors for the time being as are liable to retire by rotation or if the number is not three or a multiple of three, then the number nearest to one-third shall retire from office.
- (3) The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day those to retire shall in default of and subject to any agreement among them selves be determined by lot.
- (4) If at any Annual General Meeting all the Directors appointed under Article 87 and 108 hereby are not exempt from retirement by rotation under section 255 of the Act then to the extent permitted by the said section the exemption shall extend to the Directors or Director appointed under Articles 87. Subject to the foregoing provisions as between Directors appointed under any of the Articles referred to above, the Director or Directors who shall not be liable to retire by rotation shall by and in accordance with their respective seniorities as may be determined by the Board.
90. A retiring Directors shall be eligible for re-election and shall act as a Director throughout the meeting at which he retires.
91. Subject to any resolution for reducing the number of Directors, if at any meeting at which an election of Directors ought to take place, the places of the retiring Directors not filled up, the meeting shall stand adjourned till the next succeeding day which is not a public holiday at the same time and place and if at the adjourned meeting, the places of the retiring Directors are not filled up, the retiring Directors or such of them as have not had their places filled up, shall (it will to continue in office) be deemed to have been re-elected at the adjourned meeting.

PROCEEDINGS OF DIRECTORS

92. The Directors may meet together for the dispatch of business, adjourned and otherwise regulate their meetings and proceedings, as they think fit. Notice in writing of every meeting to the Director shall ordinarily be given by a Director or such other officer of the Company duly authorized in this behalf to every Director for the time being in India and at his usual address in India.
93. The quorum for a meeting of the Directors shall be determined, from time to time in accordance with the provisions of section 287 of the Act. If a quorum shall not be present within fifteen minutes from the time appointed for holding a meeting of Directors, it shall be adjourned until such date and time as the Directors present shall appoint.
94. The secretary may at any time, and upon request of any two Directors shall summon a meeting of the Directors.
95. Subject to the provisions of sections 316, 372(5) and 386 of the Act, questions arising at any meeting shall be decided by a majority of votes, each Director having one vote and in case of an equality of votes, the Chairman shall have a second or casting vote.
96. The Chairman of the Board of Directors shall be the Chairman of the meetings of Directors. Provided that if the Chairman of the Board of Directors is not present within five minutes after the appointed time for holding the same, the Directors present shall choose one of their numbers to be Chairman of such meeting.
97. A meeting of Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under the Articles of the Company and the act for the time being vested in or exercisable by the Directors generally.
98. The Directors may subject to compliance of the provisions of the Act from time to time delegate any of their powers to committees consisting of such member or members of their body as they think fit, and may from time to time revoke such delegation. Any committee shall in the exercise of the powers so delegated confirm to any regulations that may from time to time be imposed on it by the Directors. The meeting and proceedings of any such committee, if consisting of two or more members, shall be governed by the provisions herein contained for

regulating the meetings and proceedings of the Directors so far as the same are applicable thereto and are not superseded by any regulation made by the Directors under this article.

99. All acts done at any meeting of Directors or of a committee of the Directors or by any person acting as a Directors shall be valid notwithstanding that it be afterwards discovered that there was some defect, in the appointment of any such Directors, committee or person acting as aforesaid or that they or any of them were disqualified.
100. Except resolution, which the Companies Act requires it specifically to be passed in a board meeting, a resolution may be passed by the Directors or committee thereof by circulation in accordance with the provisions of section 289 of the Act.

And any such minutes of any meeting of Director or of any committee or of the Company if purporting to be signed by the Chairman of the such meeting or by the Chairman of next succeeding meeting shall be receivable as prima facie evidence of the matters in such minutes.

POWERS OF DIRECTORS

101. Subject to the provisions of the Act, the control of the Company shall be vested in the Directors who shall be entitled to exercise all such powers and to do all such acts and things as may be exercised or done by the Company and are not hereby or by law expressly required or directed to be exercised or done by the Company in General Meeting but subject nevertheless to the provisions of any law and of these presents from time to time made by the Company in General Meeting; provided that no regulation so made shall invalidate any prior act or the Directors which would have been valid if such regulation had not been made.
102. Without prejudice to the general powers conferred by the preceding article the Director may from time to time and at any time subject to the restrictions contained in the Act, delegate to managers, secretaries, officers, assistants and other employees or other persons (including any firm or body corporate) any of the powers authorized and discretion's for the time being vested in the Directors.
103. The Directors may authorise any such delegate or attorney as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.
104. All deeds, agreements and documents and all cheques, promissory notes, drafts, hundies, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted or endorsed or otherwise executed, as the case may be by such persons (including any firm or body corporate) whether in the employment to the Company or not and in such manner as the Directors shall from time to time by resolution determine.
105. The Directors may make such arrangements as may be thought fit for the management of the Company's affairs abroad, and may for this purpose (without prejudice to the generality of their powers) appoint local bodies and agents and fix their remuneration and delegate to them such powers as may be deemed requisite or expedient. The foreign seal shall be affixed by the authority and in the presence of and instruments sealed therein shall be signed by such persons as the Directors shall from time to time by writing under the common seal appoint. The Company may also exercise the powers of keeping Foreign Registers. Such regulations not being in consistent with the provisions of Section 157 and 158 of the Act, the Board may from time to time make such provisions as it may think fit relating thereto and may comply with the requirements of any local law.
106. A manager or secretary may be appointed by the Directors on such terms, at such remuneration and upon such conditions as they may think fit, and any manager or secretary appointed may be removed by the Directors.
A Director may be appointed as Manager or Secretary, subject to Section 314, 197A, 387 and 388 of the Act.
107. A provision of the Act or these regulation required or authorizing a thing to be done by a director, manager or secretary shall not be satisfied by its being done by the same person acting both as Director and as, or in place of the manager or secretary.

MANAGING DIRECTOR

108. Subject to the provisions of Sections 197A, 269, 316 and 317 of the Act, the Board may, from time to time appoint one or more Directors to be Managing Director or Managing Directors of the Company and may, from time to time (subject to the provisions of any contract between him or them and the Company), remove or dismiss him or them from office and appoint another or others in his place or their places.
109. Subject to the provisions of section 255 of the Act and Articles 89(4) hereof, a Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation, but (subject to provisions of any contract between him and the Company) he shall be subject to the same provisions as to resignation and removal as the other Directors, and he shall, ipso facto and immediately, cease to be a managing Director if he ceases to hold the office of Director from any cause.

110. Subject to the provisions of section 198, 309, 310 and 311 of the Act, a Managing Director shall, in addition to the remuneration payable to him as a Director of the Company under the Articles, receive such additional remuneration as may from time to time be sanctioned by the Company.
111. Subject to the provisions of the Act, in particular to the prohibitions and restrictions contained in section 292 thereof, the Board may, from time to time, entrust to and confer upon a Managing Director for the time being such of the powers exercisable under these presents by the Board as it may think fit, and may confer such powers for such time, and be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as it thinks fit, and the Board may confer such powers either collaterally with, or to the exclusion of, and in substitution for any of the powers of the Board in that behalf and may, from time to time, revoke, withdraw, alter or vary all or any of such powers.

COMMENCEMENT OF BUSINESS

112. The Company shall not at any time commence any business out of other objects of its Memorandum of Association unless the provisions of sub-section 2 (B) of section 149 of the Act have been duly complied with by it.
113. The Directors shall provide for the safe custody of the seal and the seal shall never be used except by the authority of the Directors or a committee of the Directors previously given and one Director at least shall sign every instrument to which the seal is affixed. Provided nevertheless that any instrument bearing the seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the Directors to issue the same.

DIVIDENDS

114. Subject to rights of members entitled to shares (if any) with preferential or special rights attached to them, the profits of the Company from time to time determined to be distributed as dividend in respect of any year or other period shall be applied for payment of dividend on the shares in proportion to the amount of capital paid up on the shares in proportion to the amount of capital paid up on the shares provided that unless the Board otherwise determines all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which dividends is paid. Provided always that subject as aforesaid any capital paid up on a share (unless that Board otherwise determines or the terms of issue otherwise provide, as the case may be), only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment but so that where capital is paid up in advance of calls such capital shall not confer a right to participate in profits.
115. The Company in general meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may subject to the provisions of section 207 of the Act fix the time for payment.
116. No larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend.
117. No dividend shall be payable except out of the profits and the Company of the year or any other undistributed profits and no dividend shall carry interest as against the Company.
118. The declaration of the Directors as the amount of the net profits in the audited annual accounts of the Company for any year shall be conclusive.
119. The Directors may from time to time pay to the members such interim dividends as in their judgement the position of the Company justifies.
120. The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists, subject to section 205A of the Act.
121. Any General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable to him and so that the call be made payable at the same time as the dividend and the dividend may, of so arranged between the Company and the member, be set off against the call.
122. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer.
123. The Directors may retain the dividends payable upon shares in respect of which any person is under the transmission Article entitled to become a member or which any person under the Article is entitled to transfer until such person shall duly become a member in respect thereof or shall transfer the same.
124. Any one of the several persons who are registered as a joint-holders of any share may give effectual receipts of all dividends and payments on account of dividends in respect of such shares.
125. Unless otherwise directed, any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled thereto, or in the case of joint-holders to the registered address of that one whose name

stands first on the register in respect of joint holding or to such person and such address and the member or person entitled or such joint-holders as the case may be, may direct and every cheque or warrant so sent shall be made payable at par to the person or to the person to whom it is sent or to the order of such other person as the member or person entitled or such joint-holders, as the case may be, may direct.

126. The payment of every cheque or warrant sent under the provisions of the last preceding article shall, if such cheque or warrant purports to be duly endorsed, be a good discharge to the Company in respect thereof, provided nevertheless that the Company shall not be responsible for the loss of any cheque, dividend, warrant or postal money order which shall be sent by post to any member or by his order to any other person in respect of any dividend.

126A. Any dividend remaining unpaid or unclaimed after having been declared shall be dealt in accordance with Section 205(A) and 205B of the Companies Act, 1956.

126B. No unclaimed dividend shall be forfeited by the Board and the Company shall comply with the provisions of Section 205(A) of the Companies Act, in respect for such dividend.

BOOKS AND DOCUMENTS

127. The Books of Account shall be kept at the registered office or at such other place as the Directors think fit, and shall be open to inspection by the Directors during business hours.

128. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts or books or documents of the Company or any of them shall be open for inspection to members not being Directors, and no member (not being Director) shall have any right of inspection any books of account or documents of the Company except as conferred by law or authorized by the Directors or by the Company in General Meeting.

BALANCE SHEET AND PROFIT & LOSS ACCOUNT

129. Balance Sheet and Profit and Loss Account will be audited once in a year by a qualified auditor for correctness as per provisions of the Act.

AUDIT

130. 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 first annual general meeting.

131. The Directors may fill up any casual vacancy in the office of the auditors.

132. The remuneration of the auditors shall be fixed by the Company in the annual general meeting except that remuneration of the first or any auditors appointed by the Directors may be fixed by the Directors.

NOTICES

133. The Company shall comply with the provisions of section 53, 172 and 190 of the Act as to the serving of notices.

134. Every person who, by operation of law, or by transfer or by other means whatsoever, shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the register shall be duly given to the person from whom he derives his title to such share.

135. Any notice or document delivered or sent by post to or left at the registered address of any member in pursuance of these presents shall notwithstanding such member be then deceased and whether or not the Company has notice of his demise, be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint-holders thereof and such service shall for all purposes of these presents be deemed a sufficient service of such notice or document on his or her heirs, executors or administrators, and all persons, if any, jointly interested with him or her in any such share.

136. The signature to any notice to be given by the Company may be written or printed.

RECONSTRUCTION

137. On any sale of the undertaking of the Company, the Directors or the liquidators on a winding up may, if authorized by a special resolution, accept fully paid or partly paid-up shares; debenture or securities of any other Company whether incorporated in India or not other than existing or to be formed for the purchase in whole or in part of the property of the Company, and the Directors (in a winding-up) may distribute such shares or securities or any other property of Company amongst the members without the realization or vest the same in trustees for them, and any special resolution may provide for the distribution or appropriation of the cash, share or other securities, benefits or property, otherwise than in accordance with the strict legal rights of the members or contributories of the Company and for the valuation of any such securities or property at such price and in such manner as the meeting may approve and all holders of shares shall be

bound to accept and shall be bound by any valuation or distribution so authorized, and waive all rights in relation thereto, save only in case the Company is proposed to be or is in the course of being wound up, such statutory rights, if any, under section 494 of the Act as are incapable of being varied or excluded by these presents.

SECURITY

138. No member or other person (not being a Director) shall be entitled to enter upon the property of the Company or to inspect or examine the Company's premises or properties of the Company without the permission of the Directors, or subject to Article 126 to require discovery or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interest of the members of the Company to communicate.

WINDING UP

139. If the Company shall be wound up and the assets available for distribution among as such shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid-up or which ought to have been paid-up at the commencement of the winding-up on the shares held by them respectively. And if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid-up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the shares held by them respectively. But this article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.
140. In the event of Company being wound up, whether voluntarily or otherwise, the liquidators may with the sanction of special resolution divide among the contributories, in specie or in kind any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them, as the liquidators, with like sanction shall think fit.

INDEMNITY

141. Subject to the provisions of Section 201 of the Act, every Director, manager, secretary and other officer or employee of the Company shall be indemnified against and it shall be the duty of the Directors to pay out of the funds of the Company all costs, losses, and expenses (including travelling expenses) which any such Directors, manager or secretary or other officer or employee may incur or become liable to by reason of any contract entered into or any way in the discharge of his or their duties and in particular, and so as not to limit the generality of the foregoing provisions, against all liabilities incurred by him or by them as such Director, manager, secretary, office or employee in defending any proceeding whether civil or criminal in which judgement is given in his or their favour or he or they is or are acquitted or in connection with any application under Section 633 of the Act in which relief is granted by the court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the members over all other claims.
142. Subject to the provisions of the Act and so far as such provisions permit, no Director, auditor or other officer of the Company shall be liable for acts, receipts, neglects or defaults of any other Director or officer, or for joining in any receipt or act for conformity, or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Director for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss occasioned by any error of judgement, omission, default, or oversight on his part, or for any loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same happens through his own dishonesty.

REVALUATION OF ASSETS

The Company has not revalued any of its assets since its incorporation.

E. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts not being contracts entered in the ordinary course of business carried on by B.A.G., which are or may be deemed material contracts have been attached to the copy of this Prospectus delivered to the Registrar of Companies, NCT of Delhi & Haryana for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of B.A.G. situated at C-4, Shivalik, Near Malviya Nagar Market, New Delhi – 110 017, between 11.00 a.m. to 5.00 p.m. on any working day from the date of the Prospectus to until the date of closing of the issue.

I. MATERIAL CONTRACTS

1. Memorandum of Understanding dated 11th October 2002 with KJMC Global Market (India) Limited, appointing them as Lead Manager to the issue.
2. Memorandum of Understanding dated 24th December 2002 with UTI Securities Limited, appointing them as Lead Manager to the issue.
3. Memorandum of Understanding dated 14th December 2002 signed with Alankit Assignments Limited, appointing them as Registrar to the issue.
4. Memorandum of Understanding dated 20th May 2003 with the School of Journalism, a part of the University of Missouri at Columbia, United States of America.
5. Letter of Appointment of M/s. AP&J Chambers as Legal Advisor to the Issue dated 25/11/2002.
6. Letter of Appointment of M/s. Nangia & Co. as Tax Consultant dated 25/11/2002.
7. Tripartite Agreement dated 22/03/2001 between the Company, Alankit Assignments Limited and NSDL.
8. Tripartite Agreement dated 31/12/2002 between the Company, Alankit Assignments Limited and CDSL.
9. Copies of Subscription Agreements for FCDs & OFCDs with IDBI dated 16th March 2001.
10. Copy of Subscription Agreement for FCDs with UTI dated 8th March 2001.
11. Copy of Term Loan Agreement with IDBI dated 16th March 2001.
12. Deed of Hypothecation executed in favour of Fls & Banks
13. Agreement with builder for construction of Convergence Studio Complex Project dated 05/02/2003
14. Copy of Land Lease Deed with NOIDA dated 14/12/2001.
15. Copy of Land Lease Deed with Greater Noida dated 12/07/2001.
16. Agreements with Kotak Mahindra Finance for Bill Discounting.
17. Copy of agreement entered into for lease of Registered Office.
18. Letters of underwriting from all underwriters and acceptance thereof by the Company.

II. DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of B.A.G. Films Limited.
2. Certificate of Incorporation of the Company dated 22nd January 1993 and the fresh certificate of incorporation dated 29th March 2001 issued consequent to change of name from B.A.G. Films Pvt. Ltd. to B.A.G. Films Ltd.
3. Copies of the Resolution dated 24/04/2000 appointing Ms. Anuradha Prasad as Managing Director.
4. Copies of Quotation Obtained and Purchase Orders placed for Plant & Machinery.
5. Resolution Passed by the Board of Directors at their meeting held on 06th September 2002 for the proposed Public Issue.
6. Resolution passed under Section 81(1A) of the Act, at the AGM of the Company held on 30th September 2002.
7. Consent from the Directors, Compliance Officer, Auditor, Lead Managers, Registrar to the issue, Bankers to the issue, Bankers to the Company, Underwriters, Legal Advisor and Tax consultant to act in their respective capacities.
8. Certificate dated 21/07/2003 M/s. Nangia & Co., Tax Consultants detailing the tax benefits.
9. Auditors report dated 15th July, 2003 included in the Prospectus and copies of the Balance Sheet referred in the said report.
10. Copy of the Auditors Certificate regarding the Sources and Deployment of Funds as on 30th June, 2003.
11. Sanction letters dated 16/02/2001 from IDBI & UTI dated 16/01/2001.
12. IDBI's letter dated 28th February 2003 reviewing the studio and media School project and conveying no objection for feature films production and Company going for an IPO.

13. Consent letter of IDBI dated 15th July 2003 for the conversion of FCDs into Equity Shares.
14. Consent from UTI for the conversion of debentures and Public Issue of Shares by the Company dated March 26, 2003.
15. Project Appraisal Report prepared by KJMC Global Market (India) Ltd. dated March 10, 2003 and the addendum thereto dated April 4, 2003.
16. Copies of Initial Listing Application made to the Delhi Stock Exchange and The Stock Exchange, Mumbai and The National Stock Exchange of India Limited.
17. Copies of in-principal approvals from DSE, BSE and NSE.
18. Copy of board resolution authorizing Registrar to deal with stockinvest.
19. SEBI's Observation Letter dated July 07, 2003 and compliance report of Lead Managers dated 24th July 2003.
20. Resolution by Circulation dated 8th day of August, 2003 authorizing Managing Director, CEO and CFO of the Company to sign the declaration, as prescribed in Part III of the Prospectus, for and on behalf of all the directors of the Company.

Note: All information shall be made available by the lead managers and the issuer 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 shows, presentations, in research or sales reports, at bidding centres etc.

PART III

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the government or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be.

We, the directors of B.A.G. Films Limited, hereby declare and confirm that no information / material likely to have a bearing on the decision of the investors in respect of the equity shares issued in terms of the Prospectus has been suppressed / withheld and / or incorporated in the manner that would amount to misstatement / misrepresentation.

B.A.G. Films accepts no responsibility for statements made otherwise than in the Prospectus or in the advertisements or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

SIGNED PURSUANT TO THE AUTHORITY GRANTED BY THE BOARD OF DIRECTORS OF THE COMPANY BY RESOLUTION PASSED BY CIRCULATION ON AUGUST 8, 2003

Mrs. Anuradha Prasad, Managing Director

Mr. Avinash Mehrotra, CEO

Mr. Gulab Makhija, Sr. Manager- Accounts & Finance as CFO

Date : 12/08/2003

Place : New Delhi