

PROSPECTUS



ADLABS FILMS LIMITED

ADLABS FILMS LIMITED

(Incorporated on November 30, 1987 as a private limited company in the name of Adlabs Films Private Limited at Mumbai and converted into a public limited company as Adlabs Films Limited on June 19, 2000 at Mumbai under the Companies Act, 1956)

Registered Office: Film city complex, Goregaon (East), Mumbai-400 065

(Formerly situated at 35/38, Suren Road, Andheri (East), Mumbai)

Tel.: (022) 842 33 33 **Fax:** (022) 842 22 11

E-mail: adlabs@bom3.vsnl.net.in, **Website:** www.adlabsfilms.com

Public Issue of 44,00,000 Equity Shares of Rs. 5/- each for cash at a premium of Rs. 115 per share aggregating Rs. 52.80 Crores.

RISK IN RELATION TO THE FIRST OFFER

This being the first issue of the Company there has been no formal market for the securities of the Company. The issue price (as has been determined and justified by the Lead Manager and the issuer as stated under "Basis of Issue Price" on Page no. 38) 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 nor regarding the price at which the equity shares will be traded after listing.

Note: The present growth rate in the Media & Entertainment industry may be very high and the same may not be sustained in the future.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision investors must rely on their own examination of the issuer and the offer including the risk involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document. The attention of Investors is drawn to the statement of Risk Factors on Page ii of the Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Issuer 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 of the Company are proposed to be listed on The Stock Exchange, Mumbai (BSE) (Regional Stock Exchange) and the National Stock Exchange of India Ltd. (NSE). The in-principle approval of BSE has been received on September 21 2000 and that of NSE has been received on November 1 2000.

LEAD MANAGERS TO THE ISSUE



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ISSUE SCHEDULE

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ISSUE CLOSURES ON : December 16, 2000

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ABBREVIATIONS & GLOSSARY OF TECHNICAL TERMS

Abbreviations

Act	The Companies Act, 1956
Articles	The Articles of Association of Adlabs Films Limited
BMC	Brihanmumbai Municipal Corporation
Board	Board of Directors of Adlabs Films Limited
BSE	The Stock Exchange, Mumbai
CDSL	Central Depository Services (India) Ltd.
Adlabs/ Company/ Issuer	Adlabs Films Limited
EPS	Earnings per Share
FEMA	Foreign Exchange Management Act, 1999
HUF	Hindu Undivided Family
Issue	Public Issue of Equity Shares by Adlabs Films Limited
IT Act	The Income Tax Act, 1961
I.T.A.T.	Income Tax Appellate Tribunal
Memorandum	The Memorandum of Association of Adlabs Films Limited
NRIs	Non Resident Indians
NSDL	National Securities Depository Ltd.
NSE	National Stock Exchange of India Ltd.
OCBs	Overseas Corporate Bodies in which NRIs hold atleast 60% beneficial interest
RBI	Reserve Bank of India
R&D	Research & Development
RoC	Registrar of Companies, Maharashtra, Mumbai
SEBI	The Securities and Exchange Board of India

Glossary of technical terms

35 mm Film	Standard gauge of film manufactured for negative and positive film (4/35 format)
70 mm Film	Standard gauge of film manufactured for negative and positive film (5/70 format)
15/70 Format	Large film format having 15 perforations in a 70 mm gauge
8/70 Format	Large film format having 8 perforations in a 70 mm gauge
3D	System that allows the viewer to experience three-dimensional image while viewing through specialised polarized lens.
Editing	A creative process wherein the director of the film shapes the portion of the film shot into a final product.
IMAX	IMAX Corporation, Canada. IMAX is supplying equipments and Technical Know-how. IMAX invented technology for film exhibition in 15/70 large format film exhibition.

Large Format Films	Film format of the range 70 mm or larger
Multiplex	Several cinema screens housed within a single building
Perforations	Holes which tread into the projector to transport the film
Prints	The film positive with the sound, which is exhibited in cinema theatres through projection system to view the movie.
Projection System	Equipment used to project the picture image onto the cinema screen
Sound Correction	Process involving the synchronization of sound with the film sequence.
Ultrasonic Film Cleaning	Film cleaning system wherein the ultrasonic rays remove the debris of dirt from the negative.

RISK FACTORS AND MANAGEMENT PERCEPTIONS THEREOF

Internal

1. The Company has been promoted by first generation entrepreneurs.

Management perception : The promoters of the Company, Mr. Manmohan Shetty & Mr. VasANJI A. Mamania have more than 25 years of experience in the field of Film Processing. They have worked in close association with each other to set up a large and well-equipped motion picture film-processing laboratory (Adlabs) in Mumbai. The lab caters to a number of large film production companies for film processing.

2. The promoters do not have experience in the film exhibition industry. The success of the project therefore depends on key management personnel and may be adversely affected due to employee turnover.

Management perception : Since 1992, Mr. Manmohan Shetty, one of the original promoters of the Company has focused on understanding large format film exhibition industry and has visited a number of IMAX theatres in other countries before signing technology transfer agreement with IMAX. The Company proposes to employ suitable employee retention strategies and does not envisage any serious threat of employee turnover.

3. The Company is primarily dependent on IMAX Corporation for implementation of the project.

Management perception : In terms of agreement entered into with IMAX, IMAX shall supply the projection system, sound system and dome screen. The orders for all these equipments have been placed. The IMAX Dome screen has been delivered and will be installed in the month of December 2000. IMAX has granted permission to the Company for usage of trademark 'IMAX®' for its theatre operations. IMAX shall also provide technical know-how, installation & testing with respect to the equipments and training of Adlabs personnel for theatre operations. IMAX Corporation has been actively involved in implementation of similar projects in the past in other countries. A substantial portion of IMAX project is complete and the Company has not faced any difficulty in obtaining requisite co-operation from IMAX neither does the Company foresee any issues on that account.

4. The Project cost has not been appraised/assessed by any bank or financial institution and hence fund utilization is entirely at the discretion of the management of the Company.

Management perception : The cost estimates of major equipments required for the project have been arrived at by the Company on the basis of quotations obtained from equipment suppliers and orders placed. The equipment for IMAX® Dome Theatre will be supplied by IMAX Corporation. Further, the Company has already committed funds for continuing the progress of the said Project. As on October 15, 2000, the Company has spent Rs.19.00 Crores towards the project, which is 31% of the project cost. (For detailed break-up of the amount already spent, investors are advised to refer to the para 'Funds deployed in the project as on October 15, 2000' appearing on Page 16 of the prospectus). The Company would ensure that the funds raised would be utilised for the designated purposes only.

5. The Company is yet to get the land for the IMAX and Multiplex project duly conveyed and transferred in its name. The Company has obtained Development Rights of the project as a result of Special Power of Attorney executed by a party who also is a Power of Attorney holder of the original landowner. Further, this Power of Attorney stands in the name of Mr. VasANJI Mamania, one of the Promoter-Directors of the Company.

Management perception: The documentation pertaining to the land transfer is being processed and the Company has also paid stamp duty amounting to Rs. 15.432 lacs. The payment of stamp duty was made on August 14 2000. The Company has obtained regulatory approvals in the name of Adlabs Films Ltd. Further, Mr. Vasanji Mamania has given an irrevocable undertaking that the land shall be transferred in the name of the Company once the Legal documentation pertaining to the transfer of the land is over, without any claim or consideration from him. The Company does not envisage any problem in getting the land transferred in its name. (The investors are also advised to refer to the para 'LAND' on Page 28 of the prospectus.)

6. The Company is yet to obtain N.A. certificate in respect of land for the project. The Company is yet to receive commencement certificate from BMC for superstructure of the Multiplex theatre.

Management perception: The Company has applied to the Collector, Mumbai for N.A. permission in respect of land vide letter dated February 22, 2000. The Company had applied to BMC vide letter no. 2134 dated June 11 1999. The initial approvals required for the commencement of construction of the IMAX Dome Theatre and Multiplex theatre have already been obtained from the BMC on September 27 1999. The Commencement Certificate for the Superstructure for Multiplex is being processed by them. The Company has obtained NOC for construction of the multiplex. The Company doesn't envisage any difficulty in obtaining all relevant approvals as & when required during the course of the Project. (The investors are advised to refer to the Para titled "Approvals for the Project" on Page 1 in the Prospectus.)

7. The Company has not yet received Theatre license from Brihanmumbai Police.

Management perception: The Company has obtained NOC for construction of Multiplex. In terms of the NOC, the Company is required to comply with certain conditions, which include inter-alia, complying with routine construction specifications for the multiplex and obtention of N.A. permission with respect to the land, before seeking licence to operate the theatre. The Company does not foresee any problem in complying with the conditions and obtaining the licence. (The investors are advised to refer to the Para titled "Approvals for the Project" on Page 1 in the Prospectus.)

8. There are contingent liabilities amounting to Rs. 539 lacs for outstanding Letters of Credit & Guarantees, which have not been considered in the accounts for the period ended June 30, 2000. Estimated amount of contracts remaining to be executed on capital account amount to Rs. 1375 lacs as on June 30 2000. The contingent liability on account of Block assessment of Income Tax as determined on the basis of Income Tax demand is Rs 194.47 lacs. (Refer Risk Factor no 13 for details)

Management perception: The above Bank Guarantee for Rs. 539 lacs, issued to IMAX Corporation for import of IMAX® Dome Projection System has been guaranteed by Bank of Baroda & has been secured against 20% cash margin. (Investors are advised to refer to the subhead 'Contingent Liabilities' under para 'Significant Accounting Policies & Notes to Accounts' appearing on Page 50 of the Prospectus)

9. Losses by Group/affiliate companies

For the year ended March 1999, the following group/affiliate companies of Adlabs Films Limited suffered losses.

Name of the Company	Amount of loss (Rs. lacs)
M/S Adlabs (Partnership Firm)	2.85
M/S Mamania Films Pvt. Ltd.	1.43
M/S Adlabs Video Pvt. Ltd.	0.028

Management perception: The above-mentioned Group Companies are non-operational & losses have been incurred mainly due to depreciation on fixed assets. The Company is of the opinion that the losses are not material and will not affect the performance of the Company.

10. Obsolescence of Plant & Machinery: With passage of time, there is attrition of the plant & machinery and their improved versions are available in the market.

Management perception: The Company upgrades the machinery from time to time as required for the motion picture industry, in line with technological changes in the Industry. The above upgradations have been financed through internal accruals of the Company.

11. The Company is susceptible to foreign exchange fluctuations for the imports by the Company on account of imported equipments and other assets for the project, ongoing royalty fees payable to IMAX Corporation. Any adverse fluctuations in the value of the Rupee is likely to affect the financial performance of the Company.

Management perception: The Company has already established a Letter Of Credit for import of the equipment of IMAX® Dome Theatre. The Letter of Credit would be retired as soon as the equipment is dispatched. The company has already paid 50% of its foreign currency expenditure amounting to USD 14,79,000 (INR 6,42,18,000) (assuming 1 USD = 43.42 INR) as on July 15 2000.

12. The Company has yet to place orders for the equipments for the proposed activities and for the modernizing & improving existing operations.

Management perception:

1. The orders for all the equipments for IMAX have already been placed. The delivery of the IMAX® Dome Projection System, Sound System, Screen & Seats of the IMAX® Theatre is being effected beginning November 2000. No additional orders need to be placed for IMAX® Dome Theatre.
 2. The Suppliers for the Equipment for Multiplex theatres have been short-listed and the orders will be placed after the public issue.
13. Income Tax Regular Assessment: Department of Income Tax has filed an appeal against the Company for assessment years 1990-91, 1991-92, 1993-94 and 1995-96 all of which are pending at I.T.A.T. stage. The total amount of income tax dues for the above appeals is Rs 136.86 lacs. If the appeals are decided in favour of the Income Tax Authorities, the amount shall be payable along with interest and penalties if any.

The Company has filed appeals before Income Tax authorities for assessment year 1995-96 and 1997-98. These appeals are pending at I.T.A.T. Mumbai and C.I.T. (Appeals) Mumbai respectively for Tax amounts of Rs. 33.09 lacs and Rs. 46.36 lacs respectively.

Further, appeals for the years 1992-93, 1993-94 and 1996-97 filed by the Company are pending at I.T.A.T. Mumbai. The entire demand for these three years have been paid and/or adjusted in full.

Income Tax Block assessment: The Income Tax Authorities have raised a demand of Rs. 194.47 lacs against the Company in respect of Block assessment for the period 01.04.1988 to 14.05.1998. The Company has filed an appeal against the assessment order before the Income Tax Authorities. The Company has paid an amount of Rs 2.30 lacs for which no credit has been granted by the Department. If the appeals are decided in favour of the Income Tax Authorities, the amount is payable along with interest and penalties if any.

The personal IT disputes of Promoters: As per the block assessment order passed by IT Department, Mr. Manmohan Shetty has a personal income tax disputed liability of Rs. 50,000 and Mr. Vasanji Mamania has a personal income tax disputed liability of Rs. 10,64,706.

14. The concept of Multiplex Theatres is relatively new in India.

Management perception: A Multiplex Theatre Complex houses more Screens in one Complex with other entertainment facilities such as food courts, Bowling Alleys, Video Game etc. Thus a Multiplex Theatre will provide various entertainment facilities under a single roof. Similar Multiplexes are already operational in India in the cities of Delhi and Ahmedabad.

15. The Company will be putting up first IMAX® exhibition facility in India, the concept which is untested in the Indian market.

Management perception: There are 221 IMAX® Theatres all over the world & IMAX Corporation would be adding 44 Theatres worldwide this year alone. IMAX® films are entertainment films with an educational value. World over IMAX® Films are popular amongst the audience as these films educate the viewers through entertainment. The Company will leverage on the experience of IMAX Corporation for running the theatre and would be designing marketing strategies in consultation with them.

16. The Company will be primarily dependent on IMAX and other private producers for supply of film software.

Management perception: IMAX Corporation has 107 films in its film library & 50 other films are available from other

private producers. The Company has access to all these films. In terms of the agreement signed between the Company and IMAX Corporation, the Company will have access to all the films in IMAX library under a revenue sharing agreement wherein the Company is required to pay a certain percentage of the box-office collection of the film to IMAX. The percentage payable varies from film to film; however on an average the cost per film would work out to 18% of the box-office collection.

17. The Company would also need to obtain approvals from RBI from time to time to enter into arrangements with the supplier's for payment of royalty and other fees etc.

Management perception: The Company envisages no difficulty in obtaining the requisite approvals from the RBI as & when required for the payment of royalty & other fees etc for the import of these films.

18. The project is subject to time and cost overruns.

Management perception: The Company has appointed experienced project architects M/S Raja Aederi Architects and civil contractors M/S B.E. Billimoria & Co. The construction for the basic structure for IMAX Theatre is complete. The civil construction for the Multiplex theatre has already begun. The orders for the IMAX® Dome Projection System, Sound System, Screen of the IMAX® Theatre have already been placed and the delivery of equipment has commenced from November 2000. For the other equipments, quotations have been obtained and suppliers have been identified. The Company has already incurred expenditure to the tune of Rs.19 Crores till October 15, 2000. The management of the Company opines that the progress of the project has been satisfactory and envisages no difficulty in the completion of the project as per schedule of implementation, subject to any unforeseen difficulties.

19. The Company is yet to employ professional manpower for the IMAX and Multiplex theatre.

Management perception: The Company has personnel trained in IMAX technology including one of its board members, Ms. Pooja Shetty and Mr. Sorab Irani (Project Co-ordinator) and the same shall assist the Company in formulation of business plan and operational aspects related to IMAX® Dome Theatre. The key management personnel have been formally trained at the IMAX® Theatre Management Seminar at Canada. The Projectionists & other key personnel will be trained at an existing IMAX® Theatre just before the start-up of the Theatre Complex. Also, the management will employ professional manpower for the entire Multiplex Complex sourcing personnel from cinema exhibition industry. One of the board members of the Company, Mr. Shyam Shroff is a well-known personality in the film exhibition industry and has an experience of 10 years in the same.

20. Some of the Group Companies/concerns viz. M/S Adlabs, Adlabs Films Laboratories Pvt. Ltd. and M/S Mamania Films Pvt. Ltd. are in the similar business as the existing business of the issuer. Another group company M/S Adlabs Shringar Multiplex Cinemas Pvt. Ltd. is in the similar business as the proposed business of the Company. The business operations of the Group Companies may result in potential conflict of interest among the group.

Management perception: The scale of operations of these group companies is insignificant in comparison to the business of the Company. One of the group companies viz. Adlabs Films Laboratories Pvt. Ltd. is non-operational. M/S Adlabs Shringar Multiplex Cinemas Pvt. Ltd. proposes to undertake promotional and marketing activities for multiplex theatre business. The management is of opinion that there would be no conflicts.

21. There are no standard valuation methodologies or accounting practices in the media and related industries. The financials of the issuer are not comparable with other players in the industry.

EXTERNAL:

1. The entertainment industry is prone to unforeseen shifts in tastes and preferences of audiences, which could have an impact on the operations of the Company.

Management perception: The present scenario of the film industry clearly shows that filmmaking is on the upswing thus resulting in the making of new good films. Approximately, 600 films are being produced every year in India. The Indian film industry caters to diverse cultures, regions and languages ranging from the mainstay Hindi to Gujarati, Bengali, Malayalam, Odiya, Tamil, Marathi, Telugu, etc. and even English films. There is a demand for good theatres in Mumbai, which is met by only a select few. (Source: FICCI report dated March 2000) The Adlabs IMAX® Dome Theatre and Multiplex will aim at providing the best of facilities.

2. Changes in the Government policies may have an impact on the business of the Company.

Management perception : The Government policies, of late, have been favourable to the film industry and the Company does not foresee any adverse impact on the operations of the Company due to changes in Government policies.

3. The valuation in the entertainment and media industry are relatively higher than the rest of the market and may not be reflective of the future valuations of the Industry.
4. Competition from existing players and future entrants in the business segments in which the Company operates and proposes to operate.

Management perception :

Existing operations: The Company has established itself in the film processing industry over a period of last 13 years. The Company has major production houses as its regular clientele and it has an order book of 32 films from large banners alone. (Investors are advised to refer to the para titled 'Business executed in the past' for more details) The Company has a market share of more than 60% in the western region. (Source: Independent survey by Kodak India)

IMAX® Dome Theatre: The Company has entered into an exclusivity contract with IMAX Corporation for setting up an IMAX theatre in the city of Mumbai till July 2002 (Investors are advised to refer to the para titled Details of IMAX and Multiplex project) The IMAX theatre will be operational by December 2000. (Please refer to the schedule of implementation appearing on Page 20 of the prospectus)

Multiplex: The multiplex theatres are strategically located adjacent to the IMAX theatre. Multiplex could face competition from existing theatres at present and other multiplexes in future.

NOTES

- Net worth of the Company as on March 31, 2000 is Rs. 1271.82 Lacs and the issue size is 52.80 crores.
- Book Value per share of the Company is Rs. 14.87 as on March 31 2000. Cost per share to the promoters is Rs. 0.029.
- The Company made a Bonus issue by capitalisation of Free Reserves in the FY 1999-2000, on 1st December 1999. The Bonus issue was made in the ratio of 170:1 i.e. 170 shares issued for every one share held.
- The Company has given an advance of Rs. 83 lacs to M/s Adlabs (a partnership firm), Rs 10 lacs to Adlabs Finance Limited and Rs. 5.30 lacs to Adlabs Film Laboratories Pvt. Ltd. Apart from these, there are no business transactions between the Company and its affiliates/group companies.
- The Company has given following loans and advances to promoter group /affiliate companies and Directors as on June 30 2000.

	Amount
(I) Loans and advances to Promoter group	Rs. 15.95 lacs
(ii) Loans and advances to Affiliate concerns	Rs. 97.05 lacs

For details of the loans and advances, please refer to the para titled 'Details of Loans and Advances to promoter group' on Page 22 of the prospectus.

- Applicants are advised to refer to the paragraph on "Basis of Issue Price" mentioned on Page number 38 of the Prospectus before making an investment decision in respect of the Issue.
- Investors may please note that in the event of oversubscription, allotment shall be made on a proportionate basis in consultation with the regional stock exchange i.e. Stock Exchange, Mumbai as per details appearing on Page 45 of the Prospectus.

HIGHLIGHTS

- Existing profit-making Company since commencement of business.
- The Promoters have a track record of more than 25 years in the existing business of Film processing.
- National Award to Adlabs Films Limited for the Best Cinematography in 1990, 1993, 1996 & 2000.
- Well-equipped film processing laboratory and pre-view theatre with Dolby digital facilities at film city, Mumbai.
- Processed more than 1000 feature films resulting in 1000 million feet of footage since inception.
- The Company enjoys more than 60% of the market share in western region film processing (Source: Survey by Kodak India Limited) & is currently processing 25 films with major star cast of big production houses.
- Customers of the Company include a number of major production houses of Bollywood
- Technical know how tie up with IMAX Corporation, Canada (maintenance contract valid for 20 years), a pioneer in the large format industry in the world. (Source: Theatre World Magazine dated January-March 2000)
- The proposed Adlabs IMAX® Dome Theatre Multiplex is the first IMAX Theatre in the country.
- Exclusivity till July 2002 for the IMAX® Theatre in the city of Mumbai. (Investors are advised to refer to the para titled 'Details of IMAX and Multiplex project' on Page no. 21 of the prospectus)
- The largest IMAX® Dome Theatre in the world. (Source: Certificate from IMAX Corporation)
- The Multiplex complex will have four screens in a single complex.

PART I

ADLABS FILMS LIMITED

(Incorporated on November 30, 1987 as a private limited company in the name of Adlabs Films Private Limited at Mumbai and converted into a public limited company as Adlabs Films Limited on June 19, 2000 at Mumbai under the Companies Act, 1956)

Registered Office: Film city complex, Goregaon (East), Mumbai-400 065
(Formerly situated at 35/38, Suren Road, Andheri (East), Mumbai)

Tel.: (022) 842 33 33, **Fax:** (022) 842 22 11

E-mail: adlabs@bom3.vsnl.net.in, **Website:** www.adlabsfilms.com

GENERAL INFORMATION

Adlabs Films Limited (hereinafter referred to as 'Adlabs' or 'the Issuer or 'the Company') is offering for public subscription 44,00,000 Equity Shares of Rs. 5/- each for cash at a premium of Rs. 115 per share i.e. a price of Rs. 120 per share aggregating Rs. 52.80 crores.

APPROVALS FOR THE PRESENT ISSUE

The existing and proposed activities of the Company do not require any approval from Secretariat of Industrial Approvals (SIA) or Ministry of Industry.

a) Approvals obtained

- The Company has all the approvals in place for sanction of power and water in respect of its existing operations. For the proposed operations, the Company has obtained approval for power.
- The Company has obtained approval from BMC dated September 27 1999 for commencement of work at the project site.
- The Company has obtained a conditional NOC from Brihanmumbai Police for construction of IMAX multiplex theatre. The aforesaid NOC requires Company to obtain NA permission in respect of land.
- The Company has obtained approval from RBI vide letter no. EC. Mmbai.FID II/2294/04.02.08/A-240/98-99 dated December 4 1998 for payment of technical know-how fees amounting to USD 465,000 (INR 2,13,90,000 assuming exchange rate of 1USD = 46 INR) to IMAX Corporation, Canada.

b) Approvals applied for

- The Company has applied to BMC for the commencement certificate for the superstructure of the Multiplex building vide letter no. 2134 dated 11.06.1999.
- The Company has applied to the Collector, Mumbai for N.A. permission in respect of land vide letter dated 22nd February 2000.

c) Approvals to be applied for

The following approvals are proposed to be obtained at the appropriate time.

- Occupation certificate: The Company shall apply for occupation certificate to BMC after the construction of theatres is complete.
- Theatre license: The Company shall apply for theatre license to Brihanmumbai Police after obtaining occupation certificate from BMC.

Besides the approvals mentioned above, no further approvals are required by the Company for carrying out its existing and proposed activities, save and except those required by the Company in its normal course of business from time to time.

AUTHORITY FOR THE PRESENT ISSUE

The present Issue of Equity Shares is being made pursuant to the resolution passed under Section 81(1A) of the Act at the Extraordinary General Meeting of Adlabs Films Limited held on 1st August 2000 and Board Resolution passed on 1st August 2000.

Prohibition by SEBI

The Company, its Directors or any of its associates or group companies and companies with which directors of Adlabs are associated as Directors or Promoters have not been prohibited from accessing the Capital markets under any order or direction passed by SEBI.

Eligibility of the Company to enter Capital Markets

The Company is eligible to tap the Capital Markets under fixed price offering, as it has a track record of profitability for last 3 years and a net worth of more than 1 crore rupees, and the size of the offering is less than five times the pre-issue net-worth.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE DRAFT PROSPECTUS HAS BEEN SUBMITTED TO SECURITIES & EXCHANGE BOARD OF INDIA, (HEREINAFTER REFERRED TO AS SEBI) AT THEIR OFFICE IN MUMBAI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY, EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE THE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN 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 DRAFT PROSPECTUS, THE LEAD MANAGER CONCERNED IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, M/S SBI CAPITAL MARKETS LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED September 6, 2000 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE.

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 OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

THE DRAFT PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE.

ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.

THE LEAD MANAGER HAS ISSUED A FRESH DUE DILIGENCE CERTIFICATE DATED NOVEMBER 21, 2000, WHICH REITERATES THE STATEMENTS MADE IN THE CERTIFICATE DATED SEPTEMBER 6, 2000 REFERRED TO ABOVE AND STATES THAT ALL OBSERVATIONS MADE BY SEBI VIDE LETTER DATED OCTOBER 16, 2000 HAVE BEEN INCORPORATED IN THE PROSPECTUS

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 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 RESERVE 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 advertisements or other material issued by or at the instance of the Company and the Lead Managers and any one placing reliance on any other source of information would be doing so at their own risk.

STATUTORY DECLARATIONS BY THE COMPANY

In the opinion of the Directors of the Company, there are no circumstances that have arisen since the date of the last financial statement disclosed in the Prospectus, that materially or adversely affect or are likely to affect performance or profitability of the Company, or value of its assets, or its ability to pay its liabilities within the next twelve months.

The Company declares that the Stock Exchanges to which application for official quotation has been made does not take any responsibility for the financial soundness of the Issue or for the price at which the instruments are issued or for the correctness of the statements made or opinion expressed in the Prospectus.

The Company confirms that no information/ material likely to have bearing on the decisions of the investors in respect of shares/securities offered in terms of this Prospectus has been suppressed/ withheld and/or incorporated in a manner that would amount to mis-statement/ mis-representation and in the event of it transpiring at any point of time till allotment/refund, as the case may be that any information/ material has been suppressed/ withheld and/ or incorporated in a manner that would amount to mis-statement/ mis-representation, the

Company shall refund the entire application monies to all the subscribers within seven days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

The Company further undertakes that all information shall be made available by the lead managers and the issuers to the public and investors at large and no selective or additional information would be available for a section of investors in any manner.

DISCLAIMER IN RESPECT OF JURISDICTION

This Offer is made in India to persons resident in India and to NRIs/OCBs/FIIs, on a repatriation/non-repatriation basis, subject to approval of RBI/SIA as applicable. This Prospectus does not constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself about and to observe any such restrictions. Disputes arising out of this offer will be subject to the exclusive jurisdiction of the courts at Mumbai.

FILING

A copy of the Draft Prospectus has been filed with Securities & Exchange Board of India, Mumbai for its observations and SEBI has given its observations vide its letter PMIMD/SRP/16597/2000 dated October 16 2000.

A copy of the Prospectus having attached thereto the documents required to be filed under Section 60 of the Companies Act, 1956 has been delivered for registration to the Registrar of Companies, Mumbai. A copy of Prospectus has been filed with SEBI.

LISTING

Initial Listing Applications has been made by the Company to the, The Stock Exchange, Mumbai and the National Stock Exchange of India Limited, Mumbai for permission to deal in and for official quotation of the equity shares of the Company.

If the permissions to deal in and for an official quotation of the equity shares are not granted by any of the Stock Exchanges, the Company shall forthwith repay, without interest, all such moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after the Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of closing of the subscription list, whichever is earlier), then the Company and every Director of the Company, who is an officer in default shall, on and from expiry of 8 days, will be jointly and severally liable to repay the money as prescribed under Section 73 of the Companies Act.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI

The Stock Exchange, Mumbai ('BSE') has given, vide its letter dated September 21 2000, permission to the Company to use the name of the Exchange in this Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. BSE has scrutinised this Prospectus for

its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BSE does not in any manner –

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus;
2. Warrant that this Company's securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of this Company, promoters, management or any scheme or project of this Company;

and it should not be, for any reason be deemed or construed that this Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated in the Prospectus or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LTD.

"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 November 1, 2000, permission to the Issuer to use the Exchange's name in this Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood

that the aforesaid permission given by NSE should not in any way be deemed or construed that the 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 this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claims 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."

Impersonation

As a matter of abundant caution, the attention of the investor is drawn to the provision of Section 68 (A) of the Companies Act, 1956, reproduced below:

“Any person who

- (a) makes in a fictitious name an application to the Company for acquiring or subscribing for any shares therein; or
- (b) otherwise induces the 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”, as under applicable provisions of the law.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the issue amount, on the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawal of application, 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, if any, in refund of such subscription, the Company shall pay interest as per Section 73 of the Companies Act, 1956.

Letters of Allotment/ Share Certificates/ Refund Orders

Letters of Allotment/ Share Certificates or Refund Orders, as the case may be, will be despatched by Registered Post or as per extant postal rules at the sole risk of the applicant to the sole/ first applicant within ten weeks from the date of closing of the subscription list. In accordance with the extant postal rules the Company will ensure dispatch of refund orders of value up to Rs. 1500/- under Certificate of Posting and refund orders of value above Rs. 1500/- by Registered Post only.

Further, if the issue is fully subscribed, as far as possible, allotment of the equity shares shall be made within 30 days of the closure of the Issue; and the Company shall pay interest at the rate of 15% per annum (except to the applicants applying through Stockinvest) if the allotment has not been made and/or the Letters of Allotment/ Refund Orders have not been despatched to the investors within 30 days from the date of the closure of the Issue, for the delayed period beyond 30 days.

The Company will provide adequate funds to the Registrars to the Issue, for the purpose of despatch of Letter(s) of Allotment/ Share Certificate(s)/ Letter(s) of Regret/ Cancelled Stockinvest(s)/ Refund Order(s).

Oversubscription

In the event of the present Issue of equity shares being oversubscribed, the basis of allotment will be finalised in consultation with The Stock Exchange, Mumbai (Regional Stock Exchange).

Issue Programme

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

ISSUE OPENS ON December 11, 2000

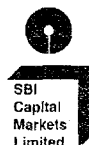
ISSUE CLOSSES ON December 16, 2000

Credit Rating/ Appointment of the Trustees

This being an Issue of Equity Shares, no credit rating or appointment of Debenture Trustees is required.

ISSUE MANAGEMENT TEAM

LEAD MANAGERS TO THE ISSUE



SBI Capital Markets Ltd.

202, Maker Tower 'E',
Cuffe Parade,
Mumbai – 400 005
Tel.: (022) 218 9166
Fax : (022) 218 8332
Email : cmg@sbicaps.com



Centrum Finance Ltd.

Bombay Mutual Building
2nd Floor, Dr. D.N. Road
Mumbai - 400 001
Tel.: (022) 266 2434
Fax: (022) 266 3458
Email: ibd@centrumfinance.com

REGISTRAR TO THE ISSUE

Intime Spectrum Registry Private Limited

260, Shanti Industrial Estate,
Sarojani Naidu Road,
Mulund (W),
Mumbai 400 080
Tel: (022) 5647731, 5672716, 5684580
Fax: (022) 5672693
Email: isrl@vsnl.com

AUDITORS

M/S H.O. Agarwal & Co.

E-1, Everest, 6th Floor
M.M. Malviya Marg, Tardeo
Mumbai 400 034
Tel.: (022) 4941720, 4946784

LEGAL ADVISOR TO THE ISSUE

M/S Udwadia, Udeshi & Berjis

Solicitors and Advocates
Thomas Cook Building,
324 D. N. Road, Fort,
Mumbai 400 001
Tel.: (022) 288 3345
Fax: (022) 287 1437
Email: uub@justicemail.com

COMPLIANCE OFFICER**Shri Anil G Bhosekar**

Company Secretary
Adlabs Films Limited
Film city complex,
Goregaon (East), Mumbai-400 065
Tel.: (022) 842 33 33
Fax: (022) 842 22 11
E-mail: adlabs@bom3.vsnl.net.in

BANKERS TO THE COMPANY**Bank of Baroda**

Chakala Branch, Sattam Industrial Estate
Cardinal Gracias Road, Andheri East
Mumbai 400 099
Tel: (022) 835 3472, 832 6375
Fax: (022) 821 3379
Gram: CHAKRANSOM

BANKERS TO THE ISSUE

State Bank of India
SBI Commercial and International Bank Limited
Citibank N.A.
Bank of Punjab Limited
ICICI Bank Ltd.

UTILISATION OF ISSUE PROCEEDS

The sums received in respect of the offer will be kept in a separate account with the bankers to the issue, other than the account referred to sub section (3) of the Section 73 of the Company's Act, 1956 and the Company will not have access to such funds unless allotment of equity shares has been made in consultation with the Stock Exchange, Mumbai and approval for listing has been received from all the Stock Exchanges, where listing is proposed.

The Board of Directors of the Company certifies that:

- (i) all monies received out of 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 of the Companies Act, 1956;
- (ii) details of all monies utilised out of this Issue referred to in sub-item (i) shall be disclosed under an appropriate separate head in the Annual Report of the Company indicating the purpose for which such monies had been utilised; and
- (iii) details of all unutilised monies out of this Issue, if any, referred to in sub-item (i) shall be disclosed under an appropriate separate head in the Annual Report of the Company indicating the form in which such unutilised monies have been invested.

UNDERTAKING BY THE ISSUER

The Company undertakes:

- (i) that all the complaints received in respect of the Issue would be attended to expeditiously and satisfactorily
- (ii) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within 7 working days of finalisation of Basis of Allotment.
- (iii) that the funds required for despatch of refund orders/ allotment letters/ certificates by Registered Post shall be made available to the Registrars to the Issue by the Issuer
- (iv) the dispatch of Share Certificates/ refund orders/cancelled stock invests and demat credit is completed and the allotment and listing documents will be submitted to the Stock Exchanges within two working days of finalisation of Basis of Allotment.
- (v) that the certificates of the securities/ refund orders to the Non-Resident Indians shall be dispatched within specified time
- (vi) that no issue of securities shall be made till the securities offered through this Prospectus are listed or application moneys refunded on account of non- listing/ undersubscription.

CAPITAL STRUCTURE OF THE COMPANY

As on 31 st March 2000	Face Value (Rs.)	Total at premium
A. Authorised capital 2,40,00,000 Equity Shares of Rs. 5/- each	12,00,00,000	
B. Issued, subscribed and paid up capital 1,71,00,600 Equity Shares of Rs. 5/- each	8,55,03,000	
C. Present issue through this Prospectus 44,00,000 Equity Shares of Rs. 5/- each at a premium of Rs. 115 per share.	2,20,00,000	52,80,00,000
D. Net offer to Indian public 44,00,000 Equity Shares of Rs. 5/- each at a premium of Rs. 115 per share.	2,20,00,000	52,80,00,000
E. Paid - up capital after the issue 2,15,00,600 Equity Shares of Rs. 5 each	10,75,03,000	
Share premium before the issue		Nil
Share premium after the issue		50,30,00,000

Notes:

- 1) The Authorised Capital of the Company has been increased from Rs. 25,00,000 to Rs. 12,00,00,000 vide a resolution passed at the Extraordinary General Meeting held on 1st November 1999.
- 2) The Equity Shares of the Company of face value of Rs. 100/- were split into 10 Equity Shares of face value of Rs. 10/- each, vide a special resolution passed at the Extraordinary General Meeting held on 1st November 1999.
- 3) The Company capitalised its Free Reserves in the ratio of 170:1 (that is 170 Equity Shares of face value of Rs. 10/- for every 1 Equity Share held) vide a resolution passed at the Extraordinary General Meeting held on 1st November 1999.
- 4) The Company issued 300 additional Equity Shares of face value of Rs.10/- on 2nd December 1999 to comply with the requirement of minimum number of shareholders for a public limited Company, under the Company's Act, 1956.
- 5) The Shares were further split into face value of Rs. 5/- per share vide a special resolution passed at the Extraordinary General Meeting held on August 1 2000. The equity shares of the Company presently have a face value of Rs.5 /- each.

Notes on Capital Structure

1. Capital Build-up: Details of the contribution to the equity share capital of the company are as under:

Date of Allotment/ splitting	No. of Shares	Face Value	Cumulative no. of shares	Issue Price (Rs.)	Consideration	Remarks/Allotment
At Incorporation	200	100	200	100/-	Cash	Subscribers to the Memorandum
08.02.1990	4,800	100	5,000	100/-	Cash	Allotment of shares to Promoters.
01.11.1999	-	10	50,000	NA	NA	Share Split into face value of Rs 10 per share.
01.11.1999	85,00,000	10	85,50,000	10/-	Bonus	Issued out of Free Reserves (General Reserves)
02.12.1999	300	10	85,50,300	10/-	Cash	Additional Allotment of Shares to friends and relatives to comply with minimum number of members' requirement for a Public Limited Company.
01.08.2000	-	5	1,71,00,600	NA	NA	Share Split into face value of Rs 5 per share.
Total			1,71,00,600			

2. Lock in for promoters' contribution

Date of Allotment/ acquisition	Date when made fully paid-up	Consideration	No. of Shares	Face Value (After Share split) *See Note	Issue Price (Rs.)	% of Post Issue Paid up Capital	Lock in for a period
1.11.1999	1.11.1999	Bonus	43,00,200	5	N.A.	20%	3 years**
1.11.1999	1.11.1999	Bonus	1,26,99,800	5	10	59.07%	1 year from the date of allotment in the Public Issue.
08.02.1990	08.02.1990	Cash	1,00,000	5	10	0.05%	1 year from the date of allotment in the Public Issue.
02.12.1999	02.12.1999	Cash	600	5	10	<0.01%	1 year from the date of allotment in the Public Issue.
Total			1,71,00,600	10	10	79.12%	

* Note: The Equity Shares of face value Rs. 100/- were split into Equity Shares of face value Rs. 10/- each and to Rs 5/- per share further. At present, all the Equity Shares of the Company have a face value of Rs. 5/- each.

** 3 years from the date of allotment in the Public Issue or date of commencement of commercial operations, whichever is later.

3. Details of lock-in for Promoters' contribution

Name of the Promoter	Date of Allotment/ acquisition	Date when made fully paid-up	Consideration	No. of Shares	Face Value (After Share split)	Issue Price (Rs.)	% of Post Issue Paid up Capital	Lock in for a period
Mr. Manmohan Shetty	1.11.1999	1.11.1999	Bonus	21,50,100	5	N.A.	10%	3 years*
Mr. Vasanji Mamania	1.11.1999	1.11.1999	Bonus	21,50,100	5	N.A.	10%	3 years*

* 3 years from the date of allotment in the Public Issue or date of commencement of commercial operations, whichever is later.

4. None of the above mentioned locked-in/ non- transferable shares have been pledged by the promoters.
5. The Authorised Capital has been increased from Rs. 25 lacs to Rs. 12 crores vide a Resolution passed at the Extraordinary General Meeting held on November 1, 1999.
6. In the event of oversubscription, the allotment shall be made on a proportionate basis, as is outlined elsewhere in this Prospectus.
7. An applicant in the public category can make an application for a maximum of that number of Equity Shares that are offered to the public.
8. A minimum 50% of the net offer of Equity Shares to the public above shall initially be made available for allotment to individual applicants, who apply for allotment of 500 shares or less than 500 shares. The balance (upto 50% of the net offer of Equity Shares to the public) shall initially be made available for allotment to investors, including Corporate Bodies, Institutions and individual applicants, who apply for more than 500 shares. The unsubscribed portion of the net offer to any one of the above two categories shall be made available to the applicants in the other category, if so required and allotment made on a proportionate basis as per the relevant SEBI guidelines.
9. Separate applications for dematerialised/ electronic and physical Equity Shares by the same applicant shall be treated as multiple applications and are liable to be rejected.
10. In the event of oversubscription, in the process of rounding off, to ensure allotment in marketable lots, the Company may make such adjustments in the basis of allotment as may be necessary in consultation with the SEBI/ the Regional Stock Exchange (Mumbai), so as to allot additional equity shares up to a maximum of 10% of net public offer.
11. None of the Promoters or Directors has directly or indirectly undertaken transactions in the securities of the Company during the last six months.
12. The Company has not raised any bridge loan or taken any financial assistance against the proceeds of this Public Issue.
13. The shareholders of the Company do not hold any warrant, option or convertible loan or any debentures that would entitle them to acquire further shares of the Company.
14. Shareholding pattern before and after the Public Issue

	Before Public Issue		After Public Issue	
	No. of shares	%	No. of shares	%
<i>Promoters</i>				
Shri Manmohan R. Shetty	85,50,000	49.99	85,50,000	39.77%
Shri Vasanji A. Mamania	85,50,000	49.99	85,50,000	39.77%
<i>Others</i>	600	<0.001%	600	<0.001%
Public Issue			44,00,000	20.46%
Total	1,71,00,600	100.00%	2,15,00,600	100.00%

16. There are no buy-back or standby arrangements for the purchase of Equity Shares issued through this Prospectus by the Promoters, Directors or the Merchant Bankers.

17. Top ten Shareholders of the Company

As on date of filing the Prospectus with the ROC

Name	No. of shares held	% shareholding
Mr. Manmohan R Shetty	85,50,000	49.998%
Mr. VasANJI A. Mamania	85,50,000	49.998%
Ms. Pooja M. Shetty	100	<0.001%
Mr. Ashish V Mamania	100	<0.001%
Mrs. Shashikala M Shetty	100	<0.001%
Ms. Aarti M Shetty	100	<0.001%
Mrs. Kasturi V Mamania	100	<0.001%
Dr. (Mrs.) Anupa R Asher	100	<0.001%

10 days prior to ROC filing

Name	No. of shares held	% shareholding
Mr. Manmohan R Shetty	85,50,000	49.998%
Mr. VasANJI A. Mamania	85,50,000	49.998%
Ms. Pooja M. Shetty	100	<0.001%
Mr. Ashish V Mamania	100	<0.001%
Mrs. Shashikala M Shetty	100	<0.001%
Ms. Aarti M Shetty	100	<0.001%
Mrs. Kasturi V Mamania	100	<0.001%
Dr. (Mrs.) Anupa R Asher	100	<0.001%

2 years prior to ROC filing

Name	No. of shares held *	% shareholding
Shri Manmohan Shetty	2,500	50%
Shri VasANJI Mamania	2,500	50%

* Face Value of Rs 100 per Share.

18. Shareholding of the Promoter Group

The promoter group holds entire pre-issue capital as indicated in the table below.

Name	No. of shares held	% shareholding
1. Promoters		
Mr. Manmohan R Shetty	85,50,000	49.998%
Mr. VasANJI A. Mamania	85,50,000	49.998%
2. Promoter Group		
Ms. Pooja M. Shetty	100	<0.001%
Mr. Ashish V Mamania	100	<0.001%
Mrs. Shashikala M Shetty	100	<0.001%
Ms. Aarti M Shetty	100	<0.001%
Mrs. Kasturi V Mamania	100	<0.001%
Dr. (Mrs.) Anupa R Asher	100	<0.001%
Total	1,71,00,600	100.00%

The promoter group of the Company has not purchased or sold any shares of the Company during the period of six months preceding the date on which the draft prospectus is filed with SEBI.

3. Details of lock-in for Promoters' contribution

Name of the Promoter	Date of Allotment/ acquisition	Date when made fully paid-up	Consid-eration	No. of Shares	Face Value (After Share split)	Issue Price (Rs.)	% of Post Issue Paid up Capital	Lock in for a period
Mr. Manmohan Shetty	1.11.1999	1.11.1999	Bonus	21,50,100	5	N.A.	10%	3 years*
Mr. Vasanji Mamania	1.11.1999	1.11.1999	Bonus	21,50,100	5	N.A.	10%	3 years*

* 3 years from the date of allotment in the Public Issue or date of commencement of commercial operations, whichever is later.

4. None of the above mentioned locked-in/ non- transferable shares have been pledged by the promoters.
5. The Authorised Capital has been increased from Rs. 25 lacs to Rs. 12 crores vide a Resolution passed at the Extraordinary General Meeting held on November 1, 1999.
6. In the event of oversubscription, the allotment shall be made on a proportionate basis, as is outlined elsewhere in this Prospectus.
7. An applicant in the public category can make an application for a maximum of that number of Equity Shares that are offered to the public.
8. A minimum 50% of the net offer of Equity Shares to the public above shall initially be made available for allotment to individual applicants, who apply for allotment of 500 shares or less than 500 shares. The balance (upto 50% of the net offer of Equity Shares to the public) shall initially be made available for allotment to investors, including Corporate Bodies, Institutions and individual applicants, who apply for more than 500 shares. The unsubscribed portion of the net offer to any one of the above two categories shall be made available to the applicants in the other category, if so required and allotment made on a proportionate basis as per the relevant SEBI guidelines.
9. Separate applications for dematerialised/ electronic and physical Equity Shares by the same applicant shall be treated as multiple applications and are liable to be rejected.
10. In the event of oversubscription, in the process of rounding off, to ensure allotment in marketable lots, the Company may make such adjustments in the basis of allotment as may be necessary in consultation with the SEBI/ the Regional Stock Exchange (Mumbai), so as to allot additional equity shares up to a maximum of 10% of net public offer.
11. None of the Promoters or Directors has directly or indirectly undertaken transactions in the securities of the Company during the last six months.
12. The Company has not raised any bridge loan or taken any financial assistance against the proceeds of this Public Issue.
13. The shareholders of the Company do not hold any warrant, option or convertible loan or any debentures that would entitle them to acquire further shares of the Company.
14. Shareholding pattern before and after the Public Issue

	Before Public Issue		After Public Issue	
	No. of shares	%	No. of shares	%
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<i>Others</i>	600	<0.001%	600	<0.001%
Public Issue			44,00,000	20.46%
Total	1,71,00,600	100.00%	2,15,00,600	100.00%

16. There are no buy-back or standby arrangements for the purchase of Equity Shares issued through this Prospectus by the Promoters, Directors or the Merchant Bankers.

17. Top ten Shareholders of the Company

As on date of filing the Prospectus with the ROC

Name	No. of shares held	% shareholding
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Mr. Ashish V Mamania	100	<0.001%
Mrs. Shashikala M Shetty	100	<0.001%
Ms. Aarti M Shetty	100	<0.001%
Mrs. Kasturi V Mamania	100	<0.001%
Dr. (Mrs.) Anupa R Asher	100	<0.001%

10 days prior to ROC filing

Name	No. of shares held	% shareholding
Mr. Manmohan R Shetty	85,50,000	49.998%
Mr. VasANJI A. Mamania	85,50,000	49.998%
Ms. Pooja M. Shetty	100	<0.001%
Mr. Ashish V Mamania	100	<0.001%
Mrs. Shashikala M Shetty	100	<0.001%
Ms. Aarti M Shetty	100	<0.001%
Mrs. Kasturi V Mamania	100	<0.001%
Dr. (Mrs.) Anupa R Asher	100	<0.001%

2 years prior to ROC filing

Name	No. of shares held *	% shareholding
Shri Manmohan Shetty	2,500	50%
Shri VasANJI Mamania	2,500	50%

* Face Value of Rs 100 per Share.

18. Shareholding of the Promoter Group

The promoter group holds entire pre-issue capital as indicated in the table below.

Name	No. of shares held	% shareholding
1. Promoters		
Mr. Manmohan R Shetty	85,50,000	49.998%
Mr. VasANJI A. Mamania	85,50,000	49.998%
2. Promoter Group		
Ms. Pooja M. Shetty	100	<0.001%
Mr. Ashish V Mamania	100	<0.001%
Mrs. Shashikala M Shetty	100	<0.001%
Ms. Aarti M Shetty	100	<0.001%
Mrs. Kasturi V Mamania	100	<0.001%
Dr. (Mrs.) Anupa R Asher	100	<0.001%
Total	1,71,00,600	100.00%

The promoter group of the Company has not purchased or sold any shares of the Company during the period of six months preceding the date on which the draft prospectus is filed with SEBI.

TERMS OF THE PRESENT ISSUE

The equity shares now being issued are subject to the provisions of the Companies Act, 1956, Securities Contract Regulation Act, 1957, Memorandum and Articles of Association of the Company, terms of this Prospectus, the application form, the guidelines for listing of securities issued by the Stock Exchanges and Government of India and/ or other statutory bodies and the guidelines for Disclosure and Investor Protection issued by the Securities and Exchange Board of India ("SEBI Guidelines") and the Depositories Act, 1996, to the extent applicable.

Authority of the Present Issue

Pursuant to Section 81(1A) of the Companies Act 1956, the present issue of 44,00,000 equity shares has been authorised vide a special resolution passed at the Extraordinary General Meeting of Adlabs Films Limited held on 1st August 2000 and Board Resolution dated 1st August 2000.

Rights of the Equity Shareholders

- a) Right to receive dividend, if declared
- b) Right to attend general meetings and exercise voting powers, unless prohibited by law
- c) Right to vote on a poll either personally or by proxy
- d) Right to receive offers for rights shares and be allotted bonus shares
- e) Right to receive surplus on liquidation
- f) Any other rights available under the Companies' Act, 1956.

Note: Only the registered equity shareholders or in case of the joint holders, whose name appears first in the register of equity shareholders, shall be entitled to above mentioned rights.

Description of the Instrument

Face value and issue price of Equity Shares

Equity Shares of face value of Rs. 5 each are being offered at a premium.

Ranking of Equity Shares

The new equity shares arising out of this issue shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects with the existing Equity Shares of the Company including dividend, if any, that may be declared for the financial year in which the equity Shares are allotted.

Interest in case of delay in Allotment/ Refunds

The Company agrees that, as far as possible, it will allot the equity shares within 30 days from the date of closure of the Issue.

The Company agrees that it shall pay interest @ 15% p.a., except to applicants applying through Stockinvests, if the allotment is not made and/ or the refund orders are not dispatched to the investors within 30 days from the date of

closure of the Issue for the period of delay beyond 30 days.

Terms of Payment of the Equity Shares

Applications should be for a minimum of 50 equity shares and in multiples of 50 thereafter. The offer price of the equity shares is Rs.120. The Offer price is payable in full on application.

PROCEDURE FOR APPLICATION AND MODE OF PAYMENT

Availability of Prospectus and Application Forms

The Memorandum Form 2 A containing the salient features of the Prospectus together with Application Forms and copies of the Prospectus may be obtained from the Registered Office of the Company, Lead Managers to the Issue, Registrar to the Issue and at the collection centres of the Bankers to the Issue, as mentioned on the reverse of the Application Form.

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) and Overseas Corporate Bodies (OCBs) on a repatriable/ non-repatriable basis
- (l) Foreign Institutional Investors (FIIs) on a repatriable/non repatriable basis

Applications not to be made by

Minors
Foreign Nationals (except NRIs)
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. The prescribed application forms are of the following colours:

Category	Colour
Investors in Resident category and NRIs, FIIs & OCBs on a non-repatriable basis	White
FIIs, NRIs & OCBs on a repatriable basis	Yellow

2. The application for equity shares should be for a minimum of 50 equity shares and in multiples of 50 shares thereafter. An applicant in the public category 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 Powers 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 Registrars 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 applications 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.

A separate single cheque/draft/ Stockinvest must accompany each application form.

Note:

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.

The Company has made an application to the Reserve Bank of India on August 29 2000 for approval to FIIs to invest in the issue on a repatriable basis up to a maximum of 24% of the issue size and for NRIs/OCBs upto 10% of the issue size. Applications by NRIs/OCBs/FIIs must be made only in the prescribed application form (yellow colour) by FIIs, on a repatriable basis. The Company has obtained the above approval from RBI vide their letter no. CO.FID (II) 1145/10.02.42 (A-62) 2000/2001 dated October 5 2000.

Applications by NRIs/OCBs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non Resident (Ordinary) Account (NRO). The relevant bank certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.

For further instructions, please read the Application Form carefully.

B. PAYMENT INSTRUCTIONS (For Resident investors)

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 should be marked as follows: Cheque/ bank draft must be made payable to the bankers to the issue and marked "A/c Adlabs- Public Issue" and crossed "A/C payee only". For e.g. "State Bank of India – A/c Adlabs – Public Issue"
4. All Stockinvests should be made payable to the Company i.e. "Adlabs 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 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 and as such outstation Stockinvests can be attached to the application forms. Applicants can approach the Banks concerned for obtaining Stockinvest and detailed instructions for the same.

The applicant has to fill in the following particulars

- Title of the Account as mentioned in the Application Form.
- Number of equity shares applied for.
- The amount payable on the equity shares applied for:

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 "Adlabs 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 Registrars to the Issue (right-hand portion of the instrument). The Registrars to the Issue will fill up the right-hand side of the Stockinvest indicating the equity shares allotted to the applicants, calculated as follows:

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;

In case of partial allotment, the number filled up by the Registrars 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;

In case the allotment is nil, the number filled up by the Registrars to the Issue on the right-hand side of the instrument will be nil.

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.

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 _____".

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.

Registrars to the Issue have been authorised by the Company (through Resolution of the Board of Directors passed at its meeting held on August 1, 2000), 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 Registrars directly to the investors. The currency of the Stockinvest is four months.

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.

In the interest of the investors, to avoid rejection of applications on technical grounds, it is suggested that the applicant should ensure that

- The date of issue of the Stockinvest by the issuing bank is clearly mentioned on the instrument
- The instrument is duly signed by the authorised officer of the bank giving his code number
- The instrument bears the code number and the address of the issuing bank branch
- Any correction/ alteration in the date of issue, amount, the name of the issuer (i.e. Adlabs Films Limited), etc. should be attested by an authorised officer of the issuing bank

- The applicant has clearly written the name of the issuer (i.e. Adlabs Films Limited), the amount and signed the instrument
- 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.

PAYMENT INSTRUCTIONS (For NRIs/OCBs/FIIs on a repatriable basis)

Application made by NRIs/ OCBs

1. Application should be made only
 - i) in the prescribed Application Form (yellow colour) by Non- Resident Indians and Overseas Corporate Bodies on a repatriable basis.
 - ii) in the names of individuals, societies and other corporate bodies owned predominantly (at least to the extent of 60%) by Non- Resident individuals of Indian nationality/ origin and NOT in the names of minors, firms, partnerships, Foreign Institutional Investors, foreign nationals or their nominees. Applications by societies must be accompanied by a certificate in the prescribed form OAC/ OAC-1 from an Overseas Auditor/ Chartered Accountant/ Certified Public Accountant.
 - iii) with remittances from abroad for the amount payable on application Rs. 120 per share through approved banking channels or out of funds held in Non-Resident External (NRE) / Foreign Currency Non Resident (FCNR) accounts maintained with banks authorised to deal in foreign exchange in India, along with the certificate from the bank issuing the draft confirming that the draft has been issued by debit to NRE / FCNR account.
2. Applications for the NRI category can be obtained from the Registered Office of the Company.
3. The Company has applied to the Reserve Bank of India seeking its approval for issue of shares to Non-Resident Indians/Overseas Corporate Bodies on a repatriation basis, vide their letter dated August 29 2000 seeking approval for FIIs to invest in the issue on a repatriable basis up to a maximum of 24% of the issue size and for NRIs/OCBs upto 10% of the issue size. Applications by FIIs must be made only in the prescribed application form (blue yellow) by FIIs, on a repatriable basis. The Company has obtained the above approval from RBI vide their letter no. CO.FID (II) 1145/10.02.42 (A-62) 2000/2001 dated October 5 2000. Hence, it will not be necessary for the investors to seek separate permission from RBI. The allotment of equity shares to NRIs / OCBs/ FIIs shall be subject to RBI approval or any other requisite authority as may be necessary under the existing Exchange Control

Regulation. The sale proceeds of such investment in equity shares by NRIs / OCBs/FIIs will be allowed to be repatriated along with the income thereon, subject to instructions from RBI then in force and subject to Indian Tax Laws, provided that the investments are made by inward remittance from abroad through approved banking channels or out of funds held in NRE / FCNR accounts maintained with a bank in India.

4. Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges / commission. In case of applicants who remit their application money from funds held in NRE / FCNR accounts, such payments shall be credited to their respective NRE / FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be despatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
5. Applications in this category cannot be made out of NRO accounts and such applications would be rejected. Applications out of NRO accounts can, however, be made in the category of Resident Indian public.
6. All cheques / bank drafts accompanying the Application Form must be made payable to the Bankers to the Issue with whom the Application Forms are lodged and be marked "A/c Adlabs-Public Issue- NR" and crossed "A/c Payee only". For e.g. "State Bank of India-A/c Adlabs-Public Issue-NR"

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.

The investors residing at centres where there is no designated branch of any Bankers to the issue, Investors should send their Application Forms along with Bank Drafts payable at Mumbai by registered post with acknowledgement due to the Registrars to the issue, Intime Spectrum Registry Pvt. Ltd. at 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080 so that the same can be received before the closure of

the subscription list. No applications should be sent to Bankers to the issue through post/courier.

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 Registrars 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 dematerialisation by National Securities Depository Limited (NSDL) vide a tripartite agreement dated October 31, 2000 signed between the Company, NSDL and the Registrar and Share Transfer Agent to the Issue, 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 and Share Transfer Agent for dematerialisation of its shares; vide a tripartite agreement dated September 14, 2000. The Equity Shares of the Company have been allotted International Securities Identification Number (ISIN) as INE540B01015.
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.
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
Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to this Issue.
8. 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.
9. 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.
10. It may be noted that the electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL.
11. 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.

Trading in the Equity shares of the Company will be compulsorily in demat mode.

TAX BENEFITS

M/s H. O. Agarwal & Co., Chartered Accountants, have advised Adlabs Films Limited vide their letter dated August 7 2000 that according to the current provisions of the Income Tax Act, 1961 and various other tax laws currently in force, the following tax benefits and deductions will, inter alia, be available to Adlabs Films Limited, and its members.

1. Benefits to the Company

Income tax

- a. Income by way of dividends referred to in section 115-0 of the Income Tax Act, 1961 received from another domestic company will not be chargeable to tax in the hands of the company.

2. Benefits to the Shareholders

Income tax

- a. Under section 10 (33) of the Income Tax Act, dividends paid by the company will be exempt from tax in the hands of the shareholders.
- b. In accordance with and subject to the conditions and to the extent specified in section 54EA of the Act, the

shareholders would be entitled to exemption from long-term capital gains on sale of their shares in the company.

- c. In accordance with and subject to the conditions and to the extent specified in section 54EB of the Act, the shareholders would be entitled to exemption from long-term capital gains on sale of their shares in the company.
- d. In case of a shareholder, being an individual or Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54F of the Act, the shareholders would be entitled to long term capital gains on the sale of their shares in the company.
- e. Under Section 112 of the Income Tax Act, capital gains arising on the transfer of shares of the company being listed in any recognised Stock Exchange in India and held for a period of at least 12 months (long term capital gains), shall be taxed at the option of shareholders @ 20% of capital gains (computed with indexation benefits) or 10% of capital gains (computed without indexation benefits) and be further increased by surcharge as applicable.

f. In accordance with section 115AD(1) of the Act, notified foreign institutional investors who are shareholders of the company will subject to other conditions are prescribed, be subjected to concessional rates of tax of 10% on long term capital gain and 30% on short term capital gains arising on the transfer of the shares held in the company.

g. In case of a shareholder, being a Non-Resident Indian, in accordance with and subject to the conditions and to the extent specified in section 115F of the Act, the Non-Resident Indian shareholders would be entitled to exemption from long term capital on the sale of their shares in the company.

Wealth Tax

h. Total exemption from wealth tax would be available on investment in shares of the company.

Gift Tax

i. Effective from October 1 1998, no gift tax shall be levied on gift of shares of the company.

PARTICULARS OF THE ISSUE
OBJECTS OF THE ISSUE

1. To set up an I-MAX Dome Theatre at Mumbai.
2. To set up a Multiplex Theatre with four exhibition screens at Mumbai.
3. To upgrade/ modernise existing facilities of the Company at Film City, Mumbai
4. To partly pre-pay the unsecured loan availed of to part finance the project work.
5. To meet the expenses of the Issue.
6. To list the equity shares of the Company on the stock exchanges

The Main Objects Clause of the Memorandum of Association of the Company enables the Company to undertake the activities for which the funds are being raised in the Present Issue.

COST OF PROJECT AND MEANS OF FINANCE
Activity-wise break-up of the cost

Particulars	Amount (Rs. in lacs)
1. I-MAX Dome Theatre & Multiplex Theatre	5500
2. Up gradation of Existing facilities	100
3. Preliminary and Preoperative expenses/ Issue Expenses	500
Total Project cost	6100

MEANS OF FINANCE

Particulars	Amount (Rs. in lacs)
Public Issue	5280
Internal Accruals	280
Unsecured Loan	540
Total	6100

The fund requirements and the means of finance are estimated by the Company and have not been appraised by a bank or financial institution.

Funds deployed in the Project as on October 15, 2000

- a) The Company has already incurred an expenditure of Rs. 19.00 Crores towards the project. This expenditure has been funded by means of internal accruals and unsecured borrowings.
- b) The Company has already paid for 50% of its foreign currency expenditure on account of equipment imports.
- c) The above expenditure has been financed through Company's own funds (internal accruals), temporary utilisation of working capital funds of the Company and unsecured loan. The details are furnished in the subsequent section.

The fund deployment in the project has been certified by Chartered Accountants M/s Ketan N. Shah & Co, vide their letter dated October 20, 2000. The details of the above expenditure are as under.

Particulars	Rs. in lacs
Payment to IMAX Corporation	642.18
Professional fees	161.88
Payment to contractors	879.25
Payment of M.C.G.B.	74.77
Deposits and assets	9.26
Land cost	65.43
Interest on loans	20.85
Other expenses	46.93
Total	1900.53

The above expenditure has been financed as under.

Source of finance	Rs. in lacs
Temporary utilisation of Working Capital	937.03
Unsecured Borrowings	683.50
Internal accruals	280.00
Total	1900.53

COST OF THE PROJECT

IMAX® Dome theatre and Multiplex theatre are being set up adjacent to each other in the same building; hence some of the facilities viz. land and building are common. Accordingly, the details of project cost for IMAX® Dome Theatre and Multiplex Theatre are as furnished in the following table.

Particulars	IMAX		Multiplex		Common facilities	Total cost Rs. in lacs
Land					200	200
Building					1400	1400
Major Equipment & machinery	• IMAX® Dome Projection System, with sound system	1505	• 4 - Projection Systems	260		1765
	• IMAX® Dome Screen	346	• 4- Screens	40		386
Utilities						
Air-conditioning system		205		102		307
Electrical Installation		228		61		289
Elevator & Escalator		48		-		48
Interiors		200		100		300
Acoustics		100		150		250
Miscellaneous						
Seats		88		258		346
Technology Transfer		209		-		209
Upgradation of manufacturing facilities					100	100
Contingencies/ Issue Expenses					500	500
Total Project cost		2929		971	2200	6100

The details of the common facilities i.e. Land and building, are as furnished in the following section.

Note: The proposed activity of the Company does not envisage any working capital requirement because of the nature of the business; wherein regular cash flows of the business would take care of working capital requirements.

Land

The IMAX® Dome Theatre and the Multiplex Theatre are being set up at Wadala Survey No 173/1, CTS No. 1 (Pt.) Village Anik in the city of Mumbai of Maharashtra, measuring 9040 sq. meters. The Cost of the land for the project is Rs. 200 lacs. (Investors are advised to refer the para 'LAND' appearing on Page no. 28 of this prospectus)

Building

The total area under construction for the buildings of the project is 8781.82 square meters. The total cost for the building is estimated to be Rs.1400 Lacs.

1. IMAX® Dome Theatre

The Company proposes to set up IMAX Dome type exhibition facilities at Wadala, Mumbai with technical collaboration with IMAX Corporation, Canada. As a part of the agreement with IMAX Corporation, it shall provide

technical know-how, proprietary equipments such as IMAX Dome Theatre System, installation, testing and training of Adlabs employees. IMAX Dome Theatre System shall broadly consist of three utilities viz.- specialised Projection Unit consisting of Projector, Lamp house, Lenses and other auxiliaries, Sound System consisting of Sound Source equipments for digital sound tracks, specialised loudspeakers and other electronic equipments and Dome type Screen System.

The details of cost are as given in the following section.

a) Major equipment and machinery

The key equipments i.e. IMAX® Dome Theatre System consisting of Projection System, Sound System and Dome Type Screen would be supplied and installed by IMAX Corporation. The Company has entered into suitable Agreement with IMAX Corporation for the same. The Company has already identified suppliers for the above equipments.

Imported Machinery

Sr. No.	Description of the machinery	Suppliers	Nos.	Cost in USD	Equivalent Cost (Rs. in lacs)	Total Landed Cost (Rs Lacs)
1.	IMAX® Dome Projection System Complete with sound & projection system	IMAX Corporation for Projection System & SONICS Assc for Sound system	1	20,00,000	920	1505
2.	IMAX® Dome Screen	Spitz Inc.	1	4,25,000	195.50	346

* Assuming 1 USD = 46 INR

In addition to above, there is a Technology Transfer Fee amounting to USD 465,000, which translates to Rs. 209 lacs to be paid to IMAX Corporation. The Company has already paid USD 279,000. The Company has obtained necessary RBI approvals for the total amount payable on this account.

b) Miscellaneous Fixed Assets

In addition to the major equipment and machinery, certain other miscellaneous assets are being procured for the IMAX® Dome Theatre

The details of the cost of miscellaneous fixed assets are as furnished in the following table.

Sr. No.	Description of the asset	Suppliers	Nos.	Amount in USD	Equivalent Cost (Rs. in lacs)	Total Landed Cost (Rs in lacs)
1.	Dome Theatre Seats	Figueras International seating	520	1,06,800	49.128	88.00

c) Utilities

Auxiliary Equipments: The Company had invited tenders and after evaluation has awarded contracts for Air Conditioning System, Electrical Installations and Elevator and Escalator Systems.

Water & Power: The Company has already applied for power for the project. The Company shall make applications for the required utilities such as water at the appropriate time.

The details of the cost of various utilities required for IMAX® Dome Theatre project is as furnished in the following table.

Sr. No.	Description	Suppliers	Total cost Rs. in lacs
1.	HVAC System	Blue Star	205
2.	Elevator & Escalator	Schindler India Ltd.	48
3.	Electrical Installation	SEW Electricals Pvt. Ltd.	178
4.	Acoustic Installation & Interiors	Various Suppliers	350
	TOTAL		781

2. Multiplex Theatre

The Company proposes to set up four Multiplex theatres at Mumbai, with a total capacity of 1225 seats per show (for all the four theatres). The Multiplex and the IMAX® Dome theatre are situated adjacent to each other on the same piece of land.

a) Major equipment and machinery

The key equipments for Multiplex theatres consisting of Projection System, Sound System and Screens would be supplied and installed by R & S Electronics. The Company has already obtained Quotations from them & will soon place the order with them.

Indigenous Machinery

Sr. No.	Description of the machinery	Suppliers	Nos.	Cost (Rs.in lacs)
1.	Projection Systems	R & S Electronics	4	175
2.	Sound Systems	R & S Electronics	4	75
3.	Screens	R & S Electronics	4	40
4.	Other equipments	R & S Electronics		10
	TOTAL			300

b) Miscellaneous Fixed Assets

In addition to the major equipment and machinery, certain other miscellaneous assets are being procured for Multiplex Theatres viz. seats.

The details of the cost of miscellaneous fixed assets are as furnished in the following table.

Sr. No.	Description of the asset	Suppliers	Nos.	Amount in USD	Equiv. Cost in Rs. Lacs	Total cost Rs. in Lacs
1.	Auditorium Seats	Figueras International	1225	245,000	112	258

c) Utilities

Auxiliary Equipments: The Company had invited tenders and after evaluation has awarded contracts for Air Conditioning System, Electrical Installations and Elevator and Escalator Systems.

Water & Power: The Company has already applied for power for the project. The Company shall make applications for the required utilities such as water at the appropriate time.

The details of the cost of various utilities required for Multiplex Theatre project is as furnished in the following table.

Sr. No.	Description	Suppliers	Total cost (Rs. in lacs)
1.	HVAC	Blue Star Ltd.	102
2.	Electrical Installation	SEW Electricals Pvt. Ltd.	61
3.	Acoustic installation & Interiors	Various Suppliers	250
	TOTAL		413

3. Upgradation/ modernisation of existing facilities at Film City

The Company proposes to upgrade and modernise its existing processing facilities at the Film City at Mumbai. The Company expects that this would result in better working conditions & environment, balancing of capacities and improved R&D facilities. The quotations for the work are being obtained and the estimates are given below:

The process involves upgradation of the working areas, manufacturing equipment purchases, Quality control laboratory equipment purchases, increasing film processing and printing capacity etc.

Upgradation of manufacturing facility	Nos.	Suppliers	Total Cost (Rs. in lacs)
35/16mm Film Printing Machine	2	Associated Film Industries Pvt. Ltd.	43
Ultrasonic Film Cleaning Machine	1	Associated Film Industries Pvt. Ltd.	7
Print Checking Machine with Accessories	2	Associated Film Industries Pvt. Ltd.	10
Film Processing Machine	1	Rudolf	40
Total			100

4. Meeting the expenses of the issue and contingencies

As per the estimates of the Company, the expenses of the issue shall be approximately Rs. 500 lacs and shall include the lead managers fee, brokerage, listing fee, registrars fee, printing, advertising expenses etc. The expenses of the issue would be borne out of the proceeds of the Public Issue.

The following table gives a break-up of the issue expenses and contingencies.

Particulars	Rs. in lacs
Lead Managers fees, Out of	
Pocket Expenses and Brokerage	165
Advertisement budget	176
Printing & Stationery	50
Registrar fees	10
Travelling for conference and other expenses	15
Contingencies	84
Total expenses	500

CONTRACTORS FOR THE PROJECT

The Company has appointed M/S B. E. Billimoria & Co Limited as the civil contractors, M/S SEW Electricals Private Limited as Electrical contractors and M/S Blue Star Limited as Air-conditioning contractors for both IMAX® Dome Theatre and Multiplex Theatre project.

ARCHITECTS FOR THE PROJECT

The Company has appointed M/S Raja Aederi as the Architects for the IMAX® Dome Theatre and the Multiplex Theatre project.

SCHEDULE OF IMPLEMENTATION

The construction activities of the IMAX® Dome theatre and the Multiplex project would be completed simultaneously and hence the combined activity chart is given below for the civil, structural and other common utilities. The activity chart for the IMAX® Dome theatre and Multiplex project would differ once the civil and structural work is complete.

The activity-wise schedule of implementation of the IMAX® Dome Theatre and the multiplex project is as furnished in the following table.

Activities	Commencement	Completion
Piling	Already completed	
Civil, finishing, plumbing and fire fighting work	December 1999	March 2001
Structural steel work	January 2000	January 2001
Electrical	July 2000	January 2001
Heating, ventilation and air-conditioning work	June 2000	January 2001
Glazing and space frame	May 2000	December 2000
Construction of Elevator and escalator	February 2000	December 2000

1. IMAX® Dome Theatre

The activity-wise schedule of implementation (post civil work) of the IMAX® Dome theatre project is as furnished in the following table.

Activities	Commencement	Completion
Auditorium Activities	September 2000	December 2000
Projection Room Activities	September 2000	December 2000

2. Multiplex Theatre

The activity-wise schedule of implementation of the Multiplex Theatre (post-civil work) project is as furnished in the following table.

Activities	Commencement	Completion
Auditorium Activities	January 2001	April 2001
Projection Room Activities	January 2001	April 2001

3. Upgradation of existing facilities

The Company has already placed orders for machinery required for upgradation of its existing facilities.

The schedule of implementation is as furnished in the following table.

Activities	Commencement	Completion
Erection and commissioning	October 2000	November 2000
Trial run and commercial operations	November 2000	December 2000

Progress made on the project as on October 15 2000.

- The structural work for the IMAX ® Dome Theatre is complete.
- The Company has entered into suitable agreements for supply and installation of major equipment & machinery viz. projection system, sound system for the IMAX project. The orders have already been placed in December 1998. The order for screen has been placed in December 1999.
- The Company has placed orders for seating required for IMAX ® Dome Theatre in March 2000.
- The Company has placed orders for utilities (viz. electricity & air-conditioning) for the IMAX project in January 2000.
- The Multiplex civil construction is over till the plinth level.
- The Company has obtained quotations and identified suppliers for major equipment & machinery viz. projection system, sound system and screen for Multiplex Theatres.
- The Company has obtained quotations and identified suppliers for seating for Multiplex Theatres.

- h) The orders have been placed for the utilities for Multiplex project.
- i) The orders for machinery required for up gradation of existing facilities have been placed.

DETAILS OF IMAX AND MULTIPLEX PROJECT

a) IMAX Project

IMAX Project:

The Company is implementing a project for setting up the first IMAX® Theatre in India. IMAX Corporation, Canada (www.imax.com) is providing proprietary equipments, technical know-how, assistance in installation of equipments and training. IMAX would also provide equipment maintenance services and the Company will have access to the library of films produced by IMAX especially for IMAX theatres worldwide. The following section provides information about IMAX, IMAX technology and salient features of the agreement with IMAX.

History: IMAX Corporation, Canada invented and developed the first large format motion picture system. The development of IMAX started with EXPO'67 in Montreal, Canada. A small group of Canadian filmmakers and entrepreneurs decided to design a new system using a single powerful projector rather than multiple projectors used at that time. In 1970, IMAX technology was premiered for the first time at EXPO' 70 in Osaka. The first permanent IMAX projection system was installed in Ontario Place's Cinesphere in Toronto, Canada in 1971, which has a screen size of 60 feet width and 80 feet height. The first IMAX® Dome theatre was introduced in 1973 at San Diego with a Dome size of 23.2 meters diameter. IMAX further developed the technology for 3D, Dome 3D and other special formats.

IMAX Corporation (NASDAQ: IMAX, TSE: IMX) was incorporated in the year 1967 at Canada. IMAX Corporation has a paid up Share Capital of USD 57.47 million and a net worth of USD 111.06 million as at December 31 1999. The Company earned a net profit of USD 25.23 million on a gross revenue of USD 203.84 million for the year ended December 31 1999.

Technology: In conventional movies, each 70 mm film frame is 70 mm wide and 5 perforations high (pin holes used for moving the film through the projector.) The film moves vertically in the conventional theatre.

IMAX® Technology uses 70 mm film. The key difference being each frame is 15 perforations wide and 70 mm high (49.8 mm x 69.6 mm). The film moves horizontally through specially designed IMAX projectors. Each film frame is eight times greater than the conventional 35 mm film.

IMAX® technology has three key components i.e. Projection System, Screen and Sound. The IMAX® projectors use "Rolling Loop" film movement system. The Rolling Loop advances the film horizontally. During projection, each frame is positioned on fixed registration pins and the film

is held firmly against the rear element of the lens by a vacuum. The projector projects 24 frames per second. The system is designed to provide better picture, focus steadiness and clarity of images. The Sonics Proportional Point Source™ Loudspeaker system specifically designed for IMAX® theatres provides for a six channel Digital Sound track system. IMAX also specifies technical specifications for the screen to be used in the IMAX® Theatres, which is being supplied by M/S Spitz Inc., an IMAX affiliate company.

Equipment Supply and Technology Know-how Agreement with IMAX Corporation: The Company has entered into an Agreement for IMAX® Dome Projection System and use of Trademark on December 17, 1998 and an agreement to purchase IMAX® Dome Screen on December 21, 1999.

Salient features of these agreements are as under:

- IMAX shall supply the projection System, Sound System and Dome Screen System.
- IMAX shall also provide technical know-how, installation, testing and training of Adlabs employees.
- The total cost of equipments payable is USD 28,90,000 inclusive of cost of Technology Transfer.
- IMAX has also agreed for providing maintenance services for a separate fee. IMAX has given a warranty that system will be operable for not less than 98% of the normal operating schedule of the Theatre provided certain operating conditions are fulfilled. The Maintenance Agreement is valid for a period of 20 years.
- Subject to IMAX's final approval, the Company will be allowed to use "IMAX®", the trademark of IMAX Corporation.
- Exclusivity Clause: IMAX shall not open or permit to open any IMAX® 2D or IMAX® Dome theatre utilising 70 mm 15 perf. rolling loop IMAX technology within Mumbai island (as currently defined) until July 2002 excluding Institutional Theatres, from the earlier of the date of execution of this Agreement and the opening of the Theatre. The Sole and Exclusive right granted shall not extend to any theatre in educational or a non-profit institution.

b) Multiplex project

The Multiplex theatre is being set up adjacent to the IMAX® Theatre. The multiplex shall have four screens and will have additional recreational facilities viz. food courts etc. The theatre shall be ergonomically designed with audience friendly acoustics and ambience. The seating capacity of the Multiplex will be 1225 seats for all the four theatres combined. The multiplex will house modern projector system and the sound system. The Multiplex will screen conventional 35 mm movies.

Existing Borrowings of the Company

The Company does not have any secured loans as on 31st March 2000. The Company does not have any outstanding term loan or working capital finance from Bank or a Financial Institution.

Principal terms of Loans and Advances

The Company has not availed any term loan from any Bank or Financial Institution, neither any amount of term loan is outstanding from the Company.

Unsecured borrowings

(as on June 30, 2000)

Lender	Amount (Rs. in lacs)	Interest (%)	Tenor
Promoter (Shri VasANJI Mamania)	70.00	Interest Free	N.A.
Foreign Currency Loan (M/S ARTCO (LLC), Dubai, UAE)	513.50	Libor+1%	5 Years
Others	100.00	Interest Free	18 months
Total	683.50		

Sundry Debtors

The following table shows the age-wise analysis of sundry debtors.

Age-wise classification (as on June 30, 2000)	Amount (Rs. in lacs)
Less than 30 days	213.62
30 days to 60 days	255.50
60 days to 90 days	270.38
90 days to 180 days	278.14
Above 180 days	480.36

The Company supplies unexposed negative films (Raw Stock) to film producers on credit. The film is subsequently processed on a continual basis during film production. The film production schedule normally extends to 18-24 months.

The sundry debtors of the Company are in normal course of business and the Company recovers outstandings from them as and when the film is complete.

Loans and advances

The following table furnishes the Loans and Advances of the Company as on June 30, 2000.

(Rs. in lacs)

Loans and advances to promoters	15.95
Loans and advances to affiliate concerns	97.05
Loans and advances to others	280.04
Total	393.04

Details of the loans and advances to the Promoter group

Particulars	Amount (Rs. in lacs)	Terms of the loan
I. Loans and advances to promoter group	15.95	
a) Anupa V. Mamania	5.00	Interest free loan
b) Ashish V. Mamania	5.00	Interest free loan
c) Shashikala M. Shetty	5.04	Interest free loan
d) Mr. Manmohan Shetty	0.91	Interest free loan

Particulars	Amount (Rs. in lacs)	Terms of the loan
II. Loans and advances to affiliate concerns	97.05	
a) M/s Adlabs	81.75	For lease agreement execution of plant and machinery for 3 years
b) Adlabs Films Laboratories Ltd.	5.30	Interest free loan
c) Adlabs Finance Limited	10.00	Interest free loan

Details of Loans and Advances to others

The details of Loans and Advances to others are furnished in the following table. The loans and advances are given to producers and are in the normal course of business. These loans are recovered from them as and when the movie is complete.

Particulars	Amount of Loan (Rs. lacs)
Adwear Fashions	4.90
Saawan Kumar Productions	5.00
Sudhir Mishra	1.00
Classic Builders	5.00
Tropic Films Pvt. Ltd.	75.00
Monalisa Films	2.50
Mumbai Academy of Moving Pictures	1.00
Neha Arts	7.50
SBI Impressario	4.50
P. Bhushan & Co.	5.00
Siddhivinayak Creations	5.00
S. K. Films Enterprises	30.00
Employees Loan	0.88
K.B. Pictures	18.00
Kamna Arts	8.00
L/C Margin	11.00

Particulars	Amount of Loan (Rs. lacs)
Ratan International	5.00
Maa Sherawali Productions	25.00
Mark Films Limited	5.00
Advance for Motor Car	17.16
Pre-paid expenses	1.20
Sales Tax refundable	2.40
Vijaya Associates	29.00
D.M.S. Films	1.00
Nadiadwala Grandsons Enterprises	10.00
Total	280.04

COMPANY INFORMATION AND MANAGEMENT

History

Mr. Manmohan Shetty and Mr. Vasanji Mamanian, started Adlabs as a partnership firm in 1978 to undertake processing of advertising films in a laboratory at Dadar, Mumbai. The name of the firm Adlabs is also a result of the initial business focus of the promoters, which was in advertising films. The firm later started processing documentary and feature films at the same lab. The promoters, considering the business opportunities, decided to form a separate limited Company in 1987 to mainly concentrate on processing of feature films and documentaries.

Adlabs Films Limited was incorporated in 1987 as a Private Limited Company. The Company also commenced its operations with a processing laboratory at Dadar. In 1989, the Company made forays into Motion Picture processing by setting up a film-processing laboratory at Andheri, Mumbai. The Company was able to develop a good name for it and attracted leading production houses as its customers. To cater to the growing demand of business assignments from its customers, the Company set up another film processing laboratory at Film City Complex, Goregaon, in 1999. The Company, at present processes a number of films, many of them from leading production houses, resulting in large number of prints and hence large volume of business (measured in footage of film

processed). The Company has been adding a number of new and technologically advanced facilities. In recognition of its services and customer focus, the Company was conferred the National Award for the "Best Cinematography" four times in the years 1990, 1993, 1996 and 2000.

The Company was converted into a Public Limited Company vide a special resolution of shareholders passed on December 2, 1999 under Company's Act, 1956 with its registered office at Andheri. The Registrar of Companies, Maharashtra, has issued a fresh certificate of incorporation on June 19, 2000. The Registered Office of the Company was changed to Filmcity, Goregaon with effect from July 17 2000, vide resolution of Board of Directors passed on July 17 2000.

Main Objects of the Company

The main objects of the Company are reproduced below:

1. To carry on the business of manufacturers, producers, exporters, importers, hirers, dealers, distributors and exhibitors of raw films, chemicals, photographic and optical goods, cinematographic films, video cassettes, apparatus, recorders, machinery and equipment pertaining to or required for the film developing, printing, processing, editing, sound recording, re-recording, transferring, dubbing of sound, video taping, transferring film to video, duplicating video cassettes, discs or any format and to edit various formats.
2. To arrange to produce, secure, procure, acquire, retain, purchase, publish, dispose off and distribute advertisement films, TV serials, feature films, and programmes of educational, cultural, devotional, industrial, health, entertainment, family welfare, tourism, Governmental and of other subjects of interest.

The Main Objects of the Company enable it to undertake the activities for which the funds are being raised and the activities, which it has been carrying on till date.

Subsidiary companies

The Company does not have any subsidiary company within the meaning of the Companies Act.

PROMOTERS AND THEIR BACKGROUND

Promoters of the Company

The promoters of the Company are Mr. Manmohan Shetty and Mr. VasANJI MAMANIA. Mr. Shetty and Mr. MAMANIA formed a partnership firm, M/s Adlabs in 1978 for processing of films. Initially, they concentrated on processing of advertisement and documentary films. The promoters then decided to form a Company in 1987, with a paid up capital of Rs 20,000.

As on August 14, 2000, Mr. Manmohan Shetty and Mr. VasANJI MAMANIA along with friends, relatives and associates together hold 1,71,00,600 equity shares of the Company i.e. 100% of the pre issue equity capital.

MR. MANMOHAN SHETTY

Mr. Manmohan Shetty is one of the original founders of Adlabs Films Limited. He is a arts graduate by qualification and has more than 25 years of track record in the existing business line of the Company i.e. Film processing and printing. Mr Shetty started his career by working with a small film-processing studio at Mumbai where he gained first hand experience in film processing. He worked for eight years before starting his own laboratory in partnership with Mr MAMANIA.

He keeps himself abreast of technological and other changes taking place in the Industry through his association with various forums associated with the film industry. Mr. Shetty had a eventful career in the film industry and had produced a few Hindi films also. 'Ardh Satya' a film produced by Mr. Shetty also received 'Best Film Filmfare Award 1984'. Over the years, Mr. Shetty has developed strong business relationships with many large film production houses.

Since 1992, Mr Shetty has focused on in planning and understanding a large format film exhibition theatre namely IMAX and has visited a number of IMAX theatres in other countries before signing the technology transfer agreement with IMAX.

Mr. Shetty currently looks after strategic business planning, finance, business development and client interface in the Company.

Name: Mr. Manmohan Shetty

Age: 52 years

Address: 21, Golden Beach , Ruia Park Road, Mumbai 400 049

Qualifications: Graduate in Arts

Other Ventures: M/S Adlabs, Adlabs Film Laboratories Pvt. Ltd., MAMANIA Films Pvt. Ltd., Adlabs Finance Ltd., Adlabs Shringar Multiplex Cinemas Pvt. Ltd.

Directorship: Adlabs Finance Limited, Adlabs Shringar Multiplex Cinemas Ltd., MAMANIA Films Pvt. Ltd., Mukta Arts Limited, Adlabs Films Laboratories Pvt. Ltd., M/s Adlabs (Partner), Puja Entertainment Ltd.

MR VASANJI MAMANIA

Mr. VasANJI MAMANIA is the co-founder of Adlabs Films Limited and has been with the Company since its inception. An engineer by qualification, Mr. MAMANIA started working with Mr. Shetty in 1978. Mr. MAMANIA, with his engineering background has contributed substantially to the technological improvement of the Company on a continuous basis. Mr. MAMANIA is also actively associated with implementation of new project.

He is mainly responsible for the day-to-day operational and technological aspects of the business. He oversees the entire operational management of the Company, with the assistance of key management personnel.

Name: Mr. VasANJI MAMANIA

Age: 62 years

Address: 301, Mangai Swagat, Kantawadi Road, Off Perry Road, Bandra (W), Mumbai 400 050

Qualifications: Engineering Graduate

Other Ventures: M/S Adlabs, Adlabs Film Laboratories Pvt. Ltd., MAMANIA Films Pvt. Ltd., Adlabs Finance Ltd., Adlabs Shringar Multiplex Cinemas Pvt. Ltd.

Directorship: Adlabs Finance Limited, Adlabs Shringar Multiplex Cinemas Ltd., MAMANIA Films Pvt. Ltd., Adlabs Video Pvt. Ltd., Adlabs Films Laboratories Pvt. Ltd., M/s Adlabs (Partner).

BOARD OF DIRECTORS OF THE COMPANY

The details of the Board of Directors of the Company are as given in the following table.

(As on 01.08.2000)

Name & Address	Age	Other Directorships
Mr. Manmohan Shetty (S/o Mr. Ramanna Shetty) <i>Chairman & Managing Director</i> 21, Golden Beach Ruia Park Road, Mumbai 400 049	52 Years	1. Adlabs Finance Limited 2. Adlabs Shringar Multiplex Cinemas Ltd. 3. Mamania Films Pvt. Ltd. 4. Mukta Arts Limited 5. Adlabs Films Laboratories Pvt. Ltd. 6. M/s Adlabs (Partner) 7. Puja Entertainment Ltd
Mr. Vasanji Mamania (S/o Mr. Asaria Mamania) <i>Wholetime Director</i> 301, Mangal Swagat, Kantawadi Road, Off Perry Road, Bandra (W), Mumbai 400 050	62 years	1. Adlabs Finance Limited 2. Adlabs Shringar Multiplex Cinemas Ltd. 3. Mamania Films Pvt. Ltd. 4. Adlabs Video Pvt. Ltd. 5. Adlabs Films Laboratories Pvt. Ltd. 6. M/s Adlabs (Partner)
Mr. Ashish V. Mamania (S/o Mr. Vasanji Mamania) <i>Director</i> 301, Mangal Swagat, Kantawadi Road, Off Perry Road, Bandra (W), Mumbai 400 050	29 years	None.
Ms. Pooja Shetty (D/o Mr. Manmohan Shetty) <i>Director</i> 21, Golden Beach Ruia Park Road, Mumbai 400 049	22 years	None.
Mr. Shyam Shroff (S/o Mr. Gobindram Shroff) <i>Director</i> Nanik Niwas, 1st Floor Sarojini Road, Santacruz (W) Mumbai 400 054	54 years	1. Gobindram Naoomal & Sons (Proprietor) 2. Shringar Films (Partner) 3. Shringar Films Pvt. Ltd 4. Shringar Cinemas Pvt. Ltd.
Mr. Pradeep Guha (S/o Mr. Kalipada Guha) <i>Director</i> Waheeda Apts, 8A & 8B Pali Hill Road Bandra (West) Mumbai 400 050	48 years	1. Bennett, Coleman & Co. Ltd. 2. Samrat Properties Ltd. 3. Dharmayug Investments Ltd. 4. Surge Enterprises Ltd. 5. Culture Company (India) Pvt. Ltd. 6. Times Internet Ltd. 7. The Times Research Foundation (Trustee-Chairman)
Mr. Berjis Desai (S/o Mr. Minoo Desai) <i>Director</i> Thomas Cook Building, Dr. D. N. Road, Mumbai 400 001	44 years	1. Thermax Limited 2. Credit Suisse First Boston (India) Securities Private Limited 4. Watson Wyatt India Private Limited 5. Vadhvan Port Pvt. Limited 6. Praj Industries Limited 7. Onward Technologies Limited 8. Pedder & Pedder Tiles Limited 9. Emcure Pharmaceuticals Limited

10. Valson Synthetics Limited
11. Concord Marketing & Financers Private Limited
12. Alta Leasing & Finance Limited
13. Seafreight Private Limited
14. Ferrari Express (I) Pvt. Limited
15. Ocean X-Press Private Limited
16. Shri Santram Finance Limited
17. Centrum Fiscal Private Limited

CHANGES IN THE BOARD OF DIRECTORS IN THE LAST THREE YEARS

The changes that took place in the Board of Directors during the last three years prior to the date of this Prospectus are as shown in the following table.

Name of Director	Reasons for change	Date of change
Mrs. Shashikala M. Shetty	Resigned	19.07.2000
Mrs. Kasturi V. Mamania	Resigned	19.07.2000
Mr. Ashish V. Mamania	Appointment	19.07.2000
Ms. Pooja M. Shetty	Appointment	19.07.2000
Mr. Shyam Shroff	Appointment	19.07.2000
Mr. Berjis Desai	Appointment	19.07.2000
Mr. Pradeep Guha	Appointment	19.07.2000

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 undertakes that it shall take 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. In this regard, the Company is taking steps to further broad base its Board of Directors and also set up necessary committees as per the requirements of revised guidelines.

KEY MANAGEMENT PERSONNEL

The Board of Directors is assisted by various senior personnel, with experience in the industry. Some of the key management personnel are as shown in the following table.

Name	Designation	Experience (yrs)	Qualification	Responsibility Areas
Existing operations				
Krishnanand Shetty	Processing Lab In Charge	22	B. Sc.	Overall in charge of Technical Management of film processing.
D.K. Shetty	Manager (Administration)	35	Intermediate	General Administration & Client service
Balaji Kumar	Manager Accounts	20	B. Com	Overall in charge of accounts
IMAX® Dome Theatre and Multiplex Theatre				
Pooja Shetty	Director Theatre Operations	Nil	Bachelor of Science in Business Management (Purdue Univ., USA) IMAX Theatre Management Certified Program	Overall responsibility of IMAX and Multiplex Theatre.
Sorab Irani	Project Co-ordinator	20	BA, Post Graduate Diploma in Industrial and Business Mgt.	Overall responsibility of implementing the project

The Lead Managers to the Issue have verified the appointment of the above key functionaries of the Company.

Mr. Shyam Shroff, Director of the Company, has extensive knowledge in the feature film distribution and exhibition business. Mr. Shroff will be providing strategic inputs for the Company's exhibition business.

The Company plans to appoint professionals from the exhibition industry for managing its theatre business on completion of the project. There has been no change in the key Management personnel during last 12 months.

PRESENT OPERATIONS OF THE COMPANY

Location of Facilities

The Film Processing unit of the Company situated at Film City, Goregaon (East), Mumbai on a leased land from Maharashtra Film, Stage & Cultural Development Corporation Limited, a Government of Maharashtra undertaking. Film City is one of the popular sites in the city for indoor and outdoor shooting.

The Company has processing facilities for the processing of raw exposed films, colour correction, editing and making multiple copies of final print for distribution. The Company has a number of technologically advanced facilities in its repertoire including a well-equipped pre-view theatre with Dolby digital surround sound facility at Filmcity, Goregaon.

Processing of films

The Company has installed facilities for processing of a cinematographic film (negative) after the film is shot. The Company also provides facilities for editing, colour correction, blow up printing, reduction printing etc. Also, the Company has facilities for printing the processed negative films on a positive film. The Company also supplies raw films (negative) to film producers.

Trading of Films

The Company supplies unexposed negative films (Raw Stock) to film producers on credit. The film is subsequently processed on a continual basis during film production. The film production schedule normally extends to 18-24 months. The trading income of the Company is on account of above. The Company recovers outstandings from production houses as and when the Film is complete. The trading of films as described above is a normal business practice for the Industry.

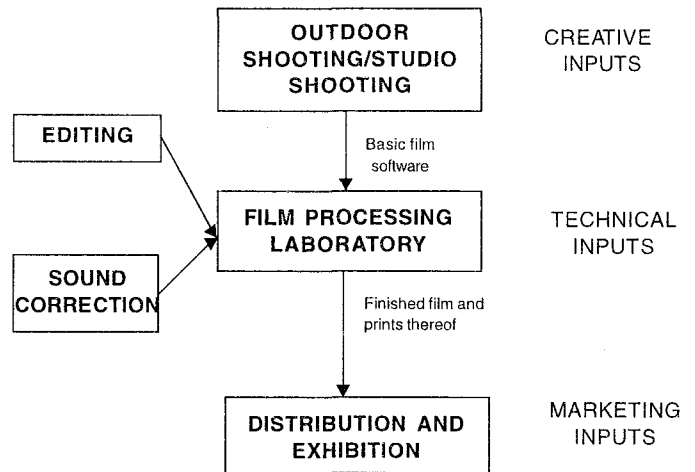
Position of a Film Processing Laboratory

A Film-Processing Laboratory as shown, is an integral component of film production-exhibition value chain. It is an essential link between film production and film exhibition.

The filmmaker and the team provide creative inputs during the shooting of the film. Basic film software is created at the end of shooting. The film-software thus created, in this form, cannot be exhibited and it undergoes a number of processes to render it fit for viewing. This is where a Film Processing Laboratory comes into the picture.

A Film Processing Laboratory provides Technical inputs to the basic film software created after the shooting of the film. The film roll undergoes a series of processes in the lab (the detailed process is furnished in the next section). The lab liase with Sound Correction and Editing cells, resulting in the final print for the film. This film is then pre-viewed in a pre-view theatre as a form of quality check. The film is then passed onto distributors.

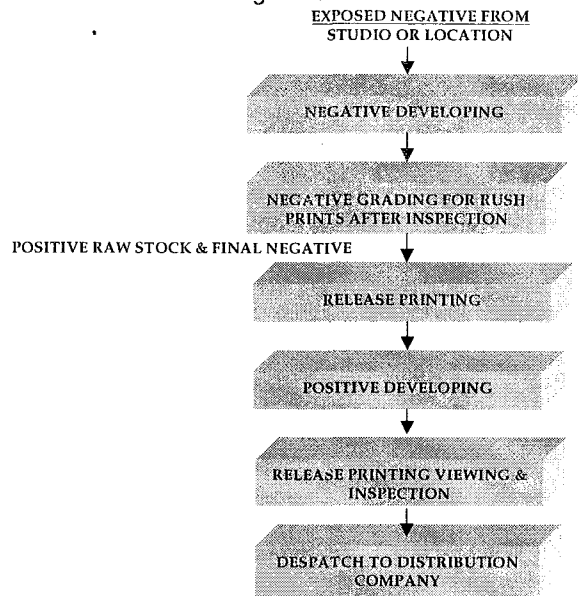
The distributors are the last link in the value chain providing Marketing inputs to the film. They liase with film producers for buying rights and with theatres for exhibition of the film to the audience. The processing lab again comes into picture, providing a number of prints to the distributors at the time of launch of the film.



FILM PRODUCTION - EXHIBITION VALUE CHAIN

The Manufacturing Process

The manufacturing process of the Company is represented in the form of a block diagram as shown below.



Manufacturing process

Manufacturing process as mentioned above is described below. The manufacturing process for cinematographic films can be enumerated as per the following stages:

Stage I – The exposed negative film received from the studio or the location is processed at the lab as per the picture negative reports or camera logs prepared by the Camera assistant for the Cameraman or the Director. After developing the film is inspected and in accordance with the camera log subdivided into those scenes & takes which are require to be printed. These sections are then joined together into rolls, which are then examined by the grading operator who determines how this will be printed for the first time taking into consideration the various instructions

given by the Director in his report sheet. When the characteristics have been decided & recorded, a positive print is made of the assembled roll & processed through the developing machine. These prints are known as the daily rush prints.

Stage II- The negative then undergoes the postproduction activities like editing, sound synchronization etc. after which the first print is prepared from the cut negative. The lab then assembles the final picture & track negative to match the Editor's work print so that Answer Print can be sent for approval to the Production Company.

Stage III: By the time the release print manufacture is undertaken, the printing characteristics for both picture & sound have been standardized and the processing requirement is to make the necessary number of copies of consistent quality to match the approved answer print for theatrical release in India & all over the world. This is done by printing the negative film on the positive films and processing them and at every stage utmost care is taken with regard to the control, colour balance, density on picture and soundtrack with proper quality check.

Existing production/ processing facilities

The Company has number of equipments for film processing as summarised in the following table

Film Processing Activity	Installed Capacity	Production Capacity	Production Units (1999-2000)	% Cap Util. To Prod. Capacity
Colour Negative Processing	4,100 ft/hour	4,100 ft/hour	105,56,730	53.64%
Colour Positive Processing	46,000 ft/hour	46,000 ft/hour	1112,06,512	50.37%
Film Printing	1,920 ft/minute	960 ft/minute	1112,06,512	40.22%
Blow up Printing (16 mm to 35 mm)	56,000 ft/8 hrs.	40,000 ft/8 hrs.	80,38,480	66.98%
Reduction Printing	4,000 ft/hour	3,600 ft/hour	18,14,096	21%
Photo guard Coating	15,000 ft/8 hrs.	15,000 ft/8 hrs.	9,00,000	20%
Ultrasonic Film Cleaning	14,000 ft/hour	12,000 ft/hour	70,37,820	24.44%

The Company has a well-equipped preview theatre with Dolby Digital with Surround Sound EX & DTS Sound Systems to carry out final inspection of the films processed at the lab. Other equipments installed at the Film City site include Densitometers and Film Analysers. The Company has also installed two diesel generators with a capacity of 510 KVA as a stand by power supply utility for its critical chemical processing sections.

LAND INFRASTRUCTURE AND RAW MATERIALS

Land

For the existing operations

The Land for the existing operations situated at Filmcity, Mumbai is a leased land. The lessor of the land is The Maharashtra Film Stage & Cultural Development Corporation Limited. The period of the lease is 33 years beginning October 1996.

For the project

The Company is building the IMAX ® Dome Theatre and the Multiplex Theatre on a piece of land measuring 9040 sq. meters at Wadala in the city of Mumbai in the state of Maharashtra. The aforesaid piece of land is referred to, in the agreements thereof, as Survey No 173/1, CTS No. 1 (Pt.) Village Anik in the city of Mumbai of Maharashtra. An amount of Rs. 2.00 crore for the acquisition of above land shall be met from the proceeds of the issue.

The Land has not yet been registered in the name of the Company. The Company has obtained Development Rights as a result of a Special Power of Attorney executed by a party who also is a Power of Attorney holder of the original landowners. The original owners of the land are Mr. Navrojji Ardeshir Narielwalla and others . The original owners have granted the special power of attorney (POA) to Mr. Ishwarlala Shamalji Ajmera. In terms of this POA, Mr. Ishwarlal Shamalji Ajmera has granted another power of attorney in favour of Mr. VasANJI Mamania.

This power of attorney has been granted in favour of Shri VasANJI Mamania, who is one of the original promoters of the Company. Shri VasANJI Mamania has given an irrevocable undertaking that the Land shall be transferred in the name of the Company, without any claim or demand from him, once the legal formalities and documentation related to the transfer of the said land are over.

A sum of Rs.25, 00,000 has already been incurred for the above Power of Attorney granting developmental rights to the Company. The Company has paid stamp duty amounting to Rs. 15,43,000 towards the transfer of land. The above payment has been made by the Company.

Raw Materials

a) Existing operations

The Company requires raw stock of films and chemicals for processing the exposed raw films. The Company sources all its material from reputed suppliers like Kodak, India. The chemicals required for processing are available from local suppliers.

b) Proposed project

The Adlabs IMAX ® Dome theatre will be screening 15/70 mm large format films in the Dome theatre & and the Multiplex theatre will be screening the conventional 35 mm movies.

The Films for the IMAX theatre will be obtained from IMAX Corporation and also from other large format film producers. The IMAX Library will have about 150 films. The screening of films for the other four screens of the multiplex can be obtained from the distributors locally.

Infrastructure Facilities

a) Existing operations

The total area of land available with Adlabs Films Limited is 2

acres at Filmcity, Goregaon, and Mumbai. The total built up area of the building is 55,000 square feet. The Company draws power from Maharashtra State Electricity Board. The Company has installed one Diesel Engine Electricity Generator at Film City as a back up in case of temporary power failure from the grid line. The Company gets water from Maharashtra Film Stage and Cultural Development Corporation Limited.

b) Proposed project

- **Parking facilities & Access:** The site of the proposed Multiplex is well placed with easy and quick access from the three railway stations i.e. Kurla, Sion & Wadala Railway Station. These stations are connected by the local bus routes to the site and also by local modes of transport, which are available in plenty. Parking facilities are provided within the complex to the tune of 100 cars approximately and also the adjacent site is proposed to be used for parking to supplement the complex parking facility. The additional parking capacity is proposed to the tune of 400 cars approximately. As such, the site shall be well connected by means of rail and road transport and is slated to have a minimum of 500 car parking capacity with landscaping and horticulture.
- **Approaches:** The Adlabs Dome Theatre Multiplex site has a six-lane approach road from the signalized Suman Nagar Junction on the Eastern Express Highway. (off the MMRDA Access road). There shall be a sixty foot approach road with access bridges and completely landscaped with wide signage indicating the directions to the Complex and Parking.
- **Entertainment Facilities:** The Complex consists of an exclusive Dome Theatre, largest in the world, having a seating capacity of 520 seats and four conventional 35mm theatres with a modern stadia-seating concept having a combined capacity of 1225 seats. Besides various other forms of entertainment like Bowling Alley, viewing Galleria and electronic gizmos are planned for in future.

- **Internal movement facilities for public:** To facilitate the movement of the general public inside the Complex the Company proposes to install five different staircase blocks, an elevator and an escalator.
- **Restaurant & refreshment facilities:** Around 3300 square feet area has been earmarked for restaurant and refreshment facilities. Besides the same lobby areas also planned to have food courts installed for general public convenience.
- **Shopping facilities :** The Complex shall contain a dedicated area of 1500 sq.ft. approximately for proposed shopping area where items of public interest and literature shall be exhibited/displayed for sale.
- **Building infrastructure :** The total number of such infrastructure to be installed would be enlisted as follows :
 - Comprehensive fire detection & alarm system.
 - Fire fighting systems
 - Standby emergency D.G. backup power systems with U.P.S.
 - Building Automation System

Foreign Associations/ Collaborations

Sr. No.	NAME	TYPE OF ARRANGEMENT & DETAILS
1	IMAX Corporation	Equipment Supply and Technical Know-how for IMAX ® Dome Theatre.

BUSINESS EXECUTED IN THE RECENT PAST

The Company has processed number of Hindi Feature Films since its inception. The Company also provides copies of films on the positive film to the Film Distributors. The following table summarises details of some of the recent films processed by the Company.

Sr. No	Film	No. of Prints	Sr. No	Film	No. of Prints
1	Khuda Gawah	275	17	Satya	122
2	Baazigar	179	18	Jungle	207
3	Khalnayak	305	19	Soldier	292
4	Pardes	267	20	Baadshah	368
5	Taal	302	21	Hero No.1	247
6	Kabhi Haan Kabhi Na	111	22	Ishq	373
7	1942- A Love Story	215	23	Chal Mer Bhai	321
8	Parinda	132	24	Hum Dil De Chuke Sanam	327
9	Bandit Queen	194	25	Sarfaroosh	282
10	Prem Granth	228	26	Saudagar	259
11	Maachis	59	27	Khiladi	100
12	Ghatak	244	28	Main Khiladi Tu Anari	221
13	Koyla	327	29	Akele Hum Akele Tum	198
14	Kishan Kanaihya	153	30	Har Dil Jo Pyar Karega	387
15	Kaho Naa Pyar Hai	341	31	Major Sahab	288
16	Karan Arjun	310	32	Mrityudata	331

Sr. No	Film	No. of Prints	Sr. No	Film	No. of Prints
33	Kshatriya	246	42	China Gate	236
34	Pyar Tho Hona Hi Tha	230	43	Mrityudand	134
35	Yes Boss	249	44	Yashwant	238
36	Border	333	45	Agnisakshi	205
37	Kuch Kuch Hota Hai	373	46	Trimurti	326
38	Duplicate	302	47	Deewane	319
39	Phir Bhi Dil Hai Hindustani	315	48	Dhadkan	289
40	Bade Miyan Chote Miyan	376	49	Josh	348
41	Rangeela	245	50	Tera Jadoo Chal Gaya	313

The Company has a order book position of 26 big budget films. Some of the films currently being processed/ contracted for processing with the Company are as under

No	Film	No	Film
1	Fiza	14	Na Tum Jano na Hum
2	Mohabatein	15	Kurukshetra
3	Mission Kashmir	16	Kuch Na Kaho
4	Dhai Akshar Prem Ke	17	Mujhe Kuch Kahna Hai
5	Zubeida	18	Kahin Pyar Naa Ho Jaye
6	Aashiquee	19	Main Tere Liye
7	Farz	20	Jackpot
8	Raju Chacha	21	Dil Dhondta Hai
9	Biwi Tujhe Salam	22	Hum Ho Gaye Hai Aapke
10	Tere Ishq Mein Pad Gaye Re	23	Shikari
11	Kabhi Khushi Kabhi Gum	24	Badhai Ho Badhai
12	Yaadein	25	Mehbooba
13	Chori Chori Chupke Chupke	26	Koi Mere Dil Se

BUSINESS OUTLOOK AND OPERATING ENVIRONMENT

The Film Industry could be broadly divided in three segments i.e. Film Production (Content creation), Film Distribution and Film Exhibition (Theatrical Exhibition). The existing business of the Company is an integral component of film production activity, while the proposed project is in the film exhibition segment.

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FILM PRODUCTION (Source: FICCI Report dated March 2000 unless otherwise specified)

Indian film industry marked its beginning in 1913 with the

famous film ‘Raja Harishchandra’ produced by Late Shri Dadasaheb Phalke has indeed come a long way and is being recognized as an industry. There are almost 800 films being produced annually, down from a peak of approximately 940 films in 1994. What makes the Indian film industry unique is the diversity to cultures/regions/languages it caters to, ranging from the mainstay Hindi to Gujarati, Bengali, Malayalam, Odiya, Tamil, Marathi, Telugu, etc. and English films.

Current Status

The film industry is one of the most labour intensive and creative segments of the entertainment industry. A snapshot of the industry is presented below –

- Employs approximately 2.5 million people.
- Produces approximately 800 films annually.
- Estimated average spend on film production Rs.6 crores (US\$ 1.4 million).
- Characterised by sole proprietorship, partnership concerns handed down over generations.
- 412 Indian films exported with foreign exchange earnings crossing Rs.450 crores (US\$ 104 million) in 1999.
- Growing recognition of skill/creative base available in India.

As can be seen from the table below, Hindi films top the list followed by South Indian films.

	1997	1998	1999
Hindi	117	153	166
Tamil	128	133	153
Telugu	151	124	132
Malayalam	92	80	65
Bengali	49	40	51
Gujarati	10	15	27
Marathi	9	18	24
Others	141	120	146
Total	697	683	764

(Source: Film Federation of India)

Industry Potential

Increased export potential:

With the large NRI presence in countries like the UAE, US, UK, there is a huge export potential of Indian film software. The increase in the revenues from export of Indian films has been exponential. In some of these markets, distribution and exhibition network is fairly developed. The export of cinematographic films from India is expected to cross the Rs. 11, 890 crore (approximately US\$ 2,765 million) in 5-7 years with Indian producer now looking at exporting films to new markets in regions like New Zealand, Japan, Australia, Fiji, Singapore, Hong Kong, Mauritius, Tanzania, Kenya, Malaysia and Indonesia, besides the established markets of the US, UK, UAE and South Africa.

Year	No. of titles Exported	Exports Earnings (Rs Crores)
1997-98	190	200
1998-99	180	250
1999-00	240	400

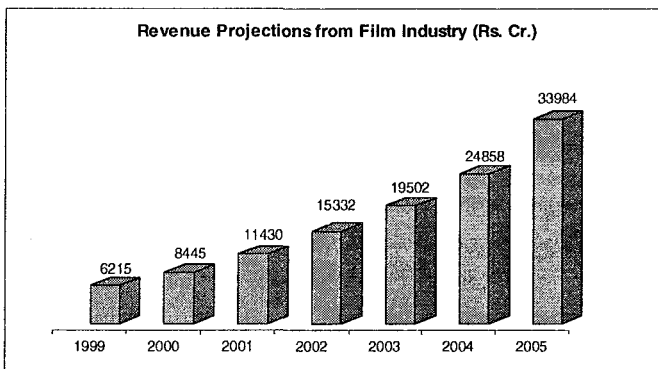
Source: Economic Times (Dated August 30, 2000)

Simultaneous release of Films from multiple locations:

The growing trend in the industry is to launch the film from multiple locations at a time. The new technique has evoked a positive response from the audience. The trend now is a simultaneous release of films at key locations overseas too. This has resulted in demand for more quality software catering to International tastes and ability to circulate large number of prints of films all over. This leads to a demand for a large number of prints simultaneously at the time of release.

Emergence of Regional Film Industry:

With growing popularity for regional cable and satellite channels, the demand for regional film software is increasing. Also these channels are to distinct regional tastes and preferences.



FILM EXHIBITION (Source: FICCI Report dated March 2000 unless otherwise specified)

Background

Though Distribution and Exhibition are the last links in the chain bringing filmed entertainment to the masses, they are of paramount importance as the film industry's success depends on successful distribution and exhibition of the films.

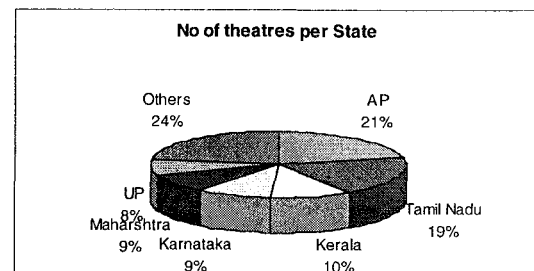
Distributors range from those buying rights to states, to those buying rights to a particular district. Typically, a distributor buys the distribution rights to a film for a particular "territory" and recovers his costs from the exhibition of the film. He usually bears the downside and shares the upside of the film's eventual popularity with the producer.

Exhibition centres come in all hues and sizes; from the open air to thatched roof rooms to air-conditioned cinema halls/multiplexes. The business model for exhibitors ranges from profit sharing with distributors to renting out exhibition halls/facilities for a fee.

Current Status

The current infrastructure for Film exhibition is inadequate to meet existing and potential demand. For a nation with 5,000 million admissions every year (roughly a weekly entry of about 100 million), there are only around 12,900 theatres spread over the country as indicated in the diagram on Theatre Statistics.

(Source: Film Federation of India)



An average of merely 12.29 theatres per million people indicates the extreme paucity of exhibition outlets in India as compared to the U.S.

	US	India
Population (In millions)	265.9	1,000
Number of screens	31,000	12,900
Population per screen	8,580	77,520
Theatres per 1 million people	116.6	12.9

City wise Comparative Analysis of Theatres

City	Population (Million)	No. of Theatres	No. of Seats	Avg. Seats per Theatre	Theatre Seat Density	Avg. Ticket Price (Rs.)
	A	B	C	D=C/B	E=A/C	
Delhi	8.42	64	55,082	861	153	22.39
Mumbai	12.60	108	89,192	826	141	36.28
Baroda	1.13	12	11,010	918	103	10.57
Jaipur	1.52	14	15,878	1134	96	11.84
Pune	2.49	32	26,732	835	93	15.34
Nagpur	1.66	24	20,248	844	82	8.80
Bangalore	4.13	68	64,863	954	64	20.69
Indore	1.11	23	19,639	854	57	11.19
Hyderabad	4.34	85	84,799	998	51	16.87

Source: Company estimates based on the study conducted.

Industry Potential

Need for screens

An UNESCO study on cinemas suggests that there is need for at least 20,000 screens in India as against the current 12,900.

More theatres will result in films being aired for a longer period thereby generating revenues for the producer, distributor and exhibitor. Further, good theatres equipped with high-technology sound effects and facilities will encourage the general public to view films in theatres rather than in their homes on cable/video, curbing the demand for pirated film copies.

Mumbai, the most populous city in India has the largest number of theatres in India, but has the second lowest theatre density after Delhi. Mumbai's theatre density is one theatre seat available for 141 individuals. The low theatre density reveals that the demand potential for theatres in Mumbai is significantly high.

Revenue Potential

With the growing demand for quality exhibition facilities, there is space in the industry for theatres with good ambiance and acoustics. The revenue of such theatres is driven by Ticket Sales, which can be priced at a premium, Food and Concession income and Advertising revenue. Although ticket sales are the major revenue driver, food and concession income also contributes substantially (Source: Economic Times dated August 12, 2000)

Multiplexes

Multiplexes, a new concept in movie exhibition in India has substantial revenue and entertainment potential. Multiplex embodies the luxurious amenities of the modern day theatre; multiple screen choices, state-of-the-art technology, ergonomic seating, eye-catching architecture and top of the line cafes and food courts. Currently there are two multiplexes operational in India, one in Delhi and another in Ahmedabad. As per the Economic Times report dated August 12 2000, one of the multiplex is enjoying capacity utilisation of more than 65%.

LARGE FORMAT FILM INDUSTRY

In the 1960's Toronto based IMAX Corporation patented a large screen film process also known as the 15 perforation 70mm process, which marked the beginning of the large format film industry. The IMAX system has its roots in EXPO 67 in Montreal,

Canada where a group of Canadian filmmakers decided to design a new system. IMAX technology was first premiered in Osaka, Japan in Expo 70 and the first permanent IMAX projection system was installed in Toronto in 1971.

In the conventional 35mm/ 70 mm theatres, a film moves vertically through the projector. It seems natural to assume that the large format film industry is merely an offshoot of traditional cinema. The traditional film exhibition halls today use either 35 mm film format (4/35 which is four perforations high and 35 mm wide) or 70 mm film format (5/70 which is five perforations high and 70 mm wide). The IMAX technology with 'Rolling Loop' film movement, the film moves horizontally through the projector. IMAX invented projection system is also called 15/70 format. The films are photographed using the regular 70 mm film. Each frame is 15 perforation wide and the normal 70 mm film width high. This method provides a film area approximately eight times greater than that available with a full frame of conventional 35 mm film. When projected using the proprietary technology and equipments, it gives ten times larger images than conventional 35 mm screen and three times 70 mm screen.

In 1986, M/s Iwerks Incorporated, was founded and started offering 8/70 format films. Few other players also started offering film exhibition equipments in the large format film industry. Over the years, the film exhibition formats within the large format industry also underwent change with the introduction of Dome theatres, 3D Flat and 3D Dome.

Present Scenario

The large format film industry, which comprises of 8/35, 8/70, 10/70 and 15/70 formats at present has 327 theatres world wide. It is estimated that the industry registered growth of about 13% over a period of 1995 to 1999. The break up of theatres with the type of film exhibition formats and type of theatres is as under

Film Format	Total	Out of which					Other
		Dome	Dome 3D	Flat	Flat 3D	Convertible Flat/Dome	
10/70	24	24					
15/70	216	64	2	62	82	5	1
8/35	14	13		1			
8/70	66	30		27	9		
Total	320	131	2	90	91	5	1
IMAX (15/70)	221	62	4	63	92		

(Source: White Oak Inventory of Large Format Film Theatres)

Note: Since 5 theatres are convertible from Flat to Dome type, the figures shown for IMAX under Dome 3D and Flat 3D exceeds the industry figures due to differences in classification of theatres.

Since the beginning of large format film industry in 1971 to 1999, it is apparent that the format growth has consistently favoured 15/70 format developed mostly by IMAX. Other players in 15/70 format include World Odyssey (4 theatres), Iwerks (5 theatres) in the recent past as against total installation of 221 theatres by IMAX. The 15/70 format has gained market share over the years as shown in the following table

Format	December 1997	December 1999
15/70	62%	67%
8/70	23%	21%
10/70	9%	7%
8/35	6%	4%

IMAX has 64% share in the overall large format film industry and over 97% share in the 15/70 format large format film industry. In the Dome type theatres in the large format film industry, IMAX has 49% market share, while in the Dome type 15/70 format IMAX has over 96% market share.

As per the IMAX Corporation Annual report for the year ended December 31 1999, there is a backlog of 77 theatres. The geographic, market type and product type distribution of the existing and proposed theatres is as under

	Existing (%)	Backlog * (%)
Geographic		
United States	50	44
Europe	15	27
Japan	10	4
Canada	11	4
Asia (excluding Japan)	6	5
Mexico	4	1
Australia	4	-
South Africa	-	4
Middle East	-	7
South America	-	4
Total	100%	100%
Market		
Science and natural History	47	10
Commercial	38	88
Theme parks	10	-
Destination sites	2	-
Zoos and aquaria	3	2
Total	100%	100%
Product		
2D	60	8
3D	40	92
Total	100%	100%

* Backlog includes one upgrade from IMAX to IMAX 3D

Source: IMAX Corporation Annual Report 1999

BUSINESS PLAN OF THE COMPANY

1. Existing Business of the Company

The Company is well positioned in the western market with respect to its existing business. The Company has a market share in excess of 70% for 35mm colour negative film processing and a market share in excess of 60% for 35 mm colour print processing.

(Source: Independent study by Kodak India Ltd.)

Revenue model

The revenues in the existing business basically comprise three sources viz. revenues from processing of films, revenues from printing of films and revenues from trading.

Strategy

(a) Strengthening of the relationship with its clients

By virtue of its establishment in the Film processing and printing industry and quality of its services, Adlabs Films Limited has been able to develop a good relationship with its clientele i.e. Production Companies and producers of films. This is manifested in the form of healthy order book position of the Company and the business it has executed in the past. The Company expects to maintain its long-standing relationship with its customers and shall attempt to develop further relationships as a part of its business development endeavour.

(b) New Business Segments

The Company's main business is derived from large budget Hindi Films that result in a large number of prints being produced. Apart from these, the Company caters to various other segments viz. advertisement films, regional films (mainly Marathi, Gujarati & Punjabi films) and documentary films. Besides this the Company is also open to all other business opportunities & proposes to expand the film processing business in other major film making regions in India.

(c) New Customers

The Company has been adding new customers as a part of its business development exercise. The Company is targeting at the new entrants in the film-producing sector to expand its business & hold a larger part of the market share in the film processing business. In the financial year 1999-2000, the Company added 7 new customers.

(d) Upgrading the facilities

The Company has been adding and upgrading facilities on an ongoing basis to provide quality services to its customers and to attract new customers. Recent additions to the facilities include Digital DTS sound Dolby preview theatre and installation of Photo Guard coating & cleaning machine. At present, the Company is planning to purchase new printing, cleaning & print checking machines.

(e) Margin improvement

The margins of the Company have shown an improvement in the past on account of higher billing rates. The billing rates of the Company have on an average gone up by approximately 10% per year in last 2 years. .

2. IMAX® Dome Theatre

The Company is implementing the project for setting up the first IMAX theatre in India. IMAX Corporation, Canada (www.imax.com) is providing proprietary equipments, technical know-how, assistance in installation of equipments and training. IMAX would also provide equipment maintenance services and the Company will have access to the library of films produced by IMAX especially for IMAX theatres worldwide. IMAX theatres

have a presence in Canada, USA, Europe and South East Asian countries.

The IMAX® Dome Theatre is first of its kind in India and the proposed theatre would be the largest dome screen among all the IMAX® Dome Theatres in the world as on date. IMAX is one of well-known brands in North American countries. (Source: Survey carried out by Advertising Age in 1999 as mentioned in IMAX annual report for the year ended December 31, 1999).

Revenue Model

The revenues of IMAX® Dome theatre would basically comprise three streams viz. Theatre Income (income from shows), Concession income (income from add on facilities restaurants, food courts etc.) and Advertising income.

Strategy

a) Training of personnel

Since 1992, Mr. Manmohan Shetty, one of the original promoters of the Company has focused on understanding large format film exhibition industry and has visited a number of IMAX theatres in other countries before signing technology transfer agreement with IMAX.

The Company has personnel trained in IMAX technology including one of its board members and the same shall assist the Company in formulation of business plan and operational aspects related to IMAX® Dome Theatre.

b) Dubbed version of films

The Company intends to dub one IMAX® film in Hindi for the local audience. Depending on the response, the Company plans to dub all the films in Hindi in order to attract additional audiences.

c) Tie-ups with potential audience in advance for business

Worldwide, a substantial portion of the audience of the IMAX theatre are school children.

The Company has written to the Tourism Department of Maharashtra & has already registered with them. In addition to this the Company is also writing letters & providing the IMAX® Adlabs Educators guide to about 3000 schools in Mumbai itself & creating awareness about the IMAX® Technology.

d) Promotional & Advertising campaigns

Adlabs has already appointed an Advertising Agency to plan the promotional & advertising campaigns for the launch of the IMAX® Theatre. The Company has already embarked upon an exercise for creating awareness for IMAX theatres through press releases.

e) Competition

IMAX Corporation, Canada has signed an exclusivity contract with the Company, which is in force until July 2002. Investors are advised to refer to the salient terms and conditions of the aforesaid contract on Page no. 21 of the prospectus under the head 'Salient terms of the Exclusivity Contract'

f) Novelty

IMAX ® Dome Theatre is the first of its kind in India and hence it will have a novelty value for the potential audience.

3. Multiplex Theatre

The multiplex theatre will house modern facilities for cinema viewing including a projector system and a sound system. In addition, it shall comprise additional recreational facilities viz. food courts etc. The theatre is designed ergonomically with audience friendly ambience and acoustics. The theatre shall screen conventional 35 mm movies. The seating capacity for all the 4 screens combined will be 1225 seats. The projection system of the theatre will have flexibility in projection.

Revenue model

The revenue model for the multiplex theatre shall comprise three streams, i.e., theatre income (income from ticket sales), concession income (income from food courts, recreational facilities etc.) and advertising income.

Strategy

The Company has inducted professional personnel on its Board for assisting in formulation of business plan and strategy for multiplex theatre.

(a) Multiple choices: The multiplex theatre is strategically located adjacent to the IMAX® Dome Theatre. Thus, IMAX multiplex theatre is aimed at offering potential audience a multiple choice of entertainment avenues i.e. either watching a 35 mm conventional movie in multiplex or watching a large format movie in IMAX ® Dome Theatre. The Company expects better capacity utilisations as a result of this.

(b) Flexibility in projection: The projector system for four screens of multiplex shall have flexibility in projection. Either the same movie can be shown on all the screens simultaneously or different movies can be shown or a combination of the above. Thus, the Company will have flexibility in screening the movies depending upon the response received for the movie thus helping utilisation.

(c) Quality of movies: The Company expects to attract movies from well-known production houses for exhibition in its multiplex.

(d) Promotional campaigns: The Company proposes to undertake an extensive advertising and promotional campaign for the theatres and it has already engaged advertising agency to formulate and implement the media plan.

(e) The Company proposes to make forays into more IMAX and Multiplex projects in future.

AFFILIATE CONCERNS

1. ADLABS FILM LABORATORIES PRIVATE LIMITED.

Date of Incorporation: The Company was incorporated as a Private Limited Company on February 12, 1996.

Registered Office: 35/38, Suren Road, Andheri (East), Mumbai 400 093.

Promoter Group: The Company was promoted by Shri Manmohan Shetty and Shri VasANJI Mamania.

Management: The management of the Company vests in the Board of Directors, which comprise of Shri Manmohan Shetty and Shri VasANJI Mamania. The Company however has not had any business transactions during last three years.

Nature of Activities: The Company was incorporate for the purpose of carrying out printing and processing of cinematographic films. However, the Company does not have any business transactions during the last 3 years.

Financial performance

<i>For the year ended March 31</i>			
	1997	1998	1999
Share Capital	20, 000	20, 000	20, 000

Shareholding pattern: The entire share capital of the Company is held by its promoters.

Name	No. of Shares	% shareholding
Shri Manmohan Shetty	100	50.00
Shri VasANJI Mamania.	100	50.00
Total	200	100.00

Outstanding Loans: There are no outstanding loans in the books of the Company as on March 31 2000.

The above Company is an unlisted company.

2. ADLABS FINANCE LIMITED.

Date of Incorporation: The Company was incorporated as a limited Company on January 31, 1990.

Registered Office: 21, Ashish Industrial Estate, Gokhale Road (S), Dadar, Mumbai 400'025.

Promoter Group: The Company was promoted by Shri Manmohan Shetty and Shri VasANJI Mamania.

Management: The management of the Company vests in the Board of Directors, which comprise of Shri Manmohan Shetty and Shri VasANJI Mamania.

Nature of Activities: The Company is in the business of financing film producers for their working capital requirement.

Financial performance

(Rs. in lacs)

<i>For the year ended March 31</i>			
	1997	1998	1999
Sales	43.83	59.84	64.02
Other Income	0.95	0.07	-
PBIDT	12.69	13.46	8.18
PBT	11.82	12.77	7.73
PAT	6.72	8.27	4.98
Share Capital	20.07	20.07	20.07
Reserves & Surplus	14.78	23.05	28.03
Net Worth	34.85	43.12	48.10
EPS (Rs.)	33.48	41.21	24.81
Book Value per share (Rs.)	173.64	214.95	239.66

Shareholding pattern: 75 % of the share capital of the Company is held by its promoters.

Name	No. of Shares	% shareholding
Shri Manmohan Shetty	9710	48.38
Shri VasANJI Mamania.	5360	26.71
Others	5000	24.91
Total	20070	100.00

Outstanding Loans: There are no outstanding loans in the books of the Company as on March 31 2000.

The above company is an unlisted company.

3. M/s ADLABS

Date of Incorporation: The firm was incorporated as a Partnership concern on December 1, 1976.

Registered Office: 310/311, Ashish Industrial Estate, Gokhale Road (S), Dadar, Mumbai 400 025.

Promoter Group: The firm was promoted by Shri Manmohan Shetty and Shri VasANJI Mamania.

Nature of Activities: The firm was incorporated for carrying out printing and processing of cinematographic films.

Financial performance

(Rs. in lacs)

<i>For the year ended March 31</i>			
	1997	1998	1999
Sales	0.97	-	-
Other Income	3.58	3.30	2.40
PBIDT	2.64	1.95	1.30
PBT	(2.56)	(2.63)	(2.85)
PAT	(2.56)	(2.63)	(2.85)
Partner's Capital	2.84	(21.94)	(18.48)
Reserves & Surplus	12.79	6.31	Nil
Net Worth	15.63	(15.63)	(18.48)

Mr. Manmohan Shetty and Mr. VasANJI Mamania are equal partners in the firm.

Outstanding Loans: There are no outstanding loans in the books of the firm as on March 31 2000.

4. M/S MAMANIA FILMS PVT. LTD.

Date of Incorporation: The Company was incorporated as a Private Limited Company on October 1, 1980.

Registered Office: 221/222, Ashish Industrial Estate, Gokhale Road (S), Dadar, Mumbai 400 025.

Promoter Group: The Company was promoted by Shri Manmohan Shetty and Shri VasANJI Mamania.

Management: The management of the Company vests in the Board of Directors, which comprise Shri Manmohan Shetty and Shri VasANJI Mamania.

Nature of Activities: The Company was incorporated for carrying out printing and processing of cinematographic films.

Financial performance

(Rs. in lacs)

	For the year ended March 31		
	1997	1998	1999
Sales	1.78	2.33	-
Other Income	0.07	-	0.07
PBIDT	0.76	0.58	(0.60)
PBT	(0.51)	(0.45)	(1.43)
PAT	(0.51)	(0.45)	(1.43)
Share Capital	1.20	1.20	1.20
Reserves & Surplus	7.50	7.05	5.62
Net Worth	8.70	8.25	6.82
EPS (Rs.)	-	-	-
Book Value per share (Rs.)	725	687	568

Shareholding pattern: The entire share capital of the Company is held by its promoters.

Name	No. of Shares	% shareholding
Shri Manmohan Shetty	600	50.00
Shri VasANJI Mamania.	600	50.00
Total	1200	100.00

Outstanding Loans: There are no outstanding loans in the books of the Company as on March 31 2000.

The above company is an unlisted company.

5. M/s ADLABS SHRINGAR MULTIPLEX CINEMAS PVT. LTD.

Date of Incorporation: The Company was incorporated as a Private Limited Company in the name of M/s Adlabs Video Pvt. Ltd. on September 9, 1984. The name was subsequently changed to M/s Adlabs Shringar Multiplex Cinemas Pvt. Ltd. On June 19, 2000

Registered Office: 21, Ashish Industrial Estate, Gokhale Road (S), Dadar, Mumbai 400 025.

Promoter Group: The Company was promoted by Shri Manmohan Shetty and Shri VasANJI Mamania.

Management: The management of the Company vests in the Board of Directors, which comprise of Shri Manmohan Shetty, Shri VasANJI Mamania, Shri Balkrishna Shroff and Shri Shravan Shroff.

Nature of Activities: The Company was incorporated for carrying out T.V. & Video software manufacturing. Under the new name, the Company also proposes to undertake promotional and marketing activities for Multiplex theatre business. However, the Company is yet to become operational with respect to its new line of activity.

Financial performance

(Amount in Rs.)

	For the year ended March 31		
	1997	1998	1999
Sales	-	-	-
Other Income	-	-	-
PBIDT	(3320)	(2850)	(2800)
PBT	(3320)	(2850)	(2800)
PAT	(3320)	(2850)	(2800)
Share Capital	10,000	10,000	10,000
Reserves & Surplus	-	-	-
Net Worth	10,000	10,000	10,000

Shareholding pattern: The entire share capital of the Company is held by its promoters.

Name	No. of Shares	% shareholding
Shri Manmohan Shetty	50	50.00
Shri VasANJI Mamania.	50	50.00

Outstanding Loans: There are no outstanding loans in the books of the Company as on 31st March 2000.

The above company is an unlisted company.

COMPANIES UNDER THE SAME MANAGEMENT

There are no Companies under the same management as defined under section 370(1B) of the Company's Act 1956.

STOCK MARKET PERFORMANCE

This being the first public issue of the Company, the shares of the Company are not listed in any of the stock exchanges.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial year 2000 compared with financial year 1999 and a discussion on the financial performance of the quarter ended June 30 2000

Particulars	For the year ended 31/3/1999	For the year ended 31/3/2000	For the quarter ended 30/06/2000
INCOME			
a. Sales	1193.50	1737.18	616.28
b. Traded goods	1745.11	1810.73	520.30
c. Other income	101.35	135.36	29.51
Total Income	3039.96	3683.27	1166.09
Total Expenses	2487.89	2835.50	785.84
Profit Before Tax	552.07	847.77	380.25
Taxation	195.00	330.00	146.50
Profit After Tax	357.07	517.77	233.75

Particulars	As on 31/3/1999	As on 31/3/2000	As on 30/06/2000
Liabilities			
Equity Share Capital	5.00	855.03	855.03
Reserves	1081.20	416.79	650.54
Secured Loans	0.00	0.00	0.00
Unsecured Loans	125.00	521.00	683.50
TOTAL	1211.20	1792.82	1505.57
Assets			
Net Fixed Assets	616.24	600.00	582.95
Investments	0.00	1174.63	1487.11
Net Current Assets	594.96	18.19	119.01
Preliminary Expenses	0.00	0.00	0.00
TOTAL	1211.20	1792.82	1505.57

Management discussion and analysis of the Financial Performance of the Company for the quarter ended June 30 2000

- The Company has achieved a turnover of Rs. 1166 lacs for the quarter. The profit figures stood at Rs. 380 lacs and Rs. 233.75 before tax and after tax respectively.
- The profitability margin (PBT/turnover) has shown a considerable improvement at 32.60% as against 24.00% for the previous year. At the net profit level also, the profitability has shown an improvement. The improvement in the margins is attributed to better utilization as the number of prints made for a majority of the processed films was high.
- Continuing on the performance shown in the last financial year, the Company executed prestigious orders for processing and printing of various big Production houses in the current fiscal, consolidating its position in the market.

Management discussion and analysis of the Financial Performance of the Company for the years ending March 31 2000 and March 31 1999.

- The net worth of the Company has increased to Rs. 1271 lacs from Rs. 1086 lacs in the previous year. The Company did a bonus issue of Equity Shares in the ratio of 170:1 in FY 2000 out of free reserves.
- The turnover of the company has shown a growth of 21.2% for the period from Rs.3039.96 lacs to Rs. 3683.27 lacs.
- The profit before tax for the year ended 31st March 2000 at Rs.847.77 lacs showed a growth of 53.56% over the profit before tax for the year ended 31st March 1999. The growth in profits as mentioned above has been mainly on account of higher turnover and higher margins.
- The profitability ratio (i.e. PBT/Total Income) has improved in the year ending March 31 2000 to 23.02% from 18.16% in the previous year. The profitability improvement has been mainly on account of higher billing rates.
- The Billing rates of the Company have shown an average

increase of 10 % in FY 2000 from previous year.

- The Company executed prestigious orders for processing and printing of various big Production houses in the current fiscal, consolidating its position in the market.
- The Company has entered into collaboration with IMAX @ Corporation, USA for the IMAX Multiplex Project.
- The Company was converted into a Public limited Company in FY 2000. The Company added professionals on its Board of Directors for guidance in its existing and proposed businesses.

Financial year 1999 compared with financial year 1998

(Rs in Lacs)

Particulars	For the year ended 31/3/1998	For the year ended 31/3/1999
INCOME		
a. Sales	861.42	1193.50
b. Traded goods	1544.08	1745.11
c. Other income	87.67	101.35
Total Income	2493.17	3039.96
Total Expenses	2153.11	2487.89
Profit Before Tax	340.06	552.07
Taxation	120.00	195.00
Profit After Tax	220.06	357.07

Particulars	As on 31/3/1998	As on 31/3/1999
Liabilities		
Equity Share Capital	5.00	5.00
Reserves	724.12	1081.20
Secured Loans	0.00	0.00
Unsecured Loans	75.00	125.00
TOTAL	804.12	1211.20
Assets		
Net Fixed Assets	130.24	616.24
Investments	453.39	0.00
Net Current Assets	220.48	594.96
Preliminary Expenses	0.00	0.00
TOTAL	804.11	1211.20

Management discussion and analysis of the Financial Performance of the Company for the years ending March 31 1998 and March 31 1999.

- The net worth of the Company has increased to Rs. 1086 lacs from Rs. 729 lacs in the previous year.
- The turnover of the company has shown a growth of 21.9% for the period from Rs. 2493.17 lacs to Rs.3039.96 lacs.
- The profit before tax for the year ended 31st March 1999 of Rs.552 lacs showed a growth of 62.35% over the profit before tax for the year ended 31st March 1998. The growth

in profits as mentioned above has been mainly on account of higher turnover and higher margins.

4. The profitability ratio (i.e. PBT/Total Income) has improved in the year ending March 31 1999 to 18.16% from 13.63% in the previous year. The profitability improvement has been mainly on account of higher billing rates and up gradation in the form of new machines.
5. The Billing rates of the Company have shown on an average increase of 10 % in FY 1999 from previous year.
6. The Company added new facilities at Film City Complex such as sound equipments, preview theatre facilities in the current financial year, which has resulted in better product quality and quality control.
7. The Company executed prestigious orders for processing and printing of various big Production houses in the current fiscal, consolidating its position in the market.

Unusual or infrequent events or transactions

There were no unusual or infrequent transactions recorded in the previous two periods.

Significant economic changes that materially affected or are likely to affect income from continuing operations

There have been no significant economic changes that materially affect or are likely to affect income from continuing operations except that there could be certain changes in the tax policies pertaining to the entertainment sector.

Known trends or uncertainties

The changes in the trends or uncertainties are negligible and will not have material adverse impact on the existing business of the Company.

Future relationship between costs and revenue

There are no known factors, which will affect the future relationship between cost and revenue, which will have a material impact on the operations and finances of the Company except that there could be some improvement in profitability margins.

Turnover of each major business segment in which the Company operates

About 760 films were produced in India during the calendar year 1999 and around 680 in calendar year 1998 comprising a mix of Hindi, Malayalam, Tamil, Telugu, Kannada, Bengali, Oriya and other films.

Hindi films and commercials (advertising films) are mainly processed in Mumbai. The estimates of processing are given below.

	Feature Films	Commer- cial Films	Documen- taries	Total
Year 2000	11.50 mlf	2.0 mlf	1.0mlf	14.50 mlf

Print film consumption

	Feature Films	Total
Year 2000	230 mlf	230 mlf

Note: Mlf- million feet

(Source: Independent survey conducted by Kodak India Ltd. dated 14th July 2000)

There is no organized turnover data available for multiplexes. The IMAX project being set up by the Company is the first of its kind in India and hence no industry data is available.

Status of any publicly announced new products or business segment

The various new business and products under implementation and planning are mentioned in detail in section on the Objects of the Issue elsewhere in this prospectus.

Extent of seasonality in the business

The business of the Company is not seasonal.

Any significant dependence on any one customer or supplier

The Company is not dependent on any single or few suppliers and clients for its films processing business.

The company would be sourcing its films for the IMAX theatre directly from IMAX Corporation, Canada and from Private Film producers.

Competitive Conditions in the Industry

The Company has more than 60% Market share in Cinematographic films in Western region for the year. No organized data is available for other players in the Industry.

The IMAX theatre is the first of its category in India. The concept of Multiplex theatres is relatively new in India. At present, 2 multiplexes, one in Delhi and the other in Ahmedabad are operational.

BASIS OF ISSUE PRICE

Qualitative Factors

- Existing profit-making Company since commencement of business.
- The Promoters have a track record of more than 25 years in the existing business of Film processing.
- National Award to Adlabs Films Limited for the Best Cinematography in 1990, 1993, 1996 & 2000.
- Well-equipped film processing laboratory and pre-view theatre with Dolby digital facilities at film city, Mumbai.
- Processed more than 1000 feature films resulting in 1000 million feet of footage since inception.
- The Company enjoys more than 60% of the market share in western region film processing (Source: Survey by Kodak India Limited) & is currently processing 25 films with major star cast of big production houses.
- Customers of the Company include a number of major production houses of Bollywood

- Technical know how tie up with IMAX Corporation, Canada (maintenance contract valid for 20 years), a pioneer in the large format industry in the world. (Source: Theatre World Magazine dated January-March 2000)
- The proposed Adlabs IMAX® Dome Theatre Multiplex is the first IMAX Theatre in the country.
- Exclusivity till July 2002 for the IMAX® Theatre in the city of Mumbai. (Investors are advised to refer to the para titled 'Details of IMAX and Multiplex project' on Page no. 31 of the prospectus)
- The largest IMAX® Dome Theatre in the world. (Source: Certificate from IMAX Corporation)
- The Multiplex complex will have four screens in a single complex.

Quantitative Factors

1. Earning per Share (EPS)

Financial Year	EPS (Rs.)	Weight used
1997-98	220.06	1
1998-99	357.07	2
1999-00 *	3.03	3
Weighted Average	157.22	

Weighted Average for last three years: Rs. 157.22

EPS on post issue fully diluted equity base on FY 00 earnings: Rs. 2.41

- * The Company made a Bonus issue by capitalisation of Free Reserves in the FY 1999-2000, on 1st December 1999. The Bonus issue was made in the ratio of 170:1 i.e. 170 shares issued for every one share held. The EPS indicated above is, on the diluted equity base after Bonus issue.

Price Earnings Ratio (P/E Ratio) in relation to Offer price

On Equity as at March 31, 2000 based on FY 2000 earnings	39.60
On fully diluted equity base post issue on FY 2000 earnings	49.79
3. Industry P/E Ratio	
Highest	198.9
Lowest	17.2
Average (Industry Composite)	89.2

(Source: - Capital Markets Vol. XV-16, Dated Oct.29, 2000 (Electronic Media & Software))

4. Return on Net worth

Financial Year	RONW	Weight used
1997-98	30.18%	1
1998-99	32.87%	2
1999-00	40.71%	3
Weighted Average	36.34%	

Weighted average for the last three years: 36.34%

5. Minimum return on post issue networth required to maintain pre- issue EPS of Rs. 3.03 is:

Minimum RONW: 5.99% at offer price of Rs. 120 per share.

6. Net Asset Value (NAV) per share

As at March 31, 2000: Rs. 7.44

After the Issue : Rs.50.58 at offer price of Rs. 120 per share.

7. Issue Price for the equity shares of the Company in the present offering is Rs. 120.

STOCK MARKET DATA

This being the Company's maiden Public offer, its shares are not listed on any Stock Exchange.

PARTICULARS REGARDING LISTED COMPANIES

None of the affiliate companies have had a Public Issue in the past 5 years.

DETAILS OF OUTSTANDING LITIGATION, DEFAULT AND MATERIAL DEVELOPMENTS

Against the Company

Income Tax Regular Assessment: Department of Income Tax has filed an appeal against the Company for assessment years 1990-91, 1991-92, 1993-94 and 1995-96 all of which are pending at I.T.A.T. stage. The total amount income tax dues for the above appeals is Rs 136.86 lacs. If the appeals are decided in favour of the Income Tax Authorities, the amount shall be payable along with interest and penalties if any.

The Company has filed appeals before Income Tax authorities for assessment year 1995-96 and 1997-98. These appeals are pending at I.T.A.T. Mumbai and C.I.T. (Appeals) Mumbai respectively for Tax amounts Rs. 33.09 lacs and Rs. 46.36 lacs respectively.

Further, appeals for the years 1992-93, 1993-94 and 1996-97 filed by the Company are pending at I.T.A.T. Mumbai. The entire demand for these three years have been paid and/or adjusted in full.

Income Tax Block assessment: The Income Tax Authorities have raised a demand of Rs. 194.47 lacs against the Company in respect of Block assessment for the period 01.04.1988 to 14.05.1998. The Company has filed an appeal against the assessment order before the Income Tax Authorities. The Company has paid an amount of Rs 2.30 lacs for which no credit has been granted by the Department. If the appeals are decided in favour of the Income Tax Authorities, the amount is payable along with interest and penalties if any..

Against the Affiliate Companies

There are no outstanding litigations against the group/affiliate companies.

Against the Promoters of the Company

There are no outstanding litigations against the promoters of the Company or any of their ventures.

Against the Directors of the Company

There are no outstanding litigations against the Directors of the Company.

Save and except as mentioned above,

There are no outstanding litigations/proceedings, disputes or penalties against the Company, against any of the Group/affiliate Companies, against the Directors/Promoters of the Company, against any of the ventures of the Company including tax liabilities, economic offences or civil prosecution for any offence, irrespective of whether specified under any enactment in Paragraph 1 of Part I of schedule XIII, of Company's Act, 1956 or any other liability.

There are no outstanding litigations against any of the above involving violation of statutory regulations or criminal offences.

No proceedings have been initiated against any of the above for any economic offence.

No disciplinary action/investigation has been taken by the Securities & Exchange Board of India/ Stock Exchange against any of the above.

In case any litigation arises or any proceedings are initiated after the prospectus is filed with SEBI, the details will be furnished to the Lead Manager.

Transactions between Adlabs Films Limited and its Group Companies

The Company has given an advance of Rs. 81.75 lacs to M/s Adlabs (a partnership firm), Rs 10 lacs to Adlabs Finance Limited and Rs. 5.30 lacs to Adlabs Film Laboratories Pvt. Ltd. Apart from these, there are no business transactions between the Company and its affiliates/group companies.

Defaults

The Company has not defaulted in meeting any of its statutory or institutional dues.

Material Developments

In the opinion of the Company, there have been no material developments after the date of the last financial statement, which would have a material and adverse impact on the performance and the prospects of the Company or the value of its assets, or its ability to pay its liabilities within next twelve months other than what has been already set out elsewhere in this Prospectus.

Investor Grievance Redressal System

As the Company is raising Equity through the Capital Markets for the first time, there are no grievances from Investors. To ensure that the Investor grievances are handled expeditiously and satisfactorily the Company has appointed Mr. Anil Bhoosekar as the Compliance Officer.

The agreement between the Company and the Registrars to the Issue provides for the retention of issue records with the Registrars for a period of at least six months from the last date of dispatch of Letters of Allotment/ Share Certificates/ Refund Orders to enable the investors to approach the Registrars for redressal of their complaints.

RISK FACTORS AND MANAGEMENT PERCEPTIONS THEREOF

Internal

1. The Company has been promoted by first generation entrepreneurs.

Management perception: The promoters of the Company, Mr. Manmohan Shetty & Mr. VasANJI A. MAMANIA have more than 25 years of experience in the field of Film Processing. They have worked in close association with each other to set up a large and well-equipped motion picture film-processing laboratory (Adlabs) in Mumbai. The lab caters to a number of large film production companies for film processing.

2. The promoters do not have experience in the film exhibition industry. The success of the project therefore depends on key management personnel and may be adversely affected due to employee turnover.

Management perception: Since 1992, Mr. Manmohan Shetty, one of the original promoters of the Company has focused on understanding large format film exhibition industry and has visited a number of IMAX theatres in other countries before signing technology transfer agreement with IMAX. The Company proposes to employ suitable employee retention strategies and does not envisage any serious threat of employee turnover.

3. The Company is primarily dependent on IMAX Corporation for implementation of the project.

Management perception: In terms of agreement entered into with IMAX, IMAX shall supply the projection system, sound system and dome screen. The orders for all these equipments have been placed. The IMAX Dome screen has been delivered and will be installed in the month of December 2000. IMAX has granted permission to the Company for usage of trademark 'IMAX®' for its theatre operations. IMAX shall also provide technical know-how, installation & testing with respect to the equipments and training of Adlabs personnel for theatre operations. IMAX Corporation has been actively involved in implementation of similar projects in the past in other countries. A substantial portion of IMAX project is complete and the Company has not faced any difficulty in obtaining requisite co-operation from IMAX neither does the Company foresee any issues on that account.

4. The Project cost has not been appraised/assessed by any bank or financial institution and hence fund utilization is entirely at the discretion of the management of the Company.

Management perception: The cost estimates of major equipments required for the project have been arrived at by the Company on the basis of quotations obtained from equipment suppliers and orders placed. The equipment for IMAX® Dome Theatre will be supplied by IMAX Corporation. Further, the Company has already committed funds for continuing the progress of the said Project. As on October 15, 2000, the Company has spent Rs.19.00 Crores towards the project, which is 31% of the project cost. (For

detailed break-up of the amount already spent, investors are advised to refer to the para 'Funds deployed in the project as on October 15, 2000' appearing on Page 16 of the prospectus). The Company would ensure that the funds raised would be utilised for the designated purposes only.

5. The Company is yet to get the land for the IMAX and Multiplex project duly conveyed and transferred in its name. The Company has obtained Development Rights of the project as a result of Special Power of Attorney executed by a party who also is a Power of Attorney holder of the original landowner. Further, this Power of Attorney stands in the name of Mr. Vasanji Mamania, one of the Promoter-Directors of the Company.

Management perception: The documentation pertaining to the land transfer is being processed and the Company has also paid stamp duty amounting to Rs. 15.432 lacs. The payment of stamp duty was made on August 14 2000. The Company has obtained regulatory approvals in the name of Adlabs Films Ltd. Further, Mr. Vasanji Mamania has given an irrevocable undertaking that the land shall be transferred in the name of the Company once the Legal documentation pertaining to the transfer of the land is over, without any claim or consideration from him. The Company does not envisage any problem in getting the land transferred in its name. (The investors are also advised to refer to the para 'LAND' on Page 28 of the prospectus.)

6. The Company is yet to obtain N.A. certificate in respect of land for the project. The Company is yet to receive commencement certificate from BMC for superstructure of the Multiplex theatre.

Management perception: The Company has applied to the Collector, Mumbai for N.A. permission in respect of land vide letter dated February 22, 2000. The Company had applied to BMC vide letter no. 2134 dated June 11 1999. The initial approvals required for the commencement of construction of the IMAX Dome Theatre and Multiplex theatre have already been obtained from the BMC on September 27 1999. The Commencement Certificate for the Superstructure for Multiplex is being processed by them. The Company has obtained NOC for construction of the multiplex. The Company doesn't envisage any difficulty in obtaining all relevant approvals as & when required during the course of the Project. (The investors are advised to refer to the Para titled "Approvals for the Project" on Page 1 in the Prospectus.)

7. The Company has not yet received Theatre license from Brihanmumbai Police.

Management perception: The Company has obtained NOC for construction of Multiplex. In terms of the NOC, the Company is required to comply with certain conditions, which include inter-alia, complying with routine construction specifications for the multiplex and obtention of N.A. permission with respect to the land, before seeking licence to operate the theatre. The Company does not foresee any problem in complying with the conditions and obtaining the licence. (The investors are advised to refer to the Para titled "Approvals for the Project" on Page 1 in the Prospectus.)

8. There are contingent liabilities amounting to Rs. 539 lacs for outstanding Letters of Credit & Guarantees, which have not been considered in the accounts for the period ended June 30, 2000. Estimated amount of contracts remaining to be executed on capital account amount to Rs. 1375 lacs as on June 30 2000. The contingent liability on account of Block assessment of Income Tax as determined on the basis of Income Tax demand is Rs 194.47 lacs. (Refer Risk Factor no 13 for details)

Management perception: The above Bank Guarantee for Rs. 539 lacs, issued to IMAX Corporation for import of IMAX® Dome Projection System has been guaranteed by Bank of Baroda & has been secured against 20% cash margin. (Investors are advised to refer to the subhead 'Contingent Liabilities' under para 'Significant Accounting Policies & Notes to Accounts' appearing on Page 50 of the Prospectus)

9. Losses by Group/affiliate companies

For the year ended March 1999, the following group/affiliate companies of Adlabs Films Limited suffered losses.

Name of the Company	Amount of loss (Rs. lacs)
M/S Adlabs (Partnership firm)	2.85
M/S Mamania Films Pvt. Ltd.	1.43
M/S Adlabs Video Pvt. Ltd.	0.028

Management perception: The above-mentioned Group Companies are non-operational & losses have been incurred mainly due to depreciation on fixed assets. The Company is of the opinion that the losses are not material and will not affect the performance of the Company.

10. Obsolescence of Plant & Machinery: With passage of time, there is attrition of the plant & machinery and their improved versions are available in the market.

Management perception: The Company upgrades the machinery from time to time as required for the motion picture industry, in line with technological changes in the Industry. The above upgradations have been financed through internal accruals of the Company.

11. The Company is susceptible to foreign exchange fluctuations for the imports by the Company on account of imported equipments and other assets for the project, ongoing royalty fees payable to IMAX Corporation. Any adverse fluctuations in the value of the Rupee is likely to affect the financial performance of the Company.

Management perception: The Company has already established a Letter Of Credit for import of the equipment of IMAX® Dome Theatre. The Letter of Credit would be retired as soon as the equipment is dispatched. The company has already paid 50% of its foreign currency expenditure amounting to USD 14,79,000 (INR 6,42,18,000) (assuming 1 USD = 43.42 INR) as on July 15 2000.

12. The Company has yet to place orders for the equipments for the proposed activities and for the modernizing & improving existing operations.

Management perception:

1. The orders for all the equipments for IMAX have already been placed. The delivery of the IMAX® Dome Projection System, Sound System, Screen & Seats of the IMAX® Theatre is being effected beginning November 2000. No additional orders need to be placed for IMAX® Dome Theatre.
 2. The Suppliers for the Equipment for Multiplex theatres have been short-listed and the orders will be placed after the public issue.
13. Income Tax Regular Assessment: Department of Income Tax has filed an appeal against the Company for assessment years 1990-91, 1991-92, 1993-94 and 1995-96 all of which are pending at I.T.A.T. stage. The total amount of income tax dues for the above appeals is Rs 136.86 lacs. If the appeals are decided in favour of the Income Tax Authorities, the amount shall be payable along with interest and penalties if any.

The Company has filed appeals before Income Tax authorities for assessment year 1995-96 and 1997-98. These appeals are pending at I.T.A.T. Mumbai and C.I.T. (Appeals) Mumbai respectively for Tax amounts of Rs. 33.09 lacs and Rs. 46.36 lacs respectively.

Further, appeals for the years 1992-93, 1993-94 and 1996-97 filed by the Company are pending at I.T.A.T. Mumbai. The entire demand for these three years have been paid and/or adjusted in full.

Income Tax Block assessment: The Income Tax Authorities have raised a demand of Rs. 194.47 lacs against the Company in respect of Block assessment for the period 01.04.1988 to 14.05.1998. The Company has filed an appeal against the assessment order before the Income Tax Authorities. The Company has paid an amount of Rs 2.30 lacs for which no credit has been granted by the Department. If the appeals are decided in favour of the Income Tax Authorities, the amount is payable along with interest and penalties if any.

The personal IT disputes of Promoters: As per the block assessment order passed by IT Department, Mr. Manmohan Shetty has a personal income tax disputed liability of Rs. 50,000 and Mr. Vasanji Mamania has a personal income tax disputed liability of Rs. 10,64,706.

14. The concept of Multiplex Theatres is relatively new in India.
Management perception: A Multiplex Theatre Complex houses more Screens in one Complex with other entertainment facilities such as food courts, Bowling Alleys, Video Game etc. Thus a Multiplex Theatre will provide various entertainment facilities under a single roof. Similar Multiplexes are already operational in India in the cities of Delhi and Ahmedabad.

15. The Company will be putting up first IMAX® exhibition facility in India, the concept which is untested in the Indian market.

Management perception: There are 221 IMAX® Theatres all over the world & IMAX Corporation would be adding 44 Theatres world-wide this year alone. IMAX® films are entertainment films with an educational value. World over

IMAX® Films are popular amongst the audience as these films educate the viewers through entertainment. The Company will leverage on the experience of IMAX Corporation for running the theatre and would be designing marketing strategies in consultation with them.

16. The Company will be primarily dependent on IMAX and other private producers for supply of film software.

Management perception: IMAX Corporation has 107 films in its film library & 50 other films are available from other private producers. The Company has access to all these films. In terms of the agreement signed between the Company and IMAX Corporation, the Company will have access to all the films in IMAX library under a revenue sharing agreement wherein the Company is required to pay a certain percentage of the box-office collection of the film to IMAX. The percentage payable varies from film to film; however on an average the cost per film would work out to 18% of the box-office collection.

17. The Company would also need to obtain approvals from RBI from time to time to enter into arrangements with the supplier's for payment of royalty and other fees etc.

Management perception: The Company envisages no difficulty in obtaining the requisite approvals from the RBI as & when required for the payment of royalty & other fees etc for the import of these films.

18. The project is subject to time and cost overruns.

Management perception: The Company has appointed experienced project architects M/S Raja Aederi Architects and civil contractors M/S B.E. Billimoria & Co. The construction for the basic structure for IMAX Theatre is complete. The civil construction for the Multiplex theatre has already begun. The orders for the IMAX® Dome Projection System, Sound System, Screen of the IMAX® Theatre have already been placed and the delivery of equipment has commenced from November 2000. For the other equipments, quotations have been obtained and suppliers have been identified. The Company has already incurred expenditure to the tune of Rs.19 Crores till October 15, 2000. The management of the Company opines that the progress of the project has been satisfactory and envisages no difficulty in the completion of the project as per schedule of implementation, subject to any unforeseen difficulties.

19. The Company is yet to employ professional manpower for the IMAX and Multiplex theatre.

Management perception: The Company has personnel trained in IMAX technology including one of its board members, Ms. Pooja Shetty and Mr. Sorab Irani (Project Co-ordinator) and the same shall assist the Company in formulation of business plan and operational aspects related to IMAX® Dome Theatre. The key management personnel have been formally trained at the IMAX® Theatre Management Seminar at Canada. The Projectionists & other key personnel will be trained at an existing IMAX® Theatre just before the start-up of the Theatre Complex. Also, the management will employ professional manpower for the entire Multiplex Complex sourcing personnel from cinema exhibition industry. One

of the board members of the Company, Mr. Shyam Shroff is a well-known personality in the film exhibition industry and has an experience of 10 years in the same.

20. Some of the Group Companies/concerns viz. M/S Adlabs, Adlabs Films Laboratories Pvt. Ltd. and M/S Mamania Films Pvt. Ltd. are in the similar business as the existing business of the issuer. Another group company M/S Adlabs Shringar Multiplex Cinemas Pvt. Ltd. is in the similar business as the proposed business of the Company. The business operations of the Group Companies may result in potential conflict of interest among the group.

Management perception: The scale of operations of these group companies is insignificant in comparison to the business of the Company. One of the group companies viz. Adlabs Films Laboratories Pvt. Ltd. is non-operational. M/S Adlabs Shringar Multiplex Cinemas Pvt. Ltd. proposes to undertake promotional and marketing activities for multiplex theatre business. The management is of opinion that there would be no conflicts.

21. There are no standard valuation methodologies or accounting practices in the media and related industries. The financials of the issuer are not comparable with other players in the industry.

EXTERNAL:

1. The entertainment industry is prone to unforeseen shifts in tastes and preferences of audiences, which could have an impact on the operations of the Company.

Management perception: The present scenario of the film industry clearly shows that filmmaking is on the upswing thus resulting in the making of new good films. Approximately, 600 films are being produced every year in India. The Indian film industry caters to diverse cultures, regions and languages ranging from the mainstay Hindi to Gujarati, Bengali, Malayalam, Odiya, Tamil, Marathi, Telugu, etc. and even English films. There is a demand for good theatres in Mumbai, which is met by only a select few. (Source: FICCI report dated March 2000) The Adlabs IMAX® Dome Theatre and Multiplex will aim at providing the best of facilities.

2. Changes in the Government policies may have an impact on the business of the Company.

Management perception: The Government policies, of late, have been favourable to the film industry and the Company does not foresee any adverse impact on the operations of the Company due to changes in Government policies.

3. The valuation in the entertainment and media industry are relatively higher than the rest of the market and may not be reflective of the future valuations of the Industry.
4. Competition from existing players and future entrants in the business segments in which the Company operates and proposes to operate.

Management perception: Existing operations: The Company has established itself in the film processing industry over a period of last 13 years. The Company has

major production houses as its regular clientele and it has an order book of 32 films from large banners alone. (Investors are advised to refer to the para titled 'Business executed in the past' for more details) The Company has a market share of more than 60% in the western region. (Source: Independent survey by Kodak India)

IMAX® Dome Theatre: The Company has entered into an exclusivity contract with IMAX Corporation for setting up an IMAX theatre in the city of Mumbai till July 2002 (Investors are advised to refer to the para titled Details of IMAX and Multiplex project) The IMAX theatre will be operational by December 2000. (Please refer to the schedule of implementation appearing on Page 20 of the prospectus)

Multiplex: The multiplex theatres are strategically located adjacent to the IMAX theatre. Multiplex could face competition from existing theatres at present and other multiplexes in future.

NOTES

- Net worth of the Company as on March 31, 2000 is Rs. 1271.82 Lacs and the issue size is Rs. 52.80 crores.
- Book Value per share of the Company is Rs. 14.87 as on March 31 2000. Cost per share to the promoters is Rs. 0.029.
- The Company made a Bonus issue by capitalisation of Free Reserves in the FY 1999-2000, on 1st December 1999. The Bonus issue was made in the ratio of 170:1 i.e. 170 shares issued for every one share held.
- The Company has given an advance of Rs. 83 lacs to M/s Adlabs (a partnership firm), Rs 10 lacs to Adlabs Finance Limited and Rs. 5.30 lacs to Adlabs Film Laboratories Pvt. Ltd. Apart from these, there are no business transactions between the Company and its affiliates/group companies.
- The Company has given following loans and advances to promoter group /affiliate companies and Directors as on June 30 2000.

	Amount
(i) Loans and advances to Promoter group	Rs. 15.95 lacs
(ii) Loans and advances to Affiliate concerns	Rs. 97.05lacs

For details of the loans and advances, please refer to the para titled 'Details of Loans and Advances to promoter group' on Page 22 of the prospectus.

- Applicants are advised to refer to the paragraph on "Basis of Issue Price" mentioned on Page number 38 of the Prospectus before making an investment decision in respect of the Issue.
- Investors may please note that in the event of oversubscription, allotment shall be made on a proportionate basis in consultation with the regional stock exchange i.e. Stock Exchange, Mumbai as per details appearing on Page 45 of the Prospectus.

PART II

GENERAL INFORMATION

CONSENTS

Consents in writing of the Lead Managers to the Issue, Directors, Auditors, Legal Advisors, Compliance Officer, Bankers, and Registrars 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, Mumbai, and such consents have not been withdrawn up to the time of delivery of the Prospectus with the said ROC.

CHANGES IN DIRECTORS

The changes that have taken place in the Board of Directors in the last three years are as follows:

Name of Director	Reasons for change	Date of change
Mrs. Shashikala M. Shetty	Resigned	19.07.2000
Mrs. Kasturi V. Mamania	Resigned	19.07.2000
Mr. Ashish V. Mamania	Appointment	19.07.2000
Ms. Pooja M. Shetty	Appointment	19.07.2000
Mr. Shyam Shroff	Appointment	19.07.2000
Mr. Berjis Desai	Appointment	19.07.2000
Mr. Pradeep Guha	Appointment	19.07.2000

CHANGES IN AUDITORS

The accounts of the Company till the year ending March 31, 1998 are audited by a partnership firm S.J. Rajadhyaksha & Company, and signed by Mr. H.O. Aggarwal, a partner in the above firm. For the years ending March 31, 1999, March 31, 2000 and for the quarter ended June 30, 2000, the accounts of the Company are audited by M/s H.O. Aggarwal & Company, a sole proprietorship concern, with Mr. H.O. Aggarwal as the proprietor. Except as mentioned above, there are no changes in the Auditors of the Company till date.

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act 1956, the present issue of 44,00,000 Equity Shares has been authorised by the shareholders of the Company vide a special resolution passed at the Extraordinary General Meeting of Adlabs Films Limited held on 1st August 2000.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY

The Board of Directors reserves in its full, unqualified and absolute discretion without giving any reason, the right to accept or reject any application in whole or in part. If any application is rejected in full, the whole of the application money received will be refunded to the applicant and where an application is rejected in part, the excess application money received would be refunded to the applicants by registered post/speed post (Refund orders up to Rs.1500/- will be sent under certificate of posting) as far as possible within 30 days from the date of closing of the subscription list. Any delay beyond 30 days will

The Auditors of the Company have given their written consent to the inclusion of their Report in the form and context in which they appear in the Prospectus, and also the tax benefits available to the Company and its Shareholders, and such consents and reports have not been withdrawn up to the time of delivery of the Prospectus.

EXPERT OPINION

Save as stated else where in the Prospectus, the Company has not obtained any other expert opinion.

entail payment of interest at 15% per annum.

The subscription received in respect of Public Issue will be kept in a separate bank account and the Company shall not have access to such funds unless approvals from all the Stock Exchanges, where listing has been proposed and approval of The Stock Exchange, Mumbai for allotment has been obtained.

No separate receipt will be issued for the application money. However, the nominated branches of the Bankers to the Issue or the Collection centres receiving the application form will acknowledge receipt of application by stamping and returning the acknowledgement slip given at the foot of each application form.

PROCEDURE AND TIME SCHEDULE FOR ALLOTMENT/ REFUND

Allotment will be on a proportionate basis and made in consultation with the Stock Exchange, Mumbai which is the Regional Stock Exchange.

The Company, shall, as far as possible, complete allotment of shares offered to the public within 30 days of the closure of the Issue. If allotment is not made and/or the refund orders have not been despatched to the investors within 30 days from the date of closure of the Issue, the Company will pay interest @ 15% per annum for any delay beyond 30 days till the date of allotment/despatch of refund orders. The Company will despatch refund orders in excess of Rs.1500/-, by Registered Post/Speed Post at the applicant's sole risk. Refund orders up

to Rs.1500/- will be sent under certificate of posting. The Company will provide adequate funds to the Registrars to the Issue for this purpose. The Company shall despatch the Letter(s) of Allotment/ Letter(s) of Regret/ Cancelled Stockinvests/ Share Certificates by Registered Post within 10 weeks of closure of subscription list.

In case of joint applications, refund/pay orders, if any, will be made out in the first name and all communications will be addressed to the person whose name appears first in the application form.

ALLOTMENT/REFUND IN CASE OF APPLICATIONS MADE BY STOCKINVEST

The procedure for disposal of Applications made in cash/cheques/Stockinvests/Bank drafts will apply, mutatis mutandis, except the following:

In case of non-allotment, the Registrars to the Issue shall return the Stockinvest directly to the investors.

On allotment/partial allotment, Registrars to the Issue shall fill in the amount, which would be less than or equal to the amount filled in by the investor before presenting the Stockinvest to the respective issuing Bank for payment to the extent of allotment.

The Registrars to the Issue, pursuant to a resolution of the Board of the Company, dated August 1, 2000 have been authorised to sign on behalf of the Company for realising the proceeds of Stockinvest of the allottees from the issuing Bank or to cancel the Stockinvests of the non/partial allottees. The Registrars shall return the cancelled instruments with non-allotment advice to the investors directly by registered post within 10 weeks of the date of closing of the subscription lists.

Multiple applications received with a single Stockinvest are liable to be rejected.

OVERSUBSCRIPTION AND BASIS OF ALLOTMENT

In the event of the present issue of equity shares being oversubscribed, the allotment will be made on a proportionate basis and the basis of allotment will be finalised in consultation with the Stock Exchange, Mumbai (Regional).

The allotment shall be on proportionate basis under the net public offer category, subject to allotment of Shares in marketable lots, and the basis of allotment would be arrived at as explained below:

1. Applicants will be categorised according to the number of shares applied for.
2. The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category x number of shares applied for) multiplied by the inverse of the oversubscription ratio.
3. Number of shares to be allotted to the successful allottees will be arrived at on a proportionate basis i.e. total number of shares applied for by each applicant in that category

multiplied by the inverse of the oversubscription ratio.

4. In all the applications where the proportionate allotment works out to less than 50 shares per applicant, the allotment shall be made as follows:
 - a. Each successful applicant shall be allotted a minimum of 50 shares.
 - b. The successful applicant out of the total applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per 2 above.
 - c. If the proportionate allotment to an applicant works out to a number that is more than 50 but is not a multiple of 50 would be rounded off to the higher multiple of 50 if that number is 25 or higher. If that number is lower than 25, it would be rounded off to the lower multiple of 50. All applicants in such categories would be allotted shares arrived at after such rounding off.
 - d. If the shares allocated on a proportionate basis to any category are more than the shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for minimum number of shares.
5. A minimum 50% of the net offer of equity shares to the public will be made available for allotment in favour of those individual applicants who have applied 500 shares or less. This percentage may be increased in consultation with the Stock Exchange, Mumbai depending on the extent of response to the Issue from investors in this category. The balance of the net offer of equity shares to the public shall be made available for allotment to investors, including Corporate Bodies, Institutions and individual applicants who apply for more than 500 shares. The unsubscribed portion of the net offer to any one of the above two categories shall be made available to the applicants in the other category, if so required and allotment made on a proportionate basis as per the relevant SEBI guidelines.
6. In the event of oversubscription, in the process of rounding off, to ensure allotment in marketable lots, the Company may make such adjustments in the basis of allotment as may be necessary in consultation with the SEBI/ the Regional Stock Exchange (Mumbai), so as to allot additional equity shares upto a maximum of 10% of net public offer.

INTEREST ON EXCESS APPLICATION MONEY

Payment of interest at the rate of 15% per annum on the excess application money, after adjusting the amount due on allotment will be made to the applicants, if the refund orders are not

despatched within 30 days from the date of closure of the subscription list as per the Guidelines issued by the Government of India, Ministry of Finance vide their letter No.F-8/6/SE/79 dated July 21, 1983 and as amended vide their letter No. F/14/SE/85 dated September 27, 1985 addressed to the Stock Exchanges and as further modified by SEBI's circular SMD/RCG/33/1819/96 dated May 15, 1996.

SHARE CERTIFICATES

Share Certificates will be issued in market lots of 50 shares of Face Value of Rs. 5 each and despatched through Registered Post within 90 days from the date of allotment in exchange for allotment letters issued, if any.

Investors who opt for shares in electronic mode will be intimated regarding allotment of shares and their respective accounts with their Depository Participants (DPs) will be credited.

INVESTOR GRIEVANCE REDRESSAL SYSTEM

To ensure that the Investor grievances are handled expeditiously and satisfactorily the Company has appointed a Compliance Officer.

The agreement between the Company and the Registrars to the Issue provides for the retention of issue records with the Registrars for a period of at least six months from the last date of dispatch of Letters of Allotment/ Share Certificates/ Refund Orders to enable the investors to approach the Registrars i.e Intime Spectrum Registry Private Limited, 260, Shanti Industrial Estate, Sarojani Naidu Road, Mulund (W), Mumbai 400 080, in case of queries/ complaints for redressal of their complaints.

Compliance Officer

Shri Anil G Bhosekar

Company Secretary
Adlabs Films Limited
Film city complex,
Goregaon (East), Mumbai-400 065
Tel.: (022) 842 33 33
Fax: (022) 842 22 11
E-mail: adlabs@bom3.vsnl.net.in

ISSUE MANAGEMENT TEAM

LEAD MANAGERS TO THE ISSUE



SBI Capital Markets Ltd.

202, Maker Tower 'E', Cuffe Parade
Mumbai - 400 005
Tel.: (022) 218 9166
Fax: (022) 218 8332
Email: cmg@sbicaps.com



Centrum Finance Ltd.

Bombay Mutual Building
2nd Floor, Dr. D.N. Road
Mumbai - 400 001
Tel.: (022) 266 2434
Fax: (022) 266 3458
Email: cfliibd@bol.net.in

REGISTRAR TO THE ISSUE

Intime Spectrum Registry Private Limited

260, Shanti Industrial Estate,
Sarojani Naidu Road,
Mulund (W), Mumbai 400 080
Tel: (022) 5647731, 5672716, 5684580
Fax: (022) 5672693
Email: isrl@vsnl.com

AUDITORS

M/s H.O. Agarwal & Co.

E-1, Everest, 6th Floor
M.M. Malviya Marg, Tardeo
Mumbai 400 034
Tel.: (022) 4941720, 4946784

LEGAL ADVISORS TO THE ISSUE

M/s Udwadia, Udeshi & Berjis

Solicitors and Advocates
Thomas Cook Building,
324 D. N. Road Fort, Mumbai 400 001
Tel.: (022) 288 3345
Fax: (022) 287 1437
Email: uub@justicemail.com

COMPLIANCE OFFICER

Shri Anil G. Bhosekar

Company Secretary
Adlabs Films Limited
Film city complex, Goregaon (East), Mumbai-400 065
Tel.: (022) 842 33 33
Fax: (022) 842 22 11
E-mail: adlabs@bom3.vsnl.net.in

BANKERS TO THE COMPANY

Bank of Baroda

Chakala Branch, Sattam Industrial Estate
Cardinal Gracias Road, Andheri East
Mumbai 400 099
Tel: (022) 835 3472, 832 6375
Fax: (022) 821 3379
Gram: CHAKRANSOM

BANKERS TO THE ISSUE

State Bank of India
SBI Commercial and International Bank Limited
CITIBANK NA
Bank of Punjab Ltd.
ICICI Bank Ltd.

BROKERS TO THE ISSUE

All Brokers who are members of recognised Stock Exchanges can act as Brokers to the Issue.

FINANCIAL INFORMATION

Auditors report

The Board of Directors
Adlabs Films Limited
35/38, Suren Road,
Andheri (East),
Mumbai 400093

Dear Sirs,

We have reviewed the financial information prepared by the Company as required by Part II of Schedule II to the Companies Act, 1956 and as per the Guidelines issued by the Securities and Exchange Board of India (Disclosures and Investor Protection Guidelines 2000) and is contained in Annexures I to V of this report, which is proposed to be included in the Prospectus of the Company prepared in connection with the proposed Public Issue.

1. We have examined the financial statements of Adlabs Films Limited, Mumbai for the five years, ended on 31st March 1996, 1997, 1998, 1999, 2000 and Quarter Ended 30th June 2000 being the last date up to which the accounts of the Company have been made up are enclosed in Annexure I: Statement of Assets and Liabilities and Annexure II: Statement of Profits and Losses respectively and are to confirm that:
 - Annexure I and II have been prepared in accordance with the Clause 2 of Part II of Schedule II to the Act and paragraph 6.18.2 of Chapter VI of the SEBI Guidelines.
2. We have audited the financial statements of the Company for the periods ended 31st March 1996, 1997 & 1998 as a partner of M/s. S. J. Rajadhyaksha & Co. and for the periods ended 31st March, 1999, 2000 and Quarter Ended 30th June 2000 as proprietor of M/s. H. O. Agarwal & Co. We have relied upon such audited financial statements in preparing this report.
3. There have been no significant changes in the accounting policies adopted by the Company. The Significant Accounting Policies and Notes to Accounts forming part of the audited financial statements for the period ended 30th June 2000 are attached in Annexure III.
4. Accounting Ratios relating to Earning Per Share, Return on Net Worth and Net Asset Value per share are given in Annexure IV.
5. Dividend declared by the Company is given in Annexure V.

In our opinion, the "Financial Information based on audited financial statements" mentioned above are in accordance with the Accounting Standards of the Institute of Chartered Accountants of India (ICAI), the relevant requirements of Part II of Schedule II of the Company Act, 1956 and the Guidelines issued by SEBI and that the Financial Statements present a true & fair view of the Company accounts.

For H. O. Agarwal & Co.
Chartered Accountants

H.O. Agarwal
(Proprietor)

Date: October 27, 2000.

Place: Mumbai

PART I: STATEMENT OF PROFITS

The profits of the company for the years ended 31st March 1995, 1996, 1997, 1998 1999 & 2000 are set out below. These profits have been arrived at after charging all expenses of operation and management including depreciation and after making such adjustments and regroupings as in our opinion are appropriate subject to the notes appearing hereinafter were as follows.

(Rs. In lacs)

Particulars For the period ended	31/3/1996	31/3/1997	31/3/1998	31/3/1999	31/3/2000	30/06/2000
Income						
a. Sales	775.20	826.60	861.42	1193.50	1737.18	616.28
b. Traded goods	947.07	1377.99	1544.08	1745.11	1810.73	520.30
c. Other income	62.83	85.16	87.67	101.35	135.36	29.51
Total Income	1785.10	2289.75	2493.17	3039.96	3683.27	1166.09
Less:						
Expenses						
Raw Materials Purchased	914.40	1360.47	1518.49	1693.59	1727.09	506.39
Inventory Adjustment	-1.35	-9.54	-2.06	-2.63	-2.03	3.15
Manufacturing Expenses	467.29	507.46	424.19	452.62	742.09	193.51
Administrative Expenses	114.28	136.78	178.35	243.68	248.24	59.48
Depreciation	38.18	40.48	34.14	100.63	103.22	23.31
Misc. Expenses Written- Off	0.00	0.00	0.00	0.00	16.89	0.00
Total Expenses	1532.80	2035.65	2153.11	2487.89	2835.50	785.94
Profit Before Tax	252.30	254.10	340.06	552.07	847.77	380.25
Taxation	117.00	107.00	120.00	195.00	330.00	146.50
Profit After Tax	135.30	147.10	220.06	357.07	517.77	233.75
Proposed Interim Dividend	0.00	0.00	0.00	0.00	-299.26	0.00
Dividend Tax	0.00	0.00	0.00	0.00	-32.92	0.00
Transfer To Reserve	-130.00	-140.00	-200.00	-350.00	-180.00	0.00
Retained Profit	5.30	7.10	20.06	7.07	5.59	233.75
Balance Brought Forward	7.65	12.96	20.06	40.13	47.20	52.79
Surplus Carried to Balance Sheet	12.95	20.06	40.12	47.20	52.79	286.54

PART II. STATEMENT OF ASSETS AND LIABILITIES

(Rs in lacs)

Particulars As on	31/3/1996	31/3/1997	31/3/1998	31/3/1999	31/3/2000	30/06/2000
Fixed Assets						
Gross Block	290.08	300.13	296.64	882.27	964.62	970.87
Depreciation	-95.88	-134.80	-166.40	-266.03	-364.62	-387.92
Net Block (A)	194.20	165.33	130.24	616.24	600.00	582.95
Investments (B)	178.13	364.86	453.39	0.00	1174.63	1487.11
Current Assets, Loans & Advances						
Inventories	25.62	35.16	37.23	39.86	41.89	38.74
Sundry Debtors	586.63	1155.39	1170.05	1021.89	1263.69	1498.00
Cash And Bank Balances	23.94	0.23	155.70	157.04	446.64	316.09
Other Current Assets	390.10	486.58	546.26	1001.01	971.98	1034.85
Loans And Advances	133.20	111.47	50.40	498.07	354.54	393.04
Sub Total (i)	1159.49	1788.83	1959.64	2717.87	3078.74	3280.72
Less: Current Liabilities						
Liabilities	821.31	1329.39	1213.56	1477.31	1752.77	2039.71
Provisions	298.60	405.60	525.60	645.60	1307.78	1122.10
Sub Total (ii)	1119.91	1734.99	1739.16	2122.91	3060.55	3161.71
Net Current Assets (C) (i-ii)	39.58	53.84	220.48	594.96	18.19	119.01
Total Assets (A+B+C)	411.91	584.03	804.11	1211.20	1792.82	2189.07
Loans						
I) Secured	0.00	0.00	0.00	0.00	0.00	0.00
II) Unsecured	50.00	75.00	75.00	125.00	521.00	683.50
Total Loan Funds (D)	50.00	75.00	75.00	125.00	521.00	683.50
Total Net Assets (A+B+C-D)	361.91	509.03	729.11	1086.20	1271.82	1505.57
Represented By:						
Equity Share Capital	5.00	5.00	5.00	5.00	855.03	855.03
Reserve and Surplus	356.96	504.06	724.12	1081.20	416.79	650.54
Net Worth	361.96	509.06	729.12	1086.20	1271.82	1505.57
Less: Miscellaneous Expenditure	0.05	0.03	0.01	0.00	0.00	0.00
Total	361.91	509.03	729.11	1086.20	1271.82	1505.57

ANNEXURE III : SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention on an accrual basis and are in accordance with the requirements of the Companies Act, 1956.

(b) FIXED ASSETS

All Fixed assets are stated at cost of acquisition or construction inclusive of incidental expenses related to acquisition less accumulated depreciation.

(c) DEPRECIATION

Depreciation on Fixed Assets has been provided using the "Written Down Value" method at the rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956. Depreciation on addition to Fixed Assets are provided on pro-rata basis.

(d) INVENTORIES

Raw materials are valued at cost, determined on the basis of FIFO method. As the Company is billing for the work done, there is no work in progress at the end of the year. Stores and spares, as and when purchased, are treated as consumed.

(e) FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in Foreign Currency are normally recorded at the exchange rate prevailing at the time of transactions.

(f) TAXATION

Provision for Taxation is made in accordance with the provisions of Income Tax Act, 1961.

(g) RETIREMENT BENEFITS OF EMPLOYEES

No provision towards present liability for the payment of Gratuity to employees under the Payment of Gratuity Act, 1972 has been made in the accounts as the same will be charged in the year of payment.

2. CONTINGENT LIABILITIES:

(a) In respect of letter of credit issued to IMAX Corporation and Guaranteed by the Company's Bankers for Rs. 539 Lacs as at 30.06.2000.

(b) Estimated amount of contracts remaining to be executed on capital account and not provided for net of Advances Rs. 1375 Lacs as at 30.06.2000.

(c) The Block Assessment proceedings of the Company for the period from 01.04.1988 to 14.05.1998 on account of search operation carried out by the Income Tax Authorities in May 1998 has been finalised on 30.06.2000 and a demand of Rs. 194.47 lacs has been

made against the Company. Out of this, a sum of Rs. 2.30 lacs paid by the Company has not been given credit by the Income Tax Authorities. The Company has filed Appeal against the said Assessment Order before the Income Tax Authorities.

3. Additional information pursuant to the provisions of paragraphs 3, 4C and 4B of part II of Schedule VI to the Companies Act, 1956

: For the Quarter ended 30.06.2000

a)	(Rs. in lacs)
Turnover- Processing	616.28
Turnover-Traded Goods	520.30

b) Expenditure in Foreign Currency

On capital Goods and Technical know-how for IMAX DOME PROJECT- NIL.

c) Earnings in Foreign Exchange – NIL.

4. The Company is processing the cinematographic films supplied to them by the producers for which according to the management no savings of the films have been made during the year and hence not accounted for.

5. Stock of chemicals/rolls has been certified by a Director of the Company.

6. The Investment in IMAX DOME Project shown in the Balance Sheet represents the amount of Capital work in progress for IMAX DOME Project. This includes all direct expenditure incurred in connection with the acquisition of fixed assets and also the advances paid thereof.

7. The Company does not have any practice to call for confirmation of balances in personal accounts. Hence the balances under the heads of loans, advances, sundry debtors, sundry creditors, personal accounts and deposits are subject to confirmation and reconciliation, if any. Hence, debit and credit balances are taken as per books of accounts.

8. Income tax assessments of the Company have been completed upto A.Y. 1997-98 corresponding to the previous year ended 31.03.1997. There are certain additions made in various assessments for which appeals are pending at the first Appeal stage and the Tribunal stage including the appeals decided in favour of the Company wherein the Department is in further appeal. The Directors are of the opinion that no further provision is required for these pending matters at this stage.

9. The Insurance Charges includes Rs. 2.41 lacs are in respect of the key person policy taken by the Company of the Directors Mr. M. R. Shetty and Mr. V. A. Mamania.

10. In the Extra Ordinary General Meeting held on 1st August, 2000, the shareholders have authorised sub division of each of the existing fully paid up share of Rs. 10 into two fully paid up shares of par value Rs. 5 per share.

PART III. ACCOUNTING RATIOS

Period ended	31/03/1996	31/03/1997	31/03/1998	31/03/1999	31/03/2000	30/06/2000**
EPS*	135.30	147.10	220.06	357.07	3.03	1.37
Net Asset Value *	361.91	509.03	729.11	1086.20	7.44	8.81
Return on Net Worth (%)	37.38	28.90	30.18	32.87	40.71	15.53

* Note:

- Based on face value of Rs. 5/- per share.
- EPS for the year ending 31st March 2000 is adjusted for the bonus share in the ratio of 170:1 and further issue of 300 shares.

** For the quarter ended June 30, 2000 & ratios are not annualised.

Earning per share = (Net profit after Tax before extraordinary items)/(No. of Equity Shares)

Net Asset Value = (Total Net Assets)/(No. of Equity Shares)

Return on Net worth = (Net profit after tax) / (Net worth)

PART IV: DIVIDEND

Year ended as on	Paid-up capital (Rs. in lacs)	Rate (%)	Amount (Rs. in lacs)
March 31, 1995	5.00	Nil	Nil
March 31, 1996	5.00	Nil	Nil
March 31, 1997	5.00	Nil	Nil
March 31, 1998	5.00	Nil	Nil
March 31, 1999	5.00	Nil	Nil
March 31, 2000	855.03	35%	299.26

STATEMENT OF TAXATION

(Rs. In lacs)

Year ended March 31	1996	1997	1998	1999	2000
Tax Rate (%)	46	46	35	35	38.5
Net Profit Before Tax & Extraordinary items	252.30	254.11	340.06	552.07	847.77
Tax at Notional Rate	116.06	109.27	119.02	193.23	326.39
Export Profit	-	-	-	-	-
Dividend Income Ex- U/S 10 (33)	-	-	-	-	-
Diff. in Tax & book depreciation	(11.10)	(1.84)	1.26	(33.69)	(1.64)
Other Adjustments	2.99	1.88	2.65	0.56	11.14
Net Adjustment	(8.11)	0.04	3.91	(33.13)	9.50
Tax Saving on Difference	3.73	0.02	1.37	11.60	3.66
Total Taxation	112.33	109.29	120.39	181.63	330.05
Tax on Profit Before Extraordinary items	112.33	109.29	120.39	181.63	330.05

CAPITALISATION STATEMENT

(as at June 30, 2000)

(Rs. in Lacs)

	Pre Issue (As on June 30 2000)	As Adjusted for the Issue price
DEBT		
Short Term Debt	-	-
Long Term Debt	683.50	683.50
Total Debt	683.50	683.50
SHAREHOLDERS FUNDS		
Share Capital	855.03	1075.03
Reserves & Surplus	650.54	5710.54
Total Shareholders Funds	1505.57	6785.57
Debt Equity Ratio	0.45:1	0.10:1

STATUTORY AND OTHER INFORMATION

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the issue amount, till the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawal of applications, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to refund the amount (i.e. a delay beyond 78 days), in refund of such subscription, the Company shall pay interest as per Section 73 of the Companies Act, 1956 for the delayed period.

Expenses of the Issue

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the Lead Managers to the Issue, Co-Managers to the Issue, Advisor to the Issue, Legal Advisor, Auditors, reimbursement of expenses to the Registrars, stamp duty, printing, advertising and distribution expenses, listing fees and other expenses are estimated to be Rs. 500 lacs and will be met out of the proceeds of the Issue.

Fees payable to the Lead Managers to the issue

The total fee payable to the Lead Managers to the Issue is 1% of the Issue size. The documents are kept open for inspection at the Registered Office of the Company.

Fees payable to the Registrars to the issue

Processing charges: Rs. 1.65 per allottee

Processing charges: Rs. 1.30 per non-allottee

Additional processing charges for stockinvest cases: Rs. 3.00 per application

Other charges	Allottees (Rs.)	Non-allottees (Rs.)
Overprinting of certificate	0.20	Nil
Overprinting of allotment advice/refund orders	0.25	0.25
Specimen signature card	0.20	Nil
Printing of bulk register for despatch of articles	0.15	0.15
Printing of Alpha Index	0.15	0.15
Printing of allotment register	0.25	Nil
Data entry charges	0.65	0.65

The charges are subject to a minimum of Rs.70,000.

Allotment in demat mode will be charged @ Rs. 9,000/- per depository, separately.

Copies of the relevant document are kept open for inspection at the Registered Office of the Company.

Brokerage

Brokerage @ 1.5% of the Issue price of the shares will be paid by the Company on the basis of allotments made against applications bearing the stamp of a member of any recognised Stock Exchange in India in the brokers/agents column. Brokerage at the same rate will also be payable to Bankers to the issue in respect of allotments made against applications procured by them provided the relative application form(s) bear the respective stamps in the brokers/agents column.

In case of tampering or over stamping of broker 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 the matter.

PREVIOUS ISSUES BY THE COMPANY

The Company has not issued shares to the public in the past.

ISSUES FOR CONSIDERATION OTHER THAN FOR CASH

The Company made a Bonus issue by capitalisation of Free Reserves in the FY 1999-2000, on 1st December 1999. The Bonus issue was made in the ratio of 170:1 i.e. 170 shares issued for every one share held. The details of share capital pre and post issue are as under.

Pre-Bonus Issue share capital	Rs. 5.00 lacs
Post-Bonus Issue share capital	Rs. 855.00 lacs*

* The present pre-issue capital of the Company stands at Rs. 855.03 lacs, which includes 300 shares allotted to various members on 2nd December 1999.

The Bonus issue was authorised by a special resolution in the General Meeting of the Shareholders held on 1st November 1999 and by a resolution passed in the meeting of the Board of Directors on 1st November 1999.

PREVIOUS COMMISSION AND BROKERAGE

No sum has been paid or is payable as commission or brokerage for subscribing to or agreeing to subscribe to or procuring or agreeing to procure subscription for any of the shares of the Company since its incorporation.

OPTIONS TO SUBSCRIBE

Save as otherwise stated in this Prospectus, the Company has not given any person nor does it propose to give any person any option to subscribe to the shares of the Company. The Investor shall have the option either to receive the Shares in dematerialised form or in physical form.

TERMS OF APPOINTMENT OF CHAIRMAN AND MANAGING DIRECTOR

Subject to the provisions of various Sections of the Companies Act, 1956, Mr. Manmohan Shetty was appointed as Chairman & Managing Director of the Company for a further period of 5 years effective from 1st August 2000 through a Resolution passed at the Extraordinary General Meeting held on 1st August 2000.

The terms of appointment include:

Salary of Rs. 1,50,000 per month with suitable periodical increments as the Board will decide

Perquisites as may be allowed in addition to the salary, which may fall within the limits fixed by Section II of Part II of Schedule XIII to the Companies Act, 1956. Perquisites shall include Medical Reimbursement, LTA for self and family, Club fees etc. not exceeding Rs 50,000 per month.

TERMS OF APPOINTMENT OF WHOLETIME DIRECTOR

Subject to the provisions of various Sections of the Companies Act, 1956, Mr. Vasanji Mamania was appointed as a Whole time Director of the Company for a further period of 5 years effective from 1st August 2000 through a Resolution passed at the Extraordinary General Meeting held on 1st August 2000.

The terms of appointment include:

Salary of Rs. 1,50,000 per month with suitable periodical increments as the Board will decide

Perquisites as may be allowed in addition to the salary, which may fall within the limits fixed by Section II of Part II of Schedule XIII to the Companies Act, 1956. Perquisites shall include Medical Reimbursement, LTA for self and family, Club fees etc. not exceeding Rs 50,000 per month.

TERMS OF APPOINTMENT OF WHOLETIME DIRECTOR

Subject to the provisions of various Sections of the Companies Act, 1956, Ms. Pooja Shetty was appointed as Whole Time Director of the Company for a further period of 2 years effective from August 1, 2000 through a Resolution passed at the Board Meeting held on August 1, 2000.

The terms of appointment include:

Salary of Rs. 20,000 per month with suitable periodical increments as the Board will decide.

Perquisites as may be allowed in addition to the salary, which may fall within the limits fixed by Section II of Part II of Schedule XIII to the Companies Act, 1956. Perquisites shall include Medical Reimbursement, LTA for self and family, Club fees etc. not exceeding Rs 5,000 per month.

PAYMENT OR BENEFIT TO THE DIRECTORS AND OFFICERS OF THE COMPANY

No amount or benefit has been paid or given or is intended to be paid or given to any Director or Officer of the Company except their normal remuneration and/or reimbursement for the services rendered to the Company to which they are entitled to or may become entitled to under the provisions of the Companies Act, 1956 or otherwise in accordance with the Law.

NATURE AND INTEREST OF PROMOTERS AND DIRECTORS

1. One of the Directors of the Company, Shri Vasanji Mamania (who is one of the two original Promoter-Directors) has been given a special power of attorney for developing the IMAX® Dome theatre and Multiplex theatre at the project site. The details of the same are as follows.

The Land has not yet been registered in the name of the Company. The Company has obtained Development Rights as a result of Special Power of Attorney executed by a party who also is a Power of Attorney holder of the original landowner. (Please refer to the para titled 'LAND' elsewhere in the prospectus)

This power of attorney has been granted in favour of Shri Vasanji Mamania, who is one of the original promoters of the Company. Shri Vasanji Mamania has given an irrevocable undertaking that the Land shall be transferred in the name of the Company, without any claim or demand from him, once the legal formalities and documentation related to the transfer of the said land are over.

A sum of Rs.25,00,000 has already been incurred for the above Power of Attorney granting developmental rights to the Company. The above payment has been made by the Company.

2. The Company has given a loan of Rs. 15.00 lacs to the Promoter group including Rs. 5.00 lacs to one of its directors (Mr. Ashish Mamania).
3. The Company has given loans of Rs. 88.30 lacs to its affiliate concerns, including Rs. 83.00 lacs to M/s Adlabs and Rs. 5.30 lacs to M/s Adlabs Films Laboratories Pvt. Limited.

Mr. Bergis Desai is a partner in the firm of M/s Udawadia, Udeshi & Berjis, Legal Advisors to the issue, and is interested in the fees payable by the Company to the Legal Advisors.

Except as mentioned above, the Directors of the Company are not interested in the appointment of or acting as Underwriters, Registrars and Bankers to the Issue or any such intermediary registered with SEBI.

The Directors of the Company are interested to the extent of shares held by them and/ or by their friends and relatives or which may be subscribed by them and/ or allotted to them by the Company.

The Directors of the Company are interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee and reimbursement of travelling and other incidental expenses, if any, for such attendance as per the Articles of Association of the Company.

Save as stated above, no amount or benefit has been paid or given to the Company's Directors or Officers since its incorporation nor is intended to be paid or given to any Directors or Officers of the Company except the normal remuneration and/or disbursement for services as Directors, Officers or Employees of the Company.

PURCHASE OF PROPERTY

There is no property which the Company has purchased or acquired or proposes to purchase or acquire, which is to be paid for, wholly or partly, out of the proceeds of the present Issue or the purchase or acquisition of which has not been

completed on the date of issue of this Prospectus, other than the property:

- (a) the contracts for purchases or acquisition whereof were entered into, or may be entered into, in the ordinary course of business, such contracts not being made in contemplation of the Issue or in consequence of the contract; or
- (b) in respect of which the amount of the purchase money is not material.

The Company is building the IMAX® Dome Theatre and the Multiplex Theatre on a piece of land measuring 9040 sq. meters at Wadala in the city of Mumbai in the state of Maharashtra. The aforesaid piece of land is referred to, in the agreements thereof, as Survey No 173/1, CTS No. 1 (Pt.) Village Anik in the city of Mumbai of Maharashtra. The consideration to be paid for above land is Rs. 200 lacs. This amount of Rs. 200 lacs for the acquisition of above land shall be met from the proceeds of the issue.

The Land has not yet been registered in the name of the Company. The Company has obtained Development Rights as a result of Special Power of Attorney executed by a party who also is a Power of Attorney holder of the original landowner.

This power of attorney has been granted in favour of Shri Vasanji Mamania, who is one of the original promoters of the Company. Shri Vasanji Mamania has given an irrevocable undertaking that the Land shall be transferred in the name of the Company, without any claim or demand from him, once the legal formalities and documentation related to the transfer of the said land are over.

A sum of Rs. 25,00,000 has already been incurred for the above Power of Attorney granting developmental rights to the Company. The stamp duty amounting to Rs. 15,43,000 has also been paid by the Company. The above payments have been made by the Company.

Except as mentioned above, the Company has not purchased any property in which any of its Directors had or have any direct or indirect interest or in respect of any payment thereof.

The Company has no plans, at present, to acquire any running business out of the proceeds of the Issue.

CAPITALISATION OF RESERVES OR PROFITS

The Company did a Bonus Issue out of free reserves in FY 1999-2000. The Bonus issue was authorised by a special resolution in the General Meeting of the Shareholders held on November 1 2000. The details of the issue are as furnished in the following table.

Capital before Bonus Issue	Rs. 5.00 lacs
Capital after Bonus Issue	Rs. 855.00 lacs

REVALUATION OF ASSETS

The Company has not revalued its assets.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

CAPITAL

3. The Authorised Share Capital of the Company is Rs.12,00,00,000/- (Rupees Twelve Crores) divided into 2,40,00,000 (Two Crore forty lacs) Equity Shares of Rs.5/- (Rupees Five) each.
4. Such shares of the authorized capital to carry such rights, privileges and conditions attached thereto as are provided by the regulations of the Company for the time being and with the power to increase and reduce the Share Capital of the Company and to divide the Shares in the Capital for the time being into several classes and to attach thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company. The rights of the preference shares shall be determined at the time of issue thereof.

Increase of Capital by the Company at how carried into effect

5. The Company may in General Meeting, from time to time by ordinary resolution, increase its capital by creation of new shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new shares shall be issued upon such terms and conditions with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Sections 87 and 88 of Act, Whenever the Capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

New Capital same as existing capital

6. Except in so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares, shall be considered as part of the existing capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

Further Issue of Capital

8. (a) The Company shall have right to issue further shares in accordance with the provision of Section 81 of the Act.

Sub-division, consolidation and cancellation of Shares

- (b) Subject to the provisions of Section 94 and other applicable provisions of the Act, the company in General Meeting may, from time to time, sub-divide or

consolidate its shares or any of them and the resolution where by any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have same preference or special advantage as regards dividend, capital or otherwise over or as compared with the others or other subject as aforesaid, the company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Modification of rights

9. Wherever the capital, by reason of the issue of the preference shares or otherwise is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders, of not less than three-fourth of the issued capital of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class and all the provisions hereinafter contained as to general meeting shall mutatis mutandis apply to every such meeting. This Article is not to derogate from any power the Company would have if this Article was omitted.

The rights conferred upon the holders of the shares (including preference shares if any) of any class issued with preferred or other rights or privileges shall unless otherwise expressly provided by the terms of the issue of shares of that class, be deemed not to be modified, commuted, affected, abrogated dealt with or varied by the creation of issue of further shares ranking pari passu therewith.

Directors may make call

28. (a) Subject to the provisions of Section 91 of the Act the Board of Directors may, from time to time by a Resolution passed at a meeting of a Board (and not be a circular resolution) make such calls as it think fit upon the members in respect of all moneys unpaid on the shares whether on account of the nominal value of the shares or by way of premium, held by them respectively and not be conditions of allotment thereof made payable at fixed time and each member shall pay the amount of every calls so made payable at fixed time and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by instalments. A call may be postponed or revoked as the Board may determine.

(b) Liability of joint-holders

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

Notice or calls

29. Not less than thirty days notice in writing of any calls shall be given by the Company specifying the time and place of payment and the person or persons to whom such calls shall be paid.

When call deemed to have been made

30. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board of Directors and may be made payable by the members on such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Board of Directors.

Directors may extend time

31. The Board of Directors may, from time to time as its discretion, extend the time fixed for the payment of any call and may extend such time to call on any of members the Board of Directors may deem fairly entitled to such extension, but no member shall be entitled to such extension as of right except as a matter of grace and favour.

Amount payable at fixed time or by instalments to be treated as calls

32. If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by instalments at fixed time (whether on account of the amount of the share or by way of premium) every such amount or instalment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall apply to such amount or instalment accordingly.

When interest on call or instalment payable

33. 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 or allottee of the share in respect of which the call shall have been made or the instalment shall be due, shall pay interest on the same at such rate not exceeding eighteen per cent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Director may waive payment of such interest wholly or in part.

Evidence in action by Company against shareholders

34. On the trial or hearing of any action or suit brought by the Company against any member or his legal representative for the recovery of any moneys claimed to be due to the Company in respect of his shares it shall be sufficient to prove that the name of the members in respect of whose shares the money is sought to be recovered and entered on the register of member as the holder or as one of the holders at or subsequent to the date at which in money sought to be recovered is alleged to have become due on the shares in respect of which the money is sought to be recovered that the resolution making the call is duly recorded in the minute book and the notice of such call

was duly given to the member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, not that a quorum of Directors was present at the Board at which any call was made not that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Payment in anticipation of calls may carry interest

35. The Board of Directors may, if it thinks fit, agree to and receive from any member willing to advance the same all or any part of the amount due upon the shares held by him beyond the sums actually called for and upon the moneys so paid up in advance or so much thereof, from time to time and at any time thereafter as exceeds the amount of the calls then made upon and in respect of its shares on accounts of which such advances are made, the Board of Directors may pay or allow interest at such rate not exceeding, unless the Company in General Meeting shall otherwise direct, fifteen percent per annum as the members paying the sum in advance and the Board of Directors agree upon. The Board of Directors may agree to repay at any time any amount so advanced or may at any time repay the same upon giving to such members three months notice in writing, Money so paid in advance of the amount of calls shall not confer a right to participate in profit or dividend.

No member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.

LIEN

Partial payment not to preclude forfeiture

36. Neither the receipt by the company of a portion of any money which shall, from time to time, be due from any member to the company in respect of his shares, either by way of principal or interest or any indulgence granted by the company in respect of the payment of such money, shall preclude the company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

Company to have lien on shares

37. The Company shall have a first and paramount lien upon all shares (other than fully paid up shares registered in the name of each member whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not), called or payable at a fixed time in respect of such shares and no equitable interests in any share shall be created except upon the footing and condition that this Article is to have full legal effect. Any such lien shall extend to all dividends from time to time declared in respect of shares, PROVIDED THAT the Board of Directors may, at any time, declare any share to be wholly or in part exempt from the provision of this Article.

As to enforcing lien by sale

38. The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien for the purpose of enforcing the same PROVIDED THAT no sale shall be made :

- (a) Unless a sum in respect of which the lien exists is presently payable or
- (b) Until the expiration of fourteen days after a notice in writing starting and demanding payment of such part of the amount in respect of which the lien exists as is presently payable has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

For the purposes of such sale, the Board may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their members to execute a transfer thereof on behalf of and in the name of such members.

- (c) The purchaser shall not be bound to see the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

Application of proceeds of sale

39. (a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable ; and
- (b) The residue, if any, after adjusting costs and expenses, if any, incurred shall be paid to the person entitled to the shares at the date of the sale (subject to a like lien for sums not presently payable existed on the shares before the sale).

FORFEITURE OF SHARES**If money payable on share not paid notice to be given**

40. If any member fails to pay the whole or any part of any call or any instalment of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for instalment remains unpaid, give notice to his requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Sum payable on allotment to be deemed a call

41. For the purposes of the provisions of these presents relating to forfeiture of shares the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such share on the day of allotment.

Form of Notice

42. The notice shall name a day (not being less than one

month from the day of the notice) and a place or places on and at which such call or instalment and such interest thereon at such rate not exceeding eighteen per cent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, shares in respect of which the call was made or instalment is payable will be liable to be forfeited.

In default of payment shares to be forfeited

43. If the requirements of any such notice as aforesaid are not complied with any share or shares in respect of which such notice has been given may at any time thereafter before payment of all calls or instalments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited shares and not actually paid before the forfeiture.

Notice of forfeiture to a member

44. When any share shall have been so forfeited, notice of the forfeiture shall be given to the member in whole name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

Forfeited share to be the property of the Company and may be sold etc.

45. Any share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed off, either to the original holder or to any other person upon such terms and in such manner as the Board of Directors shall think fit.

Member still liable to pay money owing at the time of forfeiture and interest

46. Any member whose shares have been forfeited shall notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company on demand all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen per cent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.

Effect of forfeiture

47. The forfeiture of a share shall involve the extinction at the time of the forfeiture of all interest in and all claims and demand against the Company in respect of the share and all other rights incidental to the share, except only such to those rights as by these Articles are expressly saved.

Power to annual forfeiture

48. The Board of Directors may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed off, annul the forfeiture thereof upon such conditions as it thinks fit.

Declaration of forfeiture

49. (a) A duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or the Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.
- (b) The Company may receive the consideration, if any, given for the share on any sale, re-allotment or other disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed off.
- (c) The person to whom such share is sold, re-allotted or disposed off shall thereupon be registered as the holder of the share.
- (d) Any such purchaser or allotted shall not (unless by express agreement) be liable to pay any calls, amounts, instalments, interest and expenses owing to the Company prior to such purchase or allotment not shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the share before the time of completing such purchase or before such allotment.
- (e) Such purchaser or allotted shall not be bound to see to the application of the irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the shares.

Provisions of these Articles as to forfeiture to apply in case of non-payment of any sum

50. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any such which by the terms of issue of a share becomes payable at a fixed time, whether on account of the nominal value of a share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Cancellation of share certificate in respect of forfeited shares

51. Upon sale, re-allotment or other disposal, under the provisions of these Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or

persons entitled thereto.

Evidence of forfeiture

52. A declaration in writing that the declarant is a Director or Secretary of the company and that a share in the company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

Validity of sale

53. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register in respect of the shares sold and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money and after his name has been entered in the register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the company exclusively.

Surrender of Shares

54. The Directors may, subject to the provisions of the Act, accept a surrender of any share from any member desirous of surrendering on such terms and conditions as they think fit.

TRANSFER AND TRANSMISSION OF SHARES

55. The company shall keep a book to be called 'Register of Transfer' and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share held in material form.
56. In the case of transfer or transmission of shares or other marketable securities where the company has not issued any certificates and where such shares or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

Form of transfer

57. The instrument of transfer of any share shall be in the prescribed form under the Companies (Central Government) General Rules and Forms, 1956 and in accordance with the requirements of Section 108 of the Act.

No fees on transfer or transmission

58. No fee shall be charged for registration of transfer, Probate, Succession Certificate and Letters of Administration, Certificate of Death or Marriage, Power of Attorney or similar other documents.

Transfer to be presented with evidence of title

59. Every instrument of transfer shall be presented to the

Company duly stamped for registration accompanied by such evidence as the Board may required to prove the title of the transferor, his right to transfer the shares and generally under the subject to such conditions and regulations as the Board may, from time to time, prescribe and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board. In case of securities being dematerialised procedure at applicable to demat, to be follow.

The Company not liable for discharge of a notice prohibiting registration of a transfer

60. The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof as shown or appearing in the Register of Members to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless, be at liberty to regard and attend to any such notice and give effect thereto if the Board of Directors shall so think fit.

Nomination facility

61. (1) Every holder of shares in, or holder of debentures of, a company may, at any time nominate, in the prescribed manner, a person to whom his shares in, or debentures of, the company shall vest in the event of his death.
- (2) Where the shares in, or debentures of, a 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.
- (3) 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 on any person the right to vest the shares in or debentures of the company, the nominee shall, on the death of the share holder or holder of debentures of the company or, as the case may be, on the death of the joint holders become entitled to all the rights in the shares or debentures of the company or, as the case may be, all the joint holders, in relation to such shares in, or debentures of the company to the exclusion of all other

persons, unless the nomination is varied or cancelled in the prescribed manner.

- (4) Where the nominee is a minor, it shall be lawful for the holder of the shares or holder of debentures, to make the nomination to appoint in the prescribed manner any person to become entitled to shares in or debentures of the company, in the event of his death, during the minority.

Transmission of shares.

62. (1) Any person who becomes a nominee by virtue of the provisions of section 109A, upon the production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either
 - (a) to be registered himself as holder of the share of debenture, as the case may be ; or
 - (b) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.
- (2) The Board shall, in either case, have the same right to decline or suspend registration, as it would have had, if the deceased shareholder or debenture holder, as the case may be, had transferred the share or debenture, as the case may be, before his death.
- (3) If the person being a nominee, so becoming entitled, elects to be registered as holder of the share or debenture, as the case may be, himself, he 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 with the death certificate of the deceased shareholder or debenture holder, as the case may be.
- (4) All the limitations, restrictions and provisions of this Act relating to the right to transfer and the registration of transfers of shares or debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer were a transfer signed by that shareholder or debenture holder, as the case may be.
- (5) A person, being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share or debenture except that he shall not, before being registered a member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses

or other moneys payable in respect of the share or debenture, until the requirements of the notice have been complied with.

Buy Back of securities

63. The company shall have the power subject to and in accordance with all other applicable provisions of the Act to purchase any of its own shares, whether or not they are redeemable, at such rate(s) and on such purchase(s) and to keep them alive and/or reissue from time to time such number(s) of shares, purchased at such rate(s) and on such terms and conditions as the Board may deem fit and appropriate.

Except to the extent permitted by Section 77 or other applicable provisions (if any) of the Act, the Company shall not give whether directly or indirectly and whether by means of a loan, guarantee, provisions of security or otherwise any financial assistance for the purpose of, or in connection with the purchase or subscription made or to be made by any person of or for any shares in the Company.

Power to issue share warrants

68. The Company may issue warrants subject to and in accordance with the provisions of Section 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any share which is fully paid upon application in writing signed by the persons registered as holder of the share and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identify of the person signing the application and on receiving the certificates (if any) of the share and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

72. Share may be converted into stock

The Company may, by Ordinary Resolution :

- (a) convert any paid up share into stock ; and
- (b) reconvert any stock into paid-up shares of any denomination.

BORROWING POWERS

Power of Borrow

76. Subject to the provisions of Sections 58A, 292 and 293 of the Act and of these Article, the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept, deposits from members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's

bankers in the ordinary course of business) exceeds the aggregate of the paid up capital of the Company and its free reserves (not being reserves a part for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in general meeting No debt incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.

MEETING OF MEMBERS

Statutory Meeting

80. The Statutory Meeting shall be held in accordance with the provisions of Section 165 of the Act within a period of not less than one month and not more than six months from the date on which the Company shall be entitled to commence business.

Annual General Meeting

81. The company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other Meeting in that year. All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings. An Annual General Meeting of the company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of the Annual General Meeting and that of next. Nothing contained in the foregoing provision shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday and shall be held at the office of the company or at some other place within the city in which the Registered Office of the company is situated as the Board may determine and the notices calling the Meeting specify as the Annual General Meeting. The company may in any one Annual General Meeting fix the time for its subsequent Annual General Meeting. Every member of the company shall be entitled to attend either in person or by proxy and the Auditors of the company shall have the right to attend and to be heard at any General Meeting, which he attends on any part of the business, which concerns him as Auditor. At every Annual General Meeting of the company there shall be laid on the table the Director's Report and Audited Statement of Accounts, the Proxy Register with proxies and the Register of Director's Share holding which latter Register shall remain open and accessible during the continuance of the Meeting.

Extra-ordinary General Meeting

83. All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings.

Requisitions' Meeting

84. (1) Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of members as hereinafter specified and (unless the General Meeting otherwise resolves) at the expense of the requisitionists :

- (a) give to the members of the Company entitled to receive notice of the next Annual General Meeting, notice of any resolution, which may properly be moved and is intended to be moved at the meeting.
 - (b) circulate to members entitled to have notice of any general meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at the meeting.
- (2) The number of members necessary for a requisition under clause (1) hereof shall be :
- (a) Such number of members as represent not less than one-twentieth of the total voting power of all the members having at the date of the resolution a right to vote on the resolution or business to which the requisition related ; or
 - (b) not less than one hundred member having the rights aforesaid and holding shares in the Company on which there has been paid up an aggregate sum of not less than rupees one lakh in all.
- (3) Notice of any such resolution shall be given and any such statement shall be circulated to members of the Company entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each member in any manner permitted by the Act for service of notice of the meeting and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act, for giving him notice of meeting of the Company. The copy of the resolutions shall be served or notice of the effect of the resolution shall be given, as the case may be, in the same manner and so far as practicable, at the same time as notice of the meeting and where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.
- (4) The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless :
- (a) a copy of the requisition signed by the requisitionists (or two or more copies, which between them contain the signature of all the requisitionists) is deposited at the registered office of the Company.

- (i) in the case of requisition, requiring notice resolution, not less than six weeks before the meeting ;
 - (ii) in the case of any holder requisition, not less than two weeks before the meeting ; and
- (b) there is deposited or tendered with the requisition sum reasonably sufficient to meet the Company expenses in giving effect thereto.

PROVIDED THAT if after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company and an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purposes also thereof.

- (5) The Company shall also not be bound under this Article to circulate any statement if, on the application either of the Company or of any other person who claims to be aggrieved is satisfied that the rights conferred by this Article are being abused to secure needless publicity for defamatory matter.
- (6) Notwithstanding anything in these Articles, the business which may be dealt with at an Annual General Meeting shall include any resolution of which notice is given in accordance with this Article and for the purposes of this clause, notice shall be deemed to have been so given, notwithstanding the accidental commission, in giving it, to one or more members.

85. Extra-ordinary General Meeting by Board and by requisition

- (a) The Directors may, whenever they think fit, convene an Extra-ordinary General Meeting and they shall on requisition of the members as hereinafter provided, forthwith proceed to convene Extra-ordinary General Meeting of the Company.

When a Director or any two members may call an Extra-ordinary General Meeting

- (b) If at any time there are not within India sufficient Directors capable of acting to form a quorum or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a general meeting, any Director or any two or more members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call an Extra-ordinary General Meeting in the same manner as early as possible as that in which meeting may be called by the Directors.

Length of notice of meeting

87. (1) A General Meeting of the Company may be called by giving not less than twenty-one days notice in writing.

(2) A General Meeting may be called after giving shorter notice than that specified in clause (1) hereof, if consent is accorded thereto :

- (i) in the case of Annual General Meeting by all the members entitled to vote thereat and
- (ii) in the case of any other meeting, by members of the Company holding not less than ninety-five per cent of such part of the paid up share capital of the Company as gives a right to vote at the meeting.

PROVIDED THAT where any members of the Company are entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those members shall be taken into account for the purpose of this clause in respect of the former resolution or resolutions and not in respect of the later.

Contents and manner of services of notice

88. (1) Every notice of a meeting of the Company shall specify the place the place and the day and hour of the meeting and shall contain a statement of the business to be transacted thereat.
- (2) Subject to the provisions of the Act, notice of every General Meeting shall be given :
- (a) to every member of the Company in any manner authorised by sub-sections (1) to (4) of Section 53 of the Act.
 - (b) To the persons entitled to a share in consequence of the death or insolvency of a member, by sending it through the post in a prepaid letter addressed to them by name or by the title of representative of the deceased or assignee of the insolvent or by like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled or until such an address has been so supplied by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred and
 - (c) to the Auditor or Auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of members of the Company.

PROVIDED THAT where the notice of a meeting is given by advertising the same in a newspaper circulating in the neighbourhood of Registered Office of the company under sub-section (3) of the Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that Section, but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the Company.

- (3) Every notice convening a meeting of the company shall state with reasonable prominence that a member

entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and that a proxy need not be a member of the company.

Omission to give notice not to invalidate proceedings

90. The accidental commission to give such notice as aforesaid to or non-receipt thereof by any member or other person to whom it should be given, shall not invalidate the proceedings of any such meeting.

Notice of business to be given

91. No General Meeting, Annual or Extra-ordinary shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notice convening the meeting.

Quorum

92. Five members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the general meeting unless the quorum requisite be present at the commencement of the meeting. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a member of the Company shall be deemed to be personally present if he is presented in accordance with Section 187A of the Act.

If quorum not present when meeting to be dissolved and when to be adjourned

93. If within half an hour from the time appointed for holding a meeting of the Company a quorum is not present, the meeting if called by or upon the requisition of members shall stand adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday at the same time and place or to such other day and at such other time and place as the Board may determine. If at the adjourned meeting also a quorum is not present with half an hour from the time appointed for holding the meeting, the members present shall be quorum and may transact the business for which the meeting was called.

Resolutions passed at adjourned meeting

94. Where a resolution is passed at an adjourned meeting of the Company, the resolution for all purposes, be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

Chairman of General Meeting

95. 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 ten minutes after the time appointed for holding the meeting or though present, be unwilling to act as Chairman, the Vice-Chairman of the Board of Directors would act as

Chairman of the meeting and if Vice-Chairman of the Board of Directors be not present or though present, be unwilling to act as and in default of their doing so or if no Directors shall be present and willing to take the Chair, then the members present shall choose one of themselves, being a member entitled to vote to be Chairman.

- (a) Act for resolution sufficiently done or passed in General Meeting by ordinary resolution unless otherwise required. Any Act or resolution which, under the provisions of this Article or of the Act, is permitted or enquired to be done or passed by the company in General Meeting 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.

VOTES OF MEMBERS

Member paying money in advance no to be entitled to vote in respect thereof

106. A member paying the whole or a part of the amount remaining unpaid on any share held by him although on part of that amount has been called up, shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.

Restriction on exercise of voting rights of members who have not paid calls

107. No member shall exercise any voting rights in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.

Number of votes to which member entitled

108. Subject to the provisions of Article 106 every member of the Company, holding any equity share capital and otherwise entitled to vote shall, on a show of hands when present in person (or being a body corporate present by a representative duly authorised) have one vote on a poll, when present (including a body corporate by a duly authorised representatives) or by an agent duly authorised under a Power of Attorney or by proxy, his voting right shall be in proportion to his share of the paid-up equity share capital of the Company. Provided however, if any preference share-holder be present at any meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only on resolutions before the meeting which directly affect the rights attached to his preference shares. A member is not prohibited from exercising his voting rights on the ground that he has not held his shares or interest in the Company for any specified period proceeding the date on which the vote is taken.

Votes of joint members

110. If there be joint registered holders of any shares one of such persons may vote at any meeting personally or by an

agent duly authorised under a Power of Attorney or by proxy in respect of such shares, as if he were solely, entitled thereto but the proxy so appointed shall not have any right to speak at the meeting and if more than one of such joint holders be present at any meeting either personally or by agent or by proxy, that one of the said persons so present who stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the holders shall be entitled to vote in preference to a person present by an agent duly authorised under a Power of Attorney or by proxy although the name of such person present by agent or proxy stands first or higher in the register in respect of such shares. Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these Articles be deemed joint holders thereof.

Representation of body corporate

111.(a) A body corporate (whether a Company within the meaning of the Act or not) may, if it is a member or creditor of the Company (including a holder of debentures) authorise such person as it thinks fit by a resolution of its Board of Directors or other Governing Body, to act as its representative at any meeting of the Company or any class of members of the Company or at any meeting of the creditors of the Company or debenture holders of the Company. A person authorised by resolution as aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member, creditor or holder of debentures of the Company. The production of a copy of the resolution referred above, certified by Director or the Secretary of such body corporate before the commencement of the meeting shall be accepted by the Company as sufficient evidence of the validity of the said representative's appointment and his right to vote thereat.

- (b) Where the President of India or the Governor of a State is a member of the Company, the President or as the case may be, the Governor may appoint such person as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of members of the Company and such a person shall be entitled to exercise the same rights and powers including the right to vote by proxy, as the President or as the case may be the Governor could exercise as a member of the Company.

Voting in person or by proxy

113. Subject to the provisions of these Articles, vote may be given either personally or by proxy. A body corporate being a member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act.

Rights of members to use votes differently

114. On a poll taken at a meeting of the Company a member

entitled to more than one vote or his proxy or other persons entitled to vote for him, as the case may be need not, if he votes, use all his votes or cast in the same way all the votes he uses.

Proxies

115. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself PROVIDED ALWAYS that a proxy so appointed shall not have any right whatever to speak at the meeting. Every notice convening a meeting of the Company shall state that a member entitled to attend and vote is entitled to appoint one or more proxies.

Proxy either for specified meeting or for a period

116. An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and adjournment thereof or it may appoint a proxy for the purpose of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.

No proxy to vote on a show of hands

117. No proxy shall be entitled to vote by a show of hands.

Instrument of proxy when to be deposited

118. The instrument appointing a proxy and the Power of Attorney or Authority (if any) under which it is signed or a notarially certified copy of that Power of Attorney of Authority, shall be deposited at the Registered Office of the Company forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

Form of proxy

119. Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit be in the form set out in Schedule IX to the Act and signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate be under its seal or be signed by any officer or attorney duly authorised by it.

Time for objection to vote

121. No objection shall be made to the qualification of any vote or to the validity of a vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote, whether given personally or by proxy, not disallowed at such meeting shall be valid for all purposes and such objection made in due time shall be referred to the Chairman of the meeting.

Chairman of any meeting to be the judge of validity of any vote

122. The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole

judge of the validity of every vote tendered at such poll. The decision of the Chairman shall be final and conclusive.

DIRECTORS

Number of Directors

124. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve.

First Directors

125. The Persons hereinafter named shall be the First Directors of the Company

1. SHRI. MANMOHAN R. SHETTY
2. SHRI VASANTJI A MAMANIA
3. MR. PRADEEP THIMMAPPA UPPOOR
4. MR. VIKRAM SURENDRA MOHAN MEHROTRA

MANAGING DIRECTOR

Power to appoint Managing Directors

146. Subject to the provisions of Sections 267, 268, 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 or Whole-time Directors of the company, either for a fixed term of five years as to the period for which he or they is or are to hold such office 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 or their place or places.

Powers of Managing Director

149. The Directors may from time to time entrust to and confer upon a Managing Director or Whole-time Director for the time being such of the powers exercisable under these presents by the Directors, as they may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think expedient and they may confer such powers, either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf and may from time to time, revoke, withdraw, alter or vary all or any of such powers.

PROCEEDINGS OF THE BOARD OF DIRECTORS

150. The Directors may meet together as a Board for the dispatch of business from time to time unless the Central Government by virtue of the provision to Section 285 of the Act otherwise directs, shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings as they think fit. The provision of this Article shall not be deemed to have been contravened

merely by reason of the fact that the meeting of the Board which had been called in compliance with the terms of this Article could not be held for want of a quorum.

Quorum

151.(a) Subject to Section 287 of the Act, the quorum for a meeting of the Board of Directors shall be one-third of its total strength (excluding Directors, if any, whose place may be vacant at the time and any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher.

PROVIDED THAT where at any time the number of interested Directors at any meeting exceeds or is equal to two-third of the total strength, the number of the remaining Directors (that is to say, the number of remaining who are not interested) present at the meeting being not less than two shall be the quorum during such time.

(b) For the purpose of clause (a) :

(i) "Total Strength" means total strength of the Board of Directors of the Company determined in pursuance of the Act, after deducting therefrom number of the Directors, if any, whose place may be vacant at the time ; and

(ii) "Interested Directors" means any Director whose presence cannot, by reason of any provisions in the Act, count for the purpose of forming a quorum at a meeting of the Board, at the time of the discussion or vote on any matter.

Procedure when meeting adjourned for want of quorum

152.If a meeting of the Board could not be held for want of quorum then the meeting shall automatically stand adjourned till the day in the next week, at the same time and place of if that day is a public holiday, till the next succeeding day which is not a public holiday at the same time and place, unless otherwise adjourned to a specific date, time and place.

Chairman of Meeting

153.(a) The Directors from time to time elect one of their number to be the Chairman and one to be the Vice-Chairman, if required of the Board of Directors and determine the period for which they have to hold such office, but if no such Chairman or Vice-Chairman is elected, the Directors present shall choose one of their number to be the Chairman of such meeting.

(b) The Chairman of the Board of Directors shall be the Chairman of the Meeting of Directors and shall also preside over all General Meetings of the company. Provided that if the Chairman of the Board of Directors is not present, the Vice-Chairman of the Board of Directors shall preside the meeting and if the Vice-Chairman of the Board of Directors is also not present, the Directors present shall choose one of their number to be the Chairman of such meeting.

Powers of Board Meeting

155.A meeting of the Board of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion which by or under the Act or these Articles or the regulations for the time being of the Company are vested in or exercisable by the Board of Directors generally.

POWERS OF THE BOARD

General powers of Management vested in Directors

160.The business of the Company shall be managed by the Directors who may exercise all such powers of the Company and do all such acts and things as are not by the Act or any other Act or by the Memorandum or by the Articles of Company required to be exercised by the Company in General Meeting, subject nevertheless to any regulation of these Articles or the provisions of the Act or any other Act and to such regulation being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in General Meeting but no regulations made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made, provided that the Board of Directors shall not except with the consent of the Company in General Meeting ;

- (a) Sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking ;
- (b) Remit or give time for the payment of any debt due by a Director ;
- (c) Invest, otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition, of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time ;
- (d) Borrow moneys, where moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose ; or
- (e) Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater, provided

that the Company in General Meeting or the Board of Directors shall not contribute any amounts to any political party or for any political purpose to any individual or body :

- (i) Provided that in respect of the matter referred to in clause (d) and (e), such consent shall be obtained by a resolution of the Company which shall specify the total amount upto which moneys may be borrowed by the Board under clause (d) or as the case may be, total amount which may be contributed to charitable or other funds in any financial year under clause (e).
- (ii) Provided further that the expression "temporary loans" in clause (d) above shall mean loans repayable on demand or within six months from the date of the loan such as short term cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but does not include loans raised for the purpose of financing expenditure of a capital nature.

Certain powers to be exercised by the Board only at meetings

161.(1) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at the meeting of the Board :

- (a) The power to make calls on shareholders in respect of moneys unpaid on their shares ;
- (b) The power to issue debentures;
- (c) The power to borrow moneys otherwise than on debentures;
- (d) The power to invest the funds of the Company ; and
- (e) The power to make loans.

Provided that the Board may, by resolution passed at a meeting, delegate to any committee of Directors, the Managing Director or any other principal officer of the Company, the powers specified in sub-clauses (c), (d) and (e) to the extent specified below.

- (2) Every resolution delegating the power referred to in sub-clause (1)(c) shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.
- (3) Every resolution delegating the power referred to in sub-clause(1)(d) shall specify the total amount upto which the funds of the Company may be invested and the nature of the investments which may be made by the delegate.
- (4) Every resolution delegating the power referred to in sub-clause (1)(e) shall specify the total amount upto

which loans may be made by the delegate, the purpose for which the loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

Certain powers of the Board

162. Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers and without prejudice to the other powers conferred by these Articles but subject to the restrictions contained in the last preceding Articles, it is hereby declared that the Directors shall have the following powers, that is to say, power :

- (1) To pay the costs, charges and expenses preliminary and incidental to the formation, promotion, establishment and registration of the Company.
- (2) To pay and charge to the Capital Account of the Company any commission or interest, lawfully payable thereout under the provisions of Sections 76 and 208 of the Act.
- (3) Subject to Sections 292 and 297 and other applicable provisions of the Act, to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire at or for such price or consideration and generally on such terms and conditions as they may think fit in any such purchase or other acquisition, accept such title as the Director may believe or may be advised to be reasonably satisfactory.
- (4) At their discretion and subject to the provisions of the Act, to pay for any property, rights or privileges by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, mortgages or other securities of the Company and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities as may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.
- (5) To secure the fulfilment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.
- (6) To accept from any member, so far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.
- (7) To appoint any person to accept and hold in trust for the Company property belonging to the Company or in which it is interested or for any other purposes and to execute and to do all such deeds and things as may

be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.

- (8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officer or otherwise concerning the affairs of the Company and also to compound and allow time for payment on satisfaction of any debts due and of any claim or demands by or against the Company and to refer any difference to arbitration and observe the terms of any awards made therein either according to Indian Law or according to Foreign Law and either in India or abroad and observe and perform or challenge any award made therein.
- (9) To act on behalf of the Company in all matters relating to bankruptcy, insolvency, winding up and liquidation of Companies.
- (10) To make and give receipts, release and other discharge for moneys payable to the Company and for the claims and demands of the Company.
- (11) Subject to the provisions of Sections 291(1), 295, 370 and 372 and other applicable provisions of the Act and these Articles, to invest and deal with any moneys of the Company not immediately required for the purposes thereof, upon such security (not being the shares of this Company) or without security and in such manner as they may think fit and from time to time to vary or realise such investment. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
- (12) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgage of the Company's property (present and future) as they think fit and any such mortgage may contain a power of sale and other powers, provisions, covenants and agreements as shall be agreed upon.
- (13) To open bank accounts and to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipt, acceptances, endorsements, cheques, dividend warrants, release, contracts and documents and to give the necessary authority for such purposes.
- (14) To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and do give to any Director, officer or other person employed by the Company a commission on the profits of any particular business and or transaction and to charge such bonus or commission as part of working expenses of the Company.
- (15) To provide for the welfare of Directors or Ex-Directors or employees or ex-employees of the Company and the wives, widows and families of the dependents or

connections of such persons by building or contributing to the building of houses, dwellings or chawls or by grants of money, pension, gratuities, allowances, bonus or other payments or by creating and from time to time, subscribing or contributing to provident and other associations, institutions and by providing or subscribing or contributing towards places of instructions and recreation, hospitals, dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provisions of Section 293(1) (e) of the Act, to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company either by reason of locality of operation or the public and general utility or otherwise.

- (16) Before recommending any dividend, to set aside, out of the profits of the Company, such sums as they may think proper for depreciation or the depreciation fund or to an insurance fund or as a reserve fund or sinking fund or any special or other fund or funds or account or accounts to meet contingencies or to repay redeemable preference shares, debentures or debenture-stock or for special dividends or for equalising dividends for repairing, improving, extending and maintaining any part of the property of the Company and such other purposes (including the purposes referred to in the preceding clause) as the Board may, in their absolute discretion think conducive to the interest of the Company and subject to Section 292 of the Act, to invest the several sums so set aside or so much thereof as required to be invested, upon such investments (other than share of this Company) as they may think fit and from time to time to deal with and vary such investments and dispose off and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Board in their absolute discretion think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof or upon which the capital moneys of the Company might rightly be applied or expended and to divide the General Reserve or Reserve Fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of a Reserve Fund to another Reserve Fund and/ or division of a Reserve Fund and with full power to employ the assets constituting all or any of the above funds including the depreciation fund in the business of the Company or in purchase or repayment of redeemable preference shares, debentures or debenture-stock and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.

- (17) To appoint and at their discretion remove or suspend such general managers, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisers, research workers, labourers, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties and to fix their salaries or emoluments or remuneration and acquire security in such instances and to such amounts as they may think fit and also from time to time provide for the management and transactions of the affairs of the company in any specified locality in India or elsewhere in such manner as they think fit.
- (18) From time to time and at any time to establish any local Board for managing of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such local Board or managers or agencies and to fix their remuneration.
- (19) Subject to Section 292 of the Act, from time to time and at any time, to delegate to any persons so appointed any of the powers, authorities and discretion for the time being vested in the Board, other than their powers to make calls or to make loans or borrow moneys and to authorise the members for the time being of such local Board or any of them to fill up any vacancies therein and to act notwithstanding vacancies and such appointment or delegation may be made on such terms subject to such conditions as the Board may think fit and the Board may at any time remove any person so appointed and may annual or vary any such delegation.
- (20) At any time and from time to time by power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls and excluding also, except in their limits authorised by the Board, the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit and any such appointments may (if the Board thinks fit) be made in favour of the members of any local Board established as aforesaid or in favour of any Company or the shareholders, Directors, Nominees or Managers of any Company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and any such power of Attorney may contain such powers for the protection of convenience of persons dealing with such Attorneys as the Board may think fit and may contain powers enabling any such delegated Attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.
- (21) Subject to Sections 294, 297, 300 and other applicable provisions of the Act, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company, to enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.
- (22) From time to time make, vary and repeal bye-laws for the regulations of the business of the Company, its officers and servants.
- (23) To purchase or otherwise acquire any lands, buildings, machinery, premises, hereditaments, property, effects, assets, rights, credits, royalties, business and goodwill of any Joint Stock Company carrying on the business which the Company is authorised to carry on in any part of India.
- (24) To purchase, take on lease for any term of years or otherwise acquire any factories, or any land or lands, with or without buildings and out-houses thereon, situate in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think articles imported or exported by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.
- (26) To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trademark, patent, invention or technical know-how.
- (27) To sell from time to time any articles, materials, machinery, plants, stores and other articles and things belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and bye-products.
- (28) From time to time to extend and business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company or by erecting new or additional building and to expend such sum of money for the purpose aforesaid or any of them as may be thought necessary or expedient.
- (29) To undertake on behalf of the Company any payment of all rents and the performance of the covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions and otherwise to acquire the free hold simple of all or any of the hands of the Company for the time being held under lease or for an estate less than free hold estate.

(30) To improve, manage, develop, exchange, lease, sell, resell and repurchase, dispose off, deal or otherwise turn to account, and property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.

(31) To let, sell or otherwise dispose off, subject to the provisions of Section 293 of the Act and of the other Articles, any property of the Company, either absolutely to conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment of satisfaction for the same in cash or otherwise as it thinks fit.

(32) Generally, subject to the provisions of the Act and these Articles, to delegate the powers, authorise and discretion vested in the Directors to any person, firm, company or fluctuating body of persons as aforesaid.

DIVIDEND

Division of profits

168.(a) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any shares in the Company, dividends may be declared and paid according to the amounts of the shares.

(b) No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the shares.

The Company in General Meeting may declare dividends

169. The Company in General Meeting may declare dividends, to be paid to members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors but the Company may declare a smaller dividend in General Meeting.

Interim Dividend

171. The Board of Directors may from time to time pay to the members such interim dividends as in their judgement the position of the Company justifies.

Debts may be deducted

172.(a) The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Company may retain dividends

(b) The Board of Directors may retain the dividend payable upon shares in respect of which any person

is under the transmission Article entitled to become a member or which any person under that Article is entitled to transfer until such person shall become a member or shall duly transfer the same.

Dividends in proportion to amount paid-up

174. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portions of the period in respect of which the dividend is paid but if any share is issued on terms, providing that it shall rank for dividends as from a particular date, such share shall rank for dividend accordingly.

No member to receive dividend whilst indebted to the Company and the Company's right of reimbursement thereof

175. No member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any member, all such sums of money so due from him to the Company.

Effect of Transfer of shares

176. A transfer of shares shall not pass the right to any dividend declared therein before the registration of the transfer.

Dividend to joint holders

177. Any one of several persons who are registered as joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such shares.

Dividend how remitted

178. The dividend payable in cash may be paid by cheque or warrant sent through post direct to registered address of the shareholder entitled to the payment of the dividend or in cash of joint holders, to the registered address of that one of the joint holders which is first named on the register of members or to such person and to such address as the holders or the joint holder may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transit or for any dividend lost to the member or person entitled thereto by forged endorsement of and cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.

Notice of dividend

179. Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holder of share in the manner herein provided.

Reserves

180. The Directors may, before recommending or declaring any dividend set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which

shall, at the discretion of the Directors be applicable for meeting contingencies or for any other 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 Directors may from time to time fit.

Set-off of call against dividend

181. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members, be set off against the calls.

CAPITALISATION

Capitalisation

182.(1) The Company in General Meeting may, upon the recommendation of the Board, resolve :

- (a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution; and
 - (b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
- (2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (3) either in or towards.
- (i) paying up any amount for the time being unpaid on any shares held by such members respectively.
 - (ii) paying up in full unissued shares of the Company to be allocated and distributed, credited as fully paid up to and amongst members in the proportions aforesaid ; or
 - (iii) partly in the way specified in such clause (i) and partly in that specified in sub-clause (ii).
- (3) A share premium account and a capital redemption reserve account may, for the purpose of this regulation, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.
- (4) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.

Members bound by documents or notices served on or given to previous holder

191. Every person, who by operation of law, transfer or other

means whatsoever, shall become entitled to any share be bounded by every document or notice in respect of such share, which prior to his name and address being entered on the Register of Members, shall have been duly served on or given to the person from whom he derived his title to such share.

WINDING UP

Distribution of Assets

195. If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in the proportion to the capital paid up or which ought to have been paid up at the commencement of winding up on the shares held by them respectively and if in the winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid at the commencement of the winding up, the excess shall be distributed amongst 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.

Distribution in specie or kind

- 196.(a) If the Company shall be wound up, whether voluntarily or otherwise, the liquidator may, with the sanction of a special resolution, divide amongst the contributories in specie or kind, any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributories or any of them as the Liquidator, with the like sanction, shall think fit.
- (b) If thought expedient any such division may subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributories (except where unalterably fixed by the Memorandum of Association) and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories, shall be determined on any contributory who would be prejudicial thereby shall have a right to dissent and ancillary rights as if such determination were a special resolution passed pursuant to Section 494 of the Act.
- (c) In case any shares to be divided as aforesaid involve a liability to calls or otherwise, any person entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice in writing direct the liquidator to sell his proportion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.

Directors' and other's right to indemnity

197. Subject to the provisions of Section 201 of the Act, every Director or officer or servant of the Company or any person (whether an officer of the Company or not) employed by the Company as auditor, shall be indemnified by the Company against and it shall be the duty of the Directors out of the funds of the Company, to pay all costs, charges, losses and damages which any such person may incur or become liable to by reason of any contract entered into or any act, deed, matter or thing done, concurred in or omitted to be done by him in any way in or about the execution or discharge of his duties or supposed duties (except such, if any, as he shall incur or sustain through or by his own wrongful act, neglect or default including expenses and in particular and so as not to limit the generality of the foregoing provisions against all liabilities incurred by him as such Director, Officer or Auditor or other Officer of the Company in defending any proceedings whether civil or criminal in which judgement is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.

Director, Officer not responsible for acts of others

198. Subject to the provisions of Section 201 of the Act, no Director, Auditor or other Officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or Officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damages arising from the insolvency or tortious act of any person, firm or company to or with whom any moneys, securities or effects shall be entrusted or deposited or any loss occasioned by any error of judgement, omission, default or oversight on his part or for any other loss, damage or misfortune whatever shall happen in relation to execution of the duties of his office or in relation thereto unless the same shall happen through his own dishonesty.

Secrecy Clause

199. Every Director, Manager, Auditor, Treasurer, Trustee, Member of a Committee, Officer, servant, Agent, Accountant or other person employed in the business of the Company shall, if so required by the Director, before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matter thereto and shall, by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties, except when required to do so by the Directors or by law or by the person to whom such matters relate and

except so far as may be necessary in order to comply with any of provisions in these presents contained.

No member to enter the premises of the company without permission

200. No member or other person (not being a Director) shall be entitled to visit or inspect any property or premises of the company without the permission of the Board of Directors or Managing Director or to inquire discovery of or any information respecting any details of the company's trading or any matter which is or may be in the nature of the trade secret, mystery of trade, secret process or any other matter which relate to the conduct of the business of the company and which in the opinion of the Directors, it would be inexpedient in the interest of the company to disclose.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to below (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years prior to the date of the Prospectus) which are or may be deemed to be material have been entered into by the Company. Copies of these contracts, together with the copies of the documents referred to below, all of which have been attached to a copy of the Prospectus, which has been delivered to the Registrar of Companies, Mumbai, may be inspected at the Registered Office of the Company between 10.00 A.M. and 12.00 Noon on any working day of the Company from the date of the Prospectus until the date of closing of the Issue.

A. Material Contracts

1. Letter dated July 28, 2000 from SBI Capital Markets Ltd. offering to act as Lead Managers to the Issue and the Company's acceptance dated August 7, 2000 in respect thereof.
2. Letter dated July 25, 2000 from Centrum Finance Ltd. offering to act as Lead Managers to the Issue and the Company's acceptance thereof.
3. Memorandum of Understanding dated August 28 2000 between the Company and the Lead Managers to the Issue, SBI Capital Markets Ltd.
4. Memorandum of Understanding dated August 28 2000 between the Company and Centrum Finance Limited.
5. Memorandum of Understanding dated May 5 2000 between the Company and the Registrar to the Issue, Intime Spectrum Registry Ltd.
6. Documents regarding the appointment of Shri Manmohan Shetty as Chairman & Managing Director of the Company.
7. Copy of the agreements between the Company and IMAX Corporation, Canada dated December 17 1998 and December 21 1999.
8. Special Power of Attorney dated April 1 1999 granted in favour of Mr. Vasanji Mamania by Mr. Ishwarlal Shamalji Ajmera in respect of land for the project.

B. Material Documents

1. The Memorandum and Articles of Association of the Adlabs Films Limited
2. Certificate of Incorporation of the Company dated November 30 1987.
3. Certificate for change of name dated June 19 2000 for conversion of the Company from Private Limited Company to Public Limited Company.
4. Documents in support of the track record and experience of the Promoters and their professional competence.
5. Resolution passed by the Board of directors authorising the change of Registered office of the Company dated July 17 2000.
6. Resolution passed under Section 81(A) of the Act approving the proposed issue, at the General Meeting of shareholders the Company held on August 1 2000.
7. Copies of Resolution by the Board of Directors approving the issue at a meeting held on August 1 2000.
8. Resolution passed for increasing the authorised capital at the EGM of the Company held on November 1 1999 .
9. Resolution passed for issuing Bonus Shares in the ratio of 170:1 at the EGM of the Company held on November 1 1999.
10. Resolution passed for issuing 300 additional equity shares to various members at the Meeting of the Board of Directors of the Company held on December 2 1999.
11. Resolution passed by the issuer authorising a representative of the Registrar to act on its behalf in relation to handling of stockinvests.
12. Certificate dated August 7 2000 from M/s. H.O. Aggarwal & Co., Chartered Accountants detailing tax benefits.
13. The Auditors Report dated December 20, 1999 from the Auditors M/s. H.O. Aggarwal & Co, as set out herein.
14. Audited Balance Sheet of the Adlabs Films Limited for the year ended March 31, 1996, 1997, 1998, 1999 and 2000.
15. Consent from the Auditors M/s. H.O. Aggarwal & Co., for inclusion of their name in the Prospectus.
16. Consent of Lead Managers, Registrars to the Issue, Bankers to the Company, Bankers to the Issue and Legal Consultants to the issue as referred to in their respective capacities.
17. Consent from the Compliance Officer to act in his respective capacity.
18. Copies of initial listing application dated September 7, 2000 made to the Stock Exchange at Mumbai and initial listing application dated September 7, 2000 made to the National Stock Exchange of India for listing of the securities.
19. Letter from the Stock Exchange at Mumbai and the National Stock Exchange of India for permission to use their name in the Prospectus.
20. Copies of the Power of Attorney of the Directors to sign the Prospectus on their behalf.
21. Certificate from Company's Solicitors in regard to compliance of legal provisions of the Draft Prospectus as also applicability of FERA/MRTP provisions to the Company.
22. Copies of resolutions for appointment of Managing Director and Whole Time Director of the Company.
23. Declaration in Form 32 from Directors (for particulars of Directorship) or the Company Secretary's certificate in this regard.
24. Necessary clearance from governmental, statutory, municipal authorities, etc. for implementation of the project, wherever applicable.
25. Certificate from Architects or any other competent authority on project implementation schedule furnished by the Company.
26. Certificate from Chartered Accountants certifying the expenditure incurred on the project till 31st March 2000.
27. Application to RBI and approval thereof for allotment of shares to non-residents, if any, as also for collaboration terms and conditions.
28. Reports from Government Agencies/Expert Agencies/Consultants/Company regarding market demand and supply for the product, industry scenario, standing of the foreign collaborators, etc.
29. Documents in support of the infrastructural facilities, raw material availability, etc.
30. Other documents, reports etc. as are relevant/necessary for true, fair and adequate disclosures in the Draft Prospectus such as the certification from Auditors etc.

PART III**DECLARATION**

All relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government have been complied with and no statement made in this Prospectus is contrary to the provisions of the said Act/ Regulations/ Guidelines and rules framed thereunder.

SIGNED PURSUANT TO THE AUTHORITY GRANTED BY THE BOARD OF DIRECTORS OF THE COMPANY AT THEIR MEETING HELD ON NOVEMBER 21, 2000.

Place: Mumbai

Sd/-

Date: November 21, 2000

**Chairman & Managing Director
Manmohan Shetty**

Mr. Manmohan Shetty

Mr. VasANJI Mamania*

Mr. Ashish Mamania*

Ms. Pooja Shetty*

Mr. Pradeep Guha*

Mr. Shyam Shroff*

Mr. Berjis Desai*

** Signed pursuant to Power of Attorney granted by the Directors of the Company to Mr. Manmohan Shetty.*