DRAFT RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated September 29, 2006
(The Draft Red Herring Prospectus will be updated upon RoC filing)
100% Book Built Issue

Enjoy,relax @
CINEMAX™

CINEMAX INDIA LIMITED

(Originally incorporated on May 22, 2002 as Cineline Entertainment (India) Private Limited under the Companies Act, 1956. The name of our Company was changed to Cinemax Cinemas (India) Private Limited on December 23, 2005. Our Company was subsequently converted to a public limited company and the name was changed to Cinemax India Limited, pursuant to resolutions of the shareholders passed in the extra ordinary general meeting held on June 12, 2006. The Registrar of Companies, Mumbai issued a fresh certificate of incorporation consequent to the conversion on July 27, 2006.)

Our corporate and registered office is presently located at 805, 8th Floor, 349 Business Point, Western Express Highway, Andheri (East), Mumbai 400 069. Tel: +91 22 6710 1991-95 Fax: +91 22 2684 5337/6710 5856.

Contact Person & Compliance Officer: Mr. Amit Shah, Company Secretary. Tel: +91 22 6710 1991-95 Fax: +91 22 2684 5337/6710 5856 E-mail: investor@cinemax.co.in, Website: www.cinemax.co.in

PUBLIC ISSUE OF 8,920,000 EQUITY SHARES OF Rs. 10 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE AGGREGATING RS. [•] MILLION, COMPRISING OF A FRESH ISSUE OF 7,000,000 EQUITY SHARES BY CINEMAX INDIA LIMITED ("CIL", "COMPANY" OR "ISSUER") AND AN OFFER FOR SALE OF 1,920,000 EQUITY SHARES BY THE SELLING SHAREHOLDERS. THE FRESH ISSUE AND THE OFFER FOR SALE ARE JOINTLY REFERRED TO AS THE "ISSUE". 60,000 EQUITY SHARES OF RS. 10 EACH WILL BE RESERVED IN THE ISSUE FOR SUBSCRIPTION BY EMPLOYEES (AS DEFINED HEREIN), (THE "EMPLOYEE RESERVATION PORTION"). THE OFFER OF EQUITY SHARES OTHER THAN THE EMPLOYEE RESERVATION PORTION SHALL BE CALLED THE "NET ISSUE". THE ISSUE WILL CONSTITUTE 31.86% OF THE FULLY DILUTED EQUITY SHARE CAPITAL OF OUR COMPANY. THE NET ISSUE WILL CONSTITUTE 31.64% OF THE FULLY DILUTED EQUITY SHARE CAPITAL OF OUR COMPANY.

PRICE BAND: RS. [•] TO RS. [•] PER EQUITY SHARE OF FACE VALUE RS. 10

THE FACE VALUE OF EQUITY SHARES IS RS. 10 AND THE FLOOR PRICE IS [•] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [•] TIMES OF THE FACE VALUE

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/Issue Period not exceeding ten working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Managers and at the terminals of the Syndicate.
The Issue is being made through the 100% Book Building Process wherein atleast 50% of the Net Issue shall be allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the

QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, atleast 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and atleast 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 60,000 Equity Shares shall be available for allocation on a proportionate basis to the Employees, subject to valid Bids being received at or above the Issue Price. The Company has not opted for grading of the Issue.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of the Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10 and the Issue Price is [•] times of the face value. The Issue Price (as determined by the Company and the Selling Shareholders in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

COMPANY'S AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

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

LISTING

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

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE ISSUE`
ENAM	JM MORGAN STANLEY	Edelweiss Ideas create, values protect	Ambit	INTIME SPECTRUM REGISTRY LIMITED

Enam Financial Consultants Private Limited 801, Dalamal Tower Nariman Point, Mumbai 400 021 Tel: +91 22 6638 1800 Fax: +91 22 2284 6824 Website: www.enam.com Contact Person: Ms. Aishwarya Mehra Email: cinemax.ipo@enam.com	**JM Morgan Stanley Private Limited** 141, Maker Chambers III, Nariman Point, Mumbai – 400 021 Tel: +91 22 6630 3030 Fax: +91 22 2204 7185 Website: www.jmmorganstanley.com Contact Person: Ms. Neha Manaktala. Email: cinemax.ipo@jmmorganstanley.com	**Edelweiss Capital Limited** **14th Floor,** Express Towers, Nariman Point, Mumbai – 400 021 Tel: +91 22 2286 4400 Fax: +91 22 2288 2119. Website: www.edelcap.com Contact Person: Mr. Shailendra Sabhnani Email: cinemax.ipo@edelcap.com	**Ambit Corporate Finance Private Limited** Ambit RSM House, 449, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013 Tel: +91 22 3982 1819 Fax: +91 22 3982 3020 Website: www.ambitpte.com Contact Person: Mr. Kashyap Choksi Email: cinemaxipo@ambitpte.com	**Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup West, Mumbai 400 078 Tel: + 91 22 2596 0320 Fax: + 91 22 2596 0329 Email**:** cinemaxipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Salim Shaikh	
BID / ISSUE OPENS ON		[●]		**BID / ISSUE CLOSES ON**	[●]

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SECTION I – DEFINITIONS AND ABBREVIATIONS

Term	Description
"CINEMAX" or "CIL" or "the Company" or "our Company" or "Cinemax India Limited" or "we" or "us" or "our"	Cinemax India Limited, a public limited company incorporated under the Companies Act, 1956.
Subsidiaries	Vista Entertainment Private Limited, Growel Entertainment Private Limited and Nikmo Finance Private Limited.
Promoters	1. Mr. Rasesh B. Kanakia; and 2. Mr. Himanshu B. Kanakia.
Promoter Group	In accordance with clause 6.8.3.2 of Explanation II of the SEBI Guidelines, it comprises of the individuals and entities mentioned below: **Individuals forming part of the Promoter Group:** 1. Mr. Babubhai Kanakia 2. Ms. Rupal R. Kanakia 3. Ms. Hiral H. Kanakia 4. Ms. Meena Muni 5. Mr. Hemant Muni 6. Ms. Neela Vora 7. Mr. Rohit Vora 8. Ms. Manisha Vora 9. Mr. Mayur Vora 10. Ms. Asha Shah 11. Mr. Hemant Shah 12. Mr. Ashish Kanakia 13. Ms. Niyati Kanakia 14. Mr. Lalitkumar Siraj 15. Ms. Rasilaben Siraj 16. Mr. Rajesh L. Siraj 17. Mr. Iswarbhai Gandhi 18. Ms. Deviyani Gandhi 19. Mr. Piyush Gandhi **Companies forming part of the Promoter group:** 1. Kanakia Constructions Private Limited 2. Kanakia Properties Private Limited 3. Kanakia Finance & Investments Private Limited 4. Kanakia Housing Private Limited 5. Kanakia Gruhnirman Private Limited 6. Vrusti Builders Private Limited 7. Evergreen Homemakers Private Limited 8. Indicon Developers Private Limited 9. Kanakia Hospitality Private Limited 10. Kanakia Medical Services Private Limited 11. Supreme Real Estate Developers Private Limited

12. R&H Amusement & Games Private Limited

Partnership Firms forming a part of Promoter Group:

1. M/s. Babubhai Kanakia and Sons
2. Elegant Builders
3. M/s. Elegant Constructions Company
4. M/s Mont Blanc Builders
5. M/s Kanakia Associates
6. M/s Kanakia Builders
7. M/s Kanakia Constructions
8. M/s Kanakia Management Services
9. M/s Kanakia Services
10. M/s Laxminarayan Enterprises
11. M/s Mercury Developers
12. M/s. Evergreen Constructions
13. M/s Evergreen Homemakers
14. M/s Kanakia Developments
15. M/s Kanakia Exports
16. M/s Cine Cafe Services
17. M/s Cine Line Theatres
18. M/s Café Planet
19. M/s Evergreen Financial Services
20. M/s Kanakia & Samant Associates

Trusts forming part Promoter Group:

1. Trivenibaa Madhavji Chatrabhunj Kanakia Charitable Trust
2. Babubhai Kanakia Foundation
3. Ashish Benefit Trust
4. Niyati Benefit Trust
5. Vrushti Benefit Trust
6. Vrutant Benefit Trust

CONVENTIONAL/GENERAL TERMS

Term	Description
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed thereunder.
Financial year/fiscal/FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
I.T. Rules	The Income Tax Rules, 1962, as amended from time to time.
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company.
NI Act/ Negotiable Instruments Act	The Negotiable Instruments Act, 1881.
Registered Office	805, 8th Floor, 349 Business Point, Western Express Highway, Andheri (East), Mumbai 400 069.

Term	Description
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI DIP Guidelines/SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI in connection thereto from time to time.
SEBI Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.

ISSUE RELATED TERMS

Term	Description
Allotment	Unless the context otherwise requires, the allotment or transfer of Equity Shares pursuant to the Issue.
Allottee	The successful Bidder to whom the Equity Shares are/have been issued or transferred.
Articles/Articles of Association	Articles of Association of our Company.
Banker(s) to the Company	HDFC Bank Limited, Jammu and Kashmir Bank Limited, Bank of Baroda, Bank of India, and State Bank of India.
Banker(s) to the Issue	[●]
Bid	An indication to make an offer during the Bidding Period by a Bidder to subscribe to or purchase our Equity Shares pursuant to this Issue at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid cum Application Form	The form in terms of which the Bidder shall make an indication to make an offer to subscribe or to purchase the Equity Shares pursuant to this Issue and which will be considered as the application for the Allotment of the Equity Shares pursuant to the terms of the Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form.
Bidding/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue

Term	Description
	Closing Date, inclusive of both days, and during which prospective Bidders can submit their Bids, including any revisions thereof.
Bid/ Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper both with wide circulation and a Marathi newspaper with wide circulation in Mumbai.
Bid/Issue Closing Date	The date after which the Syndicate shall not accept any Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper a Hindi national newspaper both with wide circulation and a Marathi newspaper with wide circulation in Mumbai.
Book Building Process	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made.
BRLMs/ Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being Enam Financial Consultants Private Limited, JM Morgan Stanley Private Limited, Edelweiss Capital Limited and Ambit Corporate Finance Private Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Companies Act/Act	The Companies Act, 1956, as amended from time to time.
Cut-off Price	Any price within the Price Band finalised by us and the Selling Shareholders in consultation with the BRLMs. A Bid submitted at Cut-off Price by Retail Individual Bidders or by Employees bidding upto Rs 100,000 in the Employee Reservation Portion is a valid Bid at all price levels within the Price Band.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account to the Issue Account, which in no event shall be earlier than the date on which the Prospectus is filed with the RoC.
Designated Stock	[●]

Term	Description
Exchange	
Draft Red Herring Prospectus	This Draft Red Herring Prospectus dated September 29, 2006 issued in accordance with Section 60B of the Companies Act and SEBI Guidelines, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. Upon filing with RoC at least three days before the Bid/Issue Opening Date, it will become a Red Herring Prospectus. It will become a Prospectus upon filing with RoC after determination of the Issue Price.
Eligible NRI	NRI from such jurisdiction outside India who are permitted to make an offer or invitation under the Issue.
Employee	All or any of the following: (a) a permanent employee of the Company as of Bid/Issue Opening Date and based, working and present in India or out of India on the date of submission of the Bid cum Application Form. (b) a Director of the Company, whether a whole time Director, part time Director or otherwise, except any Promoters or members of the Promoter Group, as of Bid/Issue Opening Date and based and present in India as on the date of submission of the Bid cum Application Form. (c) a permanent employee as defined in sub-clauses (a) or (b) of a subsidiary of our Company whether in India or out of India.
Employee Reservation Portion	The portion of the Issue being up to 60,000 Equity Shares available for allocation to Employees.
Equity Shares	Equity shares of our Company of face value of Rs. 10 each.
Escrow Account	Accounts opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement dated [•] to be entered into among the Company, the Selling Shareholders, the Registrar, the Escrow Collection Bank(s), the BRLMs and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue where the Escrow Account will be opened, in this case being [•].

Term	Description
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Fresh Issue	Issue of 7,000,000 equity shares by the Company at the Issue Price.
Indian GAAP	Generally accepted accounting principles in India.
Issue	Public issue of up to 8,920,000 Equity Shares at a price of Rs. [•] each for cash aggregating upto Rs. [•] million by our Company and including the component of Offer for Sale by the Selling Shareholders. The Issue comprises a Net Issue to the public of 8,860,000 Equity Shares and an Employees Reservation Portion of up to 60,000 Equity Shares.
Issue Size	8,920,000 Equity Shares of the Company.
Issue Price	The final price at which Equity Shares will be Allotted in terms of the Red Herring Prospectus, as determined by the Company and the Selling Shareholders in consultation with the BRLMs, on the Pricing Date.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount depending on the category of the Bidder.
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Mutual Fund Portion	5% of the QIB Portion or 221,500 Equity Shares shall be available for allocation on a proportionate basis exclusively to Mutual Funds.
Net Issue/Net Issue to the public	The Issue less the Employees Reservation Portion.
Non-Institutional Bidders	Bidders that are neither Qualified Institutional Buyers nor Retail Individual Bidders and who have Bid for a Bid Amount more than Rs. 100,000.
Non-Institutional Portion	The portion of the Net Issue being up to 1,329,000 Equity Shares available for allocation to Non-Institutional Bidders.

Term	Description
Non Residents	Persons resident outside India, as defined under FEMA.
Non Resident Indian/NRIs	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
Offer for Sale	Offer for sale of 1,920,000 Equity Shares by the Selling Shareholders pursuant to this Draft Red Herring Prospectus.
Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and upto the date specified in the CAN, i.e. the Pay in Date.
Preference Shares	Means 5% non-cumulative redeemable preference shares of the Company of Rs. 10 each.
Price Band	The price band with a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs. [•], including any revisions thereof.
Pricing Date	The date on which the Company and the Selling Shareholders in consultation with the BRLMs finalise the Issue Price.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, Mutual Funds, FIIs, domestic financial institutions, venture capital funds registered with SEBI, foreign venture capital investors, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
QIB Margin Amount	An amount representing 10% of the Bid Amount.
QIB Portion	The portion of the Net Issue being at least 4,430,000 Equity Shares available for allocation to QIBs.

Term	Description
Registrar/ Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited.
Refund Account	Account opened with an Escrow Collection Bank, from which refunds of the whole or part of the Bid Amount, if any, shall be made.
Retail Individual Bidders	Individual Bidders (including HUFs applying through their *karta*) who have bid for Equity Shares for a bid amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Net Issue not less than 3,101,000 Equity Shares available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in their Bid cum Application Forms or any previous Revision Form(s).
Red Herring Prospectus	The Red Herring Prospectus dated [•] to be issued in accordance with Section 60B of the Companies Act, which will not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the Bid/Issue Opening Date and will become a Prospectus after filing with the RoC after determination of the Issue Price.
Selling Shareholder(s)	1. Mr. Rasesh B. Kanakia; and 2. Mr. Himanshu B. Kanakia.
Statutory Auditors / Auditors	Statutory auditors of the Company being M/s. RSM & Co, Chartered Accountants.
Stock Exchanges	BSE and NSE.
Syndicate or members of the Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement dated [•] to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	ENAM Securities Private Limited, Edelweiss Securities Private Limited, JM Morgan Stanley Financial Services Private Limited and Ambit Capital Private Limited.
TRS/Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid.
Underwriters	The BRLMs and the Syndicate Members.

INDUSTRY/COMPANY RELATED TERMS

Term	Description
Cinemax – Andheri	Our Theatre situated behind Gurunanak Petrol Pump, Andheri Kurla Road, Andheri (E), Mumbai 400 093.
Cinemax – Eternity Mall, Thane	Our Multiplex Theatre situated at Teen hath Naka, Junction, Eastern Express Highway, L.B.S Marg, Thane (W), 400 061.
Cinemax – Goregaon	Our Theatre situated at S. V. Road, Near Goregaon Police Station, Goregaon (W), Mumbai – 400 062.
Cinemax – Kandivali (East)	Our Theatre situated at Akurli Road, Kandivali (East), Mumbai 400 101 operated by us through our subsidiary Nikmo Entertainment Private Limited.
Cinemax – Kandivali (West)	Our Theatre situated at Trikamdas Road, Sona Shopping Centre, Near Railway Crossing, Kandivali (W), Mumbai 400 067.
Cinemax – Mira Road	Our Multiplex Theatre situated at Beverly Park, Mira Bhayandar Road, Near Shivar Garden, Mira Road (E), Thane – 401 107.
Cinemax – Nashik	Our Multiplex Theatre situated at College Road, Nr. Vittal Mandir, Nashik, 422 005.
Cinemax – Sion	Our Theatre situated at Sion Circle, Sion Road, Mumbai 400 022.
Cinemax – Versova	Our Multiplex Theatre situated on Oshiwara, Infinity Mall, New Link Road, Andheri (West), Mumbai operated by us through our subsidiary Vista Entertainment Private Limited.
Cinemax – Wonder Mall, Thane	Our Multiplex Theatre situated at Chitalsar Manpada, Kapur Bawdi Naka, Ghodbunder Road, Thane (West), 400 061.
Corporate Office	Corporate office of our Company situated at 805, 8th Floor, 349 Business Point, Western Express Highway, Andheri (East), Mumbai 400 069.
Director(s)/Board	Director(s) of Cinemax India Limited, unless otherwise specified.
DVD	Digital Video Disc.
Equity Shares	Equity shares of our Company of face value of Rs. 10 each, unless otherwise specified in the context thereof.
Fit Out	The various physical components and accessories including audio and video equipment, chairs, carpeting, acoustics etc, required to deliver a quality cinema audio and video theatre experience to the patron.
IT	Information Technology.
Kanakia Group	Any entity which is controlled by Mr. Rasesh B. Kanakia and/or Mr. Himanshu B. Kanakia and/or their spouses and/or children

	directly or indirectly and in which they hold individually or collectively atleast a majority stake of 51% or more stake and also include the entities constituting the Promoter Group, as mentioned under the section titled Promoters and Group beginning on page 3 of this Draft Red Herring Prospectus.
Multiplexes/ Multiplex Theatre	An integrated Theatre with one or more screens or such number of screens and seating capacity as may be specified by the relevant state legislation. For example in the state of Maharashtra, a Multiplex is one which consists of four or more screens having a minimum total seating capacity of 1,250 within Mumbai and three or more screen with a minimum total seating capacity of 1,000 in any other city in the state.
Scheme of Amalgamation	The scheme of amalgamation of Cinemax with Rupam Private Limited; Hariyash Theatres Private Limited; Kanakia Shelters Private Limited; Kanakia Creators Private Limited Vrushti Theatres Private Limited; Cineline Cinemas (India) Private Limited and Cineline Multiplex Theatres (India) Private Limited approved by the High Court of Bombay pursuant to its order on March 24, 2006.
Theatre(s)	A cinema theatre including a Multiplex Theatre.
Variety Mall or Nagpur property	Our Multiplex situated at Variety Square, Sitabulding, Nagpur.

ABBREVIATIONS

Abbreviation	Full Form
AGM	Annual General Meeting.
Ambit	Ambit Corporate Finance Private Limited.
BIFR	Board of Industrial & Financial Reconstruction
BSE	Bombay Stock Exchange Limited.
CDSL	Central Depository Services India Limited.
DIPP	Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.
DP	Depository Participant.
ECS	Electronic Clearing System.
Edelweiss	Edelweiss Capital Limited.
EGM	Extraordinary General Meeting.

Enam	Enam Financial Consultants Private Limited.
EPS	Earnings Per Share.
HUF	Hindu Undivided Family.
JMMS	JM Morgan Stanley Private Limited.
LoI	Letter of Intent.
MF	Mutual Funds.
MoU	Memorandum of Understanding.
NAV	Net Asset Value.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India.
OCB	Overseas Corporate Body.
OTC	Over the Counter.
PAN	The permanent account number allotted under the I.T. Act.
P/E Ratio	Price/Earning Ratio.
RHP	Red Herring Prospectus.
RBI	Reserve Bank of India.
RoC	Registrar of Companies, Maharashtra.
RTGS	Real Time Gross Settlement.
SEBI	Securities Exchange Board of India.
SCRR	Securities Contract (Regulation) Rules, 1957.

SECTION II – RISK FACTORS

PRESENTATION OF FINANCIAL AND MARKET DATA

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and pro forma statements and included in this Draft Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. property areas (in square feet) have been rounded off to the nearest thousand square feet. All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India. All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "million" or "Million" or "mn" refer to one million, which is equivalent to "ten lakhs" or "ten lacs". The various sources/reports that have been referred to and used for the purposes of this Draft Red Herring Prospectus are:

1. CII-KPMG Report, 2005;
2. FICCI-PwC Report, 2006;
3. FICCI-KPMG Report, 2006
4. Yes Bank Report – May 2005;

For additional definitions, refer to the section titled "Definitions and Abbreviations" beginning on page iii of this Red Herring Prospectus. Market and industry data used throughout this Draft Red Herring Prospectus has been obtained from publications available in the public domain and internal Company reports. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by our Company to be reliable, have not been verified by any independent source.

FORWARD-LOOKING STATEMENTS

We have included statements in this Draft Red Herring Prospectus, that contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions that are "forward-looking statements". However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Draft Red Herring Prospectus regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Draft Red Herring Prospectus (whether made by us or any third party) involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

1. The occurrence of natural disasters or calamities;
2. Change in entertainment tax exemption rates/availability or in other laws and regulations that apply to us;
3. Our ability to acquire films on competitive terms;
4. Our ability to successfully implement our strategy and business plans;
5. Obsolesce of film projection technologies;
6. The occurrence of natural disasters or calamities affecting our areas of operations;
7. Change in political condition in India;
8. A slowdown in economic growth in India; and
9. Any downgrading of India's debt rating by an independent agency.

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" beginning on page iii of this Draft Red Herring Prospectus. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company, the Selling Shareholders, nor the members of Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

An investment in equity shares involves a degree of risk. You should carefully consider all the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain, a complete understanding of our Company, you should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 3 and 3 of this Draft Red Herring Prospectus as well as the other financial and statistical information contained in this Draft Red Herring Prospectus. If any of the following risks occur, our results of operations and financial condition could suffer, and the price of the Equity Shares and the value of your investment in the Equity Shares could decline and you may lose all or part of your investment.

These risks are not the only ones that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations. Unless otherwise mentioned in the relevant risk factors discussed below, we are not in a position to quantify the extent of the Risks specified herein.

Materiality:

The Risk Factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:
1. ***Some events may not be material individually but may be found material collectively.***
2. ***Some events may have material impact qualitatively instead of quantitatively.***
3. ***Some events may not be material at present but may be having material impacts in future.***

Investment in equity and equity related securities involves 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 investments. 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 SEBI nor does SEBI guarantee the accuracy or adequacy of this document.

Internal Risk Factors:

Risk in relation to our existing business:

Certain legal and other proceedings have been filed against us in India, which if not decided in our favour, may expose us to liabilities.

We are involved, either directly or indirectly, in certain legal proceedings and claims filed in various courts and tribunals. These proceedings are currently at different stages of adjudication before the respective forums. The legal proceedings pending against us are as follows:

Category	Number of proceedings	Remarks and amounts involved (Rs.)
Civil proceedings	two	The said proceedings relate to the Nagpur property on which we are currently constructing a Multiplex under a development agreement dated April 25, 2006. These proceedings have been filed in relation to, among other things, the alleged unlawful lease of the said property and unauthorized construction of Multiplex on

Category	Number of proceedings	Remarks and amounts involved (Rs.)
		the same, respectively, against N.J. Nayudu & Co. ("Owner") with whom we have entered into a development agreement dated April 25, 2006. Although we are not a party in any of the two proceedings, our interest in the property is the subject matter of the litigation. These proceedings are currently pending adjudication. In the event these proceedings are decided against the Owner our rights under the aforesaid development agreement will become unenforceable, thus adversely affecting the construction and operation of the proposed Multiplex at the aforesaid property.
Statutory proceedings	one	Kanakia Creators Private Limited (one of our erstwhile subsidiaries which has since merged with our Company with effect from April 1, 2006) received a letter from the Assistant Engineer (Building and Factory) P/South, Municipal Corporation, Greater Mumbai in relation to the unauthorised use of basement for the purpose of running a mini Theatre at Cinemax-Goregaon. Proceeding is currently pending.

There are no ascertainable potential liabilities including interest, costs and penalties amounts in respect of the above cases as on date of the filing of this Draft Red Herring Prospectus. However, if one or more of these legal proceedings are determined against us it could have an adverse effect on our business and results of operations.

For further details of the proceedings mentioned above, see the section titled "Outstanding Litigation and Material Developments" beginning on page 3 of this Draft Red Herring Prospectus.

The entertainment duty exemption availed by us, with respect to the Multiplexes in the state of Maharashtra may be withdrawn as a result of the litigations pending against the Multiplex industry in the Bombay High Court.

In the year 2003, three writ petitions were filed in the High Court of Bombay challenging the constitutionality of the provisions of the Bombay Entertainment Duty Act, 1923 ("B.E.D Act"), granting entertainment duty exemption to Multiplex Theatre in the state of Maharashtra, the said writ petitions are discussed in the section titled "Industry Litigation" beginning on page 3 of this Draft Red Herring Prospectus.

Our Multiplexes at Cinemax Wonder Mall- Thane, Cinemax- Versova (operated through our subsidiary Vista Entertainment Private Limited), Cinemax – Nashik and Cinemax- Mira Road, are availing the benefit of the aforesaid scheme of concession under the B.E.D Act. We have also applied for availing benefit under the B. E. D. Act for our Multiplexes at Cinemax – Eternity Mall, Thane and Cinemax – Kandivali (E) (operated by us through our subsidiary Nikmo Finance Private Limited).

In the event the claim, in the said writ petitions, is upheld by the Bombay High Court, the entertainment concession availed by us with respect to the aforesaid Multiplexes, may be withdrawn, making us liable to pay full amount of entertainment duty as leviable under the B.E.D Act. Further, we may not receive tax exemption for Cinemax – Eternity Mall, Thane and Cinemax – Kandivali (E). The aforesaid outcome could have an adverse impact on our results of operations

In 2005, another writ petition was filed in the High Court of Bombay alleging that the Multiplex Theatre Complexes are in violation of the B.E.D Act by charging an admission rate, which is less than the highest prevailing rate for admission, by any of the single screen Theatres in Mumbai, as required under the said Act, the said writ petition has been discussed in the section titled "Industry Litigation" beginning on page 3 of this Draft Red Herring Prospectus

In the event the High Court grants an order in favour of the petitioner, the exemption granted to the Company is likely to be re-examined by the concerned Government Authorities, for the purpose of reviewing whether we are in compliance with the aforesaid condition and if found in violation of the same the exemption may be revoked, which could have an adverse impact on our results of operations.

There are qualifications/observations in our Auditors Report

There is a observations in our Auditors Report on the accounts for FY 2006, wherein Auditors have stated as follows:

"According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Sales tax, Wealth Tax, Service tax, Custom duty, Excise duty, Cess and other statutory dues with the appropriate authorities during the year and there are no amounts outstanding as at the last day for a period of more than six months from the date they became payable except for income tax liability aggregating Rs. 8.93 million in respect of advance tax".

We have no control over distributors of the films and our business may be adversely affected if our access to motion pictures is limited or delayed.

We rely on distributors of motion pictures, over whom we have no control, for the films that we exhibit. Major motion picture distributors normally offer and license film to exhibitors, including us, on a film-by-film and Theatre-by-Theatre basis. Consequently, we cannot assure ourselves of a supply of motion pictures by entering into long-term arrangements with major distributors, but must compete for our licenses on a film-by-film and Theatre-by-Theatre basis. Our business depends on maintaining good relations with these distributors, as this affects our ability to negotiate commercially favourable licensing terms for first-run films or to obtain licenses at all. Our business may be adversely affected if our access to motion pictures is limited or delayed because of a deterioration in our relationships with one or more distributors or for some other reason. To the extent that we are unable to license a popular film for exhibition in our Theatres/Multiplexes, our results of operations may be adversely affected. Further, we do not have any long-term written agreements with the distributors in relation to the profit sharing ratios or the terms and conditions of the screening or exhibition of the movies; we may face difficulties while enforcing our rights in a court of law.

Our existing Multiplex formats may become unviable.

Technological changes and availability of real estate have transformed the global movie exhibition industry. Internationally, new formats such as the development of large megaplexes, some of which have as many as 30 screens in a single Theatre are becoming very popular in the Western Countries including the United States of America. In these markets, the industry-wide strategy of aggressively building megaplexes generated significant competition and rendered many older, Multiplex Theatres/Multiplexes obsolete more rapidly than expected. In the event, such formats become prevalent in India in future, we may be required to make significant investments, which could have an adverse impact on our results of operations.

For running of our business, at each Multiplex, we require a number of Government and other regulatory approvals and the failure to obtain the same in time or at all, may adversely affect our business.

We are required to obtain a number of regulatory approvals in the form of licenses, registration certificates, no objection certificates and permissions for each of our Theatres and Multiplexes and Cinemas from Governmental Authorities at all the central level, state level as well as the local level. We are in the process of applying for or have already applied and have been granted the regulatory approvals for our Theatres and Multiplexes. For more information, see chapter titled "Government and other approvals" beginning on page 3 of this Draft Red Herring Prospectus. It may be noted that these regulatory approvals are usually granted on annual or biannual basis and need to be renewed, after the expiry of such period. Some of our regulatory approvals have expired for which we have applied for, or are currently in the process of applying for the renewal. We may not receive these approvals or renewals within the stipulated time or at all, which could have an adverse impact on our results of operations.

It may also be noted that some of the licenses/approvals discussed in the section titled "Government and Other Approvals" beginning on page 3 of this Draft Red Herring Prospectus are in the name of our erstwhile subsidiaries, which had amalgamated, with us, with effect from April 1, 2006. The same have not been endorsed in our favour. Our Company has initiated the process of getting such licenses/approvals endorsed in the name of the Company, and has commenced filing/has filed applications to the relevant Governmental Authority in this regard.

Our ability to fix prices of tickets in Cinemax Eternity Mall - Thane, Cinemax Wonder Mall-Thane, Cinemax-Kandivali (E), Cinemax- Versova and Cinemax- Mira Road is restricted.

Our Multiplexes at Cinemax – Eternity Mall, Thane, Cinemax – Wonder Mall, Thane, Cinemax-Kandivali (E) (operated by through our subsidiary Nikmo Finance Private Limited), Cinemax-Versova (operated through our subsidiary Vista Entertainment Private Limited) and Cinemax- Mira Road, are availing entertainment duty exemption under the B. E. D Act. Under Section 3 (13) (b) the B. E. D Act, a Multiplex availing exemptions under the said Act is required to charge a higher amount for admission than the prevailing highest rate for admission at any given time, in any Theatre, which is not a Multiplex and situated in the same district, till such period of time, the concession under the said Act is applicable. As a result, our pricing options in respect of the aforesaid Multiplexes are restricted to the extent, as required by the aforesaid regulation.

A change in the regulations governing cinema exhibition may have an adverse effect on our business.

There are various regulatory compliances, which are applicable to the cinemas exhibition business. The compliances are very exhaustive and detailed in nature and range from the safety aspects to licenses required for exhibition and screening of the movies. Any changes in the aforesaid regulatory compliances would adversely affect us in the form of increased compliance costs and may have an adverse impact on our results of operations.

Certain of our Subsidiary and Promoter group companies have incurred losses.

Certain of our Subsidiaries have incurred losses during the past three years as set forth in the sections titled "History and Certain Corporate Matters" beginning on page 3 of this Draft Red Herring Prospectus.

(Rs. in million)

Subsidiary Company	Profit after Tax		
	Fiscal 2006	**Fiscal 2005**	**Fiscal 2004**
Vista Entertainment Private Limited	(5.96)	NIL	NIL
Growel Entertainment Private Limited	NIL	NIL	NIL
Nikmo Finance Private Limited	(4.29)	NIL	NIL

Certain of our Promoter Group companies and partnership firms have also incurred losses in the past, for more details refer to the section titled "Promoter and Group Companies" beginning on page 3 of this Draft Red Herring Prospectus.

The financial statements of some of our Promoter Group Entities have not been audited

The financial statement for all the partnership firms forming part of the Promoter Group Entities has not been audited. For more details refer to the section titled "Promoter and Group Companies" beginning on page 3 of this Draft Red Herring Prospectus.

Our business is dependent on the popularity of the films we exhibit which may consequently result in variations in our revenues and Profits from quarter to quarter and in turn may cause the prices of our Equity Shares to fluctuate.

Our ability to attract patrons to our cinemas is dependent amongst other factors, on the popularity and appeal of the films we display on our screens. Although the Indian film industry produces a large number of films every year, only a few amongst them go on to become box office hits and consequently if the films we exhibit are not popular, the number of our patrons will decline, which would adversely affect our business and results of operations.

We may not be able to generate additional ancillary revenues.

We intend to continue to pursue ancillary revenue opportunities such as advertising, promotions and alternative uses of our Theatres/Multiplexes during non-peak hours. Our ability to achieve our business objectives may depend in part on our success in increasing these revenue streams. Some of our competitors may make significant investments in new forms of advertising delivery like digital advertising or co-branding, and the success of any such new delivery system could make it more difficult for us to compete for advertising revenue.

Piracy, and alternative film delivery methods directed towards home viewing may drive down our attendance and limit our ticket prices.

Piracy is an illegal practice of making unauthorised copies of various audio and visual media content, software or other digital content available and which is made available for use at highly reduced prices. While, the practice has been restricted to a large extent, it is still capable of influencing the decision of patrons to visit Multiplexes and Theatres. We also compete with other movie delivery vehicles, including cable television, Internet, in-home video and DVD, satellite and pay-per-view services. Traditionally, when motion picture distributors license their products to the domestic exhibition industry, they refrain from licensing their motion pictures to other delivery vehicles for a period of time, commonly called the theatrical release window. A material contraction of the current theatrical release window could significantly dilute the consumer's appeal of the in-Theatre motion picture offering, which could have a material adverse effect on our results of operations.

We are subject to intense competition.

We have many competitors who are present in the film screening and exhibition business in India who may have more financial resources than us and consequently greater capability than us to invest in new cinema projects and also to sustain losses in the initial incubatory stages of Multiplex and Theatres development. In the future we may also face competition from global entertainment companies who may set up shop in India.

Besides, our Theatres/Multiplexes are subject to varying degrees of competition in the geographic areas in which we operate. Competitors may be national players, regional players or smaller independent exhibitors. Competition among Theatre exhibition companies is often intense with respect to the following factors:

1. **Attracting patrons**: The competition for patrons is dependent upon factors such as the availability of popular motion pictures, the location and number of Theatres/Multiplexes and screens in a market, the comfort and quality of the Theatres/Multiplexes and pricing. Many of our competitors have sought to increase the number of screens that they operate. Competitors have built or may be planning to build Theatres/Multiplexes in certain areas where we operate, which could result in excess capacity and increased competition for patrons. We have been operating only in the State of Maharashtra and consequently the brand "Cinemax" suffers from reduced visibility in areas outside Maharashtra, which could adversely affect the number of patrons visiting us outside Maharashtra.
2. **Licensing motion pictures**: We believe that the principal competitive factors with respect to film licensing include licensing terms, number of seats and screens available for a particular picture, revenue potential and the location and condition of an exhibitor's Theatres/Multiplexes.
3. **Low barriers to entry**: We must compete with exhibitors and others in our efforts to locate and acquire attractive sites for our Theatres/Multiplexes. In areas where real estate is readily available, there are few barriers to entry that prevent a competing exhibitor from opening a Theatre near one of our Theatres/Multiplexes.

We face competition from other forms of media and entertainment.

We compete for the public's leisure time and disposable income with other forms of entertainment, including sporting events, concerts, live theatre and restaurants. The film exhibition industry also faces competition from other forms of out-of-home entertainment, such as concerts, amusement parks and from other forms of in-home entertainment. We also face competition from other forms of media such as radio, cable television, newspapers, and magazines. These alternate forms of entertainments compete with traditional cinemas to capture the discretionary spending of the patrons and advertisement revenues.

We are dependent on our senior managerial personnel for the implementation of our future growth strategy.

We are dependent on the entrepreneurship and management capability of our Chairman and Managing Director i.e. Mr. Rasesh B. Kanakia and the Managing Director, Mr. Himanshu B. Kanakia respectively along with the other senior managerial personnel. Our ability to attract and retain talent in the future would be an integral aspect for our growth plans.Although we have procured key man insurance policies for Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia, in the event they are unable to continue in their present capacities, it may have a material adverse effect on our results of operations. We have not taken Keyman insurance policies for any of our senior managers.

Withdrawal of any tax exemptions currently granted to the Entertainment Industry may significantly affect our operations.

A crucial consideration affecting our decision for the expansion plans are the fiscal incentives such as entertainment tax exemptions available for owning and operation of the Multiplexes and Theatres. In the future if the State Governments decide to remove such entertainment tax exemptions in territories where we operate or where we intend to operate, or if it is not possible or commercially feasible for us to comply with the condition precedents in order to avail of the tax exemptions, our ability to implement the expansion plans and also to operate the current Multiplexes and Theatres profitably would be greatly affected and this could have a material adverse effect on our results of operations.

Changes in the projection technologies from the traditional mode to the digital mode may require us to incur substantial capital expenditure.

The exhibition industry is in the early stages of conversion from film-based media to electronic based media. There are a variety of constituencies associated with this anticipated change, which may significantly impact industry participants, including content providers, distributors, equipment providers and exhibitors. Should the conversion process rapidly accelerate and the major studios not finance the conversion as expected, we may have to raise additional capital to finance the conversion costs associated with this potential change. The additional capital necessary may not, however, be available to us on attractive terms, if at all. Furthermore, we cannot predict how the roles and allocation of costs (including operating costs) between various industry participants will change if the industry changes from physical media to electronic media.

Attendance levels at our Theatres/Multiplexes are in part, dependent on the market for local language films, and we may be unable to obtain the films we want for our Theatres/Multiplexes in certain markets.

Consumers in certain regional markets may be less inclined to spend their leisure time attending commercial movies than consumers in large urban areas. There is generally a smaller market for local language films, and the overall supply of these films may not be adequate to generate a sufficient attendance level at our Theatres/Multiplexes. As a result of such factors, attendance levels at some of our Theatres/Multiplexes may not be sufficient to permit us to operate them on a positive cash flow basis. In addition, because of existing relationships between distributors and other Theatre owners, we sometimes have been unable to obtain the films we want for our Theatres/Multiplexes in certain markets. As a result of these factors, attendance at some of our Theatres/Multiplexes may not be sufficient to permit us to operate them profitably.

We may be exposed to claims for infringement of intellectual property rights of third parties.

While we believe that we observe a lot of precaution in obtaining the necessary copyright approvals required for the promotion and exhibition of films, we are not certain that in the future there may not be any infringement proceedings filed against us for any violation or infringement of copyright. Such proceedings as and when they occur, may materially affect our operational performance and results of operations.

Our Company has recorded negative cash flows during the fiscal year 2006 and for the quarter ended June 30, 2006.

We have recorded a negative cash flow of Rs. 131.49 million for the fiscal year 2006 and Rs. 18.98 million for the quarter ended June 30, 2006. In the event we continue to report negative cash flows our results of operations may be adversely impacted.

We have created security over our properties in respect of financing availed by Promoter Group companies.

We have created security over our property situated at Cinemax-Sion for loan availed by a Promoter Group company, namely, Kanakia Constructions Private Limited ("KCPL") from ICICI Bank Limited for a sum of Rs. 80,000,000 (Rupees Eighty Million only). In the event there is a default by KCPL in respect of the loan availed, our property would be subject to forfeiture by the bank.

There may be a conflict of interest in the future with certain Promoter Group Companies/Entities in respect of mall development.

Some of our Promoter Group companies are involved in the business of construction of commercial and residential premises including development of malls. Although we intend to pursue development of malls in a limited way and restrict it only to those, which are currently undertaken by us, there may be a conflict of interest with our Promoter Group companies, entities in relation to mall and multiplex development. Furthermore we have not entered into any non-compete agreements with our Promoters or Promoter Group companies/Entities in respect of mall development.

We are involved in mall development in a limited way and are consequently exposed to the various risks associated with such business.

We had developed a Mall in Thane in the past (Eternity Mall, Thane) and are currently in the process of developing one in Nagpur. We are exposed to various risks in relation to the mall development, such as lack of adequate insurance policies with respect to project in which construction or development work is in progress or in respect of workmens' compensation or third party accidents. Additionally, fluctuations in market conditions, the risk of owning undeveloped land, can be substantial and the market value of the same can fluctuate significantly as a result of changing economic and market conditions. Further, our investments in respect of our mall are illiquid in nature and subject to risks such as changes in government policies, economic slow down and or recession, demographic trends, employment levels, availability of financing, rising interest rates or declining demands for real estate or public perception that any of these events may occur. These factors can negatively affect the demand for and pricing of our malls and as a result may impact our results of operations.

Our mall development business is limited to projects being executed by us presently. No income will accrue to us from mall development business after these projects under development are completed.

We run some of our Multiplexes through our Subsidiaries pursuant to business conducting agreement / share sale agreement.

The Multiplexes at Cinemax-Versova and Cinemax-Kandivali (East) are conducted and operated by Vista Entertainment Private Limited ("VEPL") and Nikmo Finance Private Limited ("NFPL"), respectively by virtue of business conducting agreements. The agreement with respect to Cinemax-Versova is valid for a period of twelve years from March 24, 2004, and with respect to Cinemax-Kandivali (East) is valid for a period of ten years from September 30, 2004. We are not certain whether these business-conducting agreements would be extended for a further period. In the event these agreements are not renewed at terms acceptable to us or at all, we may have to spend time and money for relocating the aforesaid Multiplexes and may also lose the income generated from such Multiplexes, until such relocation is made. This may adversely affect our results of operations.

The aforesaid business conducting agreement and share sale agreement entered into this regard prohibit our subsidiaries Vista Entertainment Private Limited, Growel Entertainment Private Limited and Nikmo Finance Private Limited from declaring any dividends, changing their shareholding pattern, etc without the consent of the other parties to the agreement. These agreements are also liable to be terminated by the other parties if we would commit any breach of the aforesaid conditions. For more details on these business-conducting agreements/share sale agreements, see section titled '"History and Corporate Matters" beginning on page 3 of the Draft Red Herring Prospectus.

Any failure in our Information Technology systems could adversely impact our business.

The day to day operations of our Multiplexes and Cinemas i.e. advance bookings, sale of tickets, recording of sales along with the routine corporate activities such as processing of financial information or managing creditors/debtors or engaging in normal business activities depends on the functioning of our Information Technology systems. Although we believe that we have effective backup systems in place, any disruption of an Information Technology related component could impact our business. We also undertake advance bookings online from our website and any disruption in the servers, internet connectivity or other problems related to information technology systems may adversely affect our results of operations.

We are subject to restrictive covenants in certain short-term and long-term debt facilities provided to us by our lenders.

Under the financing agreements, which we have entered into with various banks and financial institutions we are required to get the affirmative consents from the banks and financial institutions for various acts such as raising of equity capital, alteration of the capital structure, payment of dividends, etc. Also we have created charges on our inventories, receivables and properties in favour of the secured lenders. For more details regarding the covenants and material restrictions see section titled "Financial Indebtedness" beginning on page 3 of this Draft Red Herring Prospectus.

Some our trademarks and service marks have not been registered.

We have filed applications for registration of our trademarks and service marks including the Brand "Cinemax" and these applications are pending with the relevant authorities. For a list of the applications made by us see the section titled "Government and Other Approvals" beginning on page 3 of this Draft Red Herring Prospectus. In the event we are not able to obtain registrations in respect of the trademark applications filed by us we may not obtain statutory protections available in respect of a registered trademark, which may adversely affect our business.

Any further issuance of Equity Shares may dilute the holding of the investors and consequently may affect market price.

Any future issuance of Equity Shares or convertible securities by us may dilute the shareholding of investors in Equity Shares and adversely affect the market price of our Equity Shares.

The immovable properties where some of our offices are situated is leased or rented.

We have entered into lease or leave and license agreements with different parties with respect to the immoveable property where some of our offices are situated and also in respect of our expansion plans, we intend to operate our future Multiplexes on lease or leave and license agreements. For more details, on the existing lease and/or leave and license agreements see section titled "Immoveable Property" beginning on page 3 of this Draft Red Herring Prospectus. These agreements can be terminated by the parties in the event of a breach of the terms and conditions of the agreement. Such agreements may also not be renewed on their expiry. In such an event, we would be required to vacate the premises and this may involve relocation costs.

We do not have a clear title of interest for some of the immoveable properties on which our Theatres and Multiplexes are located.

Our properties at Cinemax – Wonder Mall, Thane, Cinemax – Eternity Mall, Thane and Cinemax – Mira Road, and our proposed Variety Mall in Nagpur, have been developed /being developed pursuant to development agreements. In a typical development agreement, right to develop property is acquired by the developer of the property from the owner, and on completion of the development and construction of the property, the whole of the rights and title of the said property is transferred to a condominium by execution of a deed of conveyance between the original owners and the condominium. On transfer of title to the condominium, the members of the condominium acquire proportional interest and title in the said property. In respect of the aforesaid Theatres and Multiplexes, we will acquire title to the property by virtue of being member of the condominium. As the properties in respect of the aforesaid Theatres and Multiplex have not yet been transferred to the condominium, we do not have clear title over the aforesaid Theatres and Multiplexes.

Uninsured losses or losses in excess of our insurance coverage could result in a loss of our investment, anticipated profits and cash flow from a property.

We maintain comprehensive liability, fire, flood, earthquake, wind (as deemed necessary or as required by our lenders), extended coverage and rental loss insurance with respect to our properties with policy specifications, limits and deductibles customarily carried for similar properties. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to riots, acts of war or terrorism. Should an uninsured loss occur, we could lose our investment in, as well as anticipated profits and cash flow from such a property. In addition, even if any such loss is insured, we may be required to pay a significant deductible on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss, or the amount of the loss may exceed our coverage for the loss.

The integration of our operations after the amalgamation of our subsidiaries may not benefit the combined business and may lead to higher operating costs.

We have recently amalgamated some of our subsidiaries with ourselves, for details see section titled ‘Our History and Corporate Matters’ beginning on page 3 of this Draft Red Herring Prospectus. Successful integration of these subsidiaries will depend upon our management's ability to manage the combined operations effectively and to benefit from cost savings and operating efficiencies through, for example, the reduction of overhead and Theatre-level costs.

We have substantial indebtedness and will continue to have debt service obligations following the Issue.

The total amounts outstanding and payable by us as principal and interest on account of the financing and loan agreements with various banks and financial institutions as on August 25, 2006 is Rs. 554,642,456. For further information on the financing and loan agreements along with the total amounts outstanding and the details of the repayment schedule see section titled “Financial Indebtedness” beginning on page 3 of this Draft Red Herring Prospectus. We may be required to obtain additional financing in the form of debt to meet our budgeted expenditure, which may not be available to us on such terms, and conditions, which may be financially viable for us, thus restricting our ability to raise further capital.

We have issued Equity Shares to our Promoter Group by way of a bonus issue.

During the last 12 months, we have allotted a total of 15,000,000 Equity Shares of Rs. 10 each, by way of bonus issues to our Promoters and Group Gompanies. For further details refer to notes to capital structure under the section titled “Capital Structure” beginning on page 3 of this Draft Red Herring Prospectus.

The proceeds from the Offer for sale will not be available to us.

Since our Issue consists of a Fresh Issue of Equity Shares and an Offer for Sale component, the proceeds received pursuant to the Offer for Sale by the Selling Shareholders, i.e, Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia shall be remitted back to them and to that extent we will not benefit from the Offer for Sale proceeds of the Issue.

Upon completion of the Issue, our Promoter Group may continue to retain significant control over us, which will allow them to influence the out come of matters submitted to the shareholders for approval.

Upon completion of this Issue, our Promoter Group will continue to own majority of our Equity Shares on a fully diluted basis. As a result, our Promoter Group will have the ability to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approvals of significant corporate transactions. Our Promoter Group will also be in a position to influence any shareholder action or approval requiring a majority vote, except where it is required by applicable laws or where they abstain from voting. Such a concentration of ownership may also have the effect of delaying or deterring a change in control.

The articles of association of our Company provides that the Kanakia family comprising of Mr. Rasesh B. Kanakia, Mr. Himanshu B. Kanakia, their respective spouses, lineal descendants and/or persons who are directly or indirectly controlled, held or owned by them, have the right to appoint half of the Board strength of our Company as long as they own 50% or more of the Equity Share capital of the Company, and in case such shareholding falls below 50%, but remains above 33%, then they have the right to appoint and remove the non-retiring Directors of our Company. For further details see section titled "Main Provisions of the Articles of Association " beginning on page 3 of this Draft Red Herring Prospectus.

Our gaming business is a new business in India and may not prove to be profitable

We have forayed into the gaming business by launching a gaming zone '*Giggles- The Gaming Zone*^{TM}*'* at Cinemax – Eternity Mall, Thane. We also intend to open the aforesaid gaming zones at seven different location where or Multiplexes are situated by fiscal 2009. Organised gaming is at a nascent stage in India and we are not certain that in the future we may be able to develop Giggles into a separate profit centre.

Risks in relation to the proposed business:

We face risks associated with the implementation of new cinemas.

As part of our expansion plans, we are adding a number of cinema screens in various parts of the country in addition to our existing cinema screens. For more information on our expansion programme see section titled "Future Expansion Plans" beginning on page 3 of this Draft Red Herring Prospectus. There are various risks associated with the implementation of the projects such as construction, financing and operational risks. We might experience cost overruns and delays in construction, obtaining the regulatory approvals and delivery of equipments. Any failure in the timely development, financing or operation of our new projects would likely have an adverse impact on our results of operation.

Such overruns, may result in further indebtedness being incurred. Further, we cannot assure you that our profitability will be improved on completion of our expansion plans for the following reasons:

1. The potential disruption of our ongoing business;
2. The diversion of management's attention and other resources;
3. The possible inability of management to maintain uniform standards, controls, procedures and policies;
4. The risks of entering markets in which we have little or no experience;
5. The potential impairment of relationships with employees;
6. The possibility that any liabilities we may incur or assume may prove to be more burdensome than anticipated; and
7. The possibility that the new Theatres/Multiplexes do not perform as expected

There is no standard valuation methodology in the film exhibition industry.

There is no standard valuation methodology in the film exhibition industry and there may be a possibility that our current valuations may not be in consonance with the future valuations.

The third parties with whom we have entered into respective Memorandum of Understandings and the Letter of Intents for future expansion may not be converted into definitive business arrangements in the future.

We conduct our business in a very dynamic environment where we have to constantly keep on changing our future plans and policies to suit the changing trends of the business. We have entered into various contractual arrangements such as memorandum of understanding ("MoU") with third parties for expansion of our business. For more information on the MoU's we have entered into, see section titled "Future Expansion Plans" beginning on page 3 of this Draft Red Herring Prospectus. We are not certain the extent of which such MoU's would crystallize in the future. Moreover there may be a change in the locations of the Multiplexes and Theatres where we are planning to expand or acquire due to the aforesaid factors, which in turn may have an adverse impact on our business and operations.

We have not appointed a monitoring agency

We have not appointed a monitoring agency for monitoring the use of the proceeds of this Issue and the deployment of these funds is at the discretion of our management and our Board of Directors.

Our future success depends on our ability to achieve and manage growth

The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. While we have generally been successful in execution of our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget in the future. If we are not able to implement our business and growth strategy, this may have an adverse effect on our business, financial condition and results of operations.

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

As a part of the growth strategy we plan to make strategic acquisitions of Multiplexes/Theatres and/or companies operating Multiplexes/Theatres. Our acquisitions may not contribute to our profitability, and we may be required to incur or assume debt, or assume contingent liabilities, as part of any acquisition. We could have difficulty in assimilating the personnel, operations, and technology of the acquired Multiplexes/Theatres. These difficulties could impact our business, which in turn may have an adverse impact on our business and operations.

The 'Objects of the Issue' for which the funds are being raised has not been appraised by any bank or financial institution

The objects of the Issue for which the funds are being raised have not been appraised by any bank or financial institution. In the absence of any such independent appraisal, the requirement of funds raised through this Issue as stated in the section titled "Objects of the Issue" are based on our estimates and deployment of these funds is at the discretion of our management and Board of Directors.

External Risk Factors

A slowdown in economic growth in India could cause our business to suffer.

Our performance and growth of is directly related to the performance of the Indian economy. The performance of the Indian Economy is dependent among other things on the interest rate, political and regulatory actions, liberalization policies, commodity and energy prices etc. A change in any of the factors would affect the growth prospects of the Indian Economy, which may in turn adversely impact our results of operations, and consequently the price of the Equity Shares.

Accidents in our cinemas may lead to public liability consequences. Further, the value of our brand, and our sales, could be diminished if we are associated with negative publicity.

Our business is dependent on the trust our customers have in the quality of our service at the Theatres/Multiplexes. Any negative publicity regarding our Company, including those arising from a drop in quality of service at our Theatres/Multiplexes, mishaps at our Theatres/Multiplex sites, or any other unforeseen events could adversely affect our reputation and our results from operations. While we believe that we have in place a system of effective safety regulations and disaster management in case of any fire outbreaks or other accidents at all our premises and have also covered ourselves with public insurance policies. However, in the event of any accident, we and our directors and key managerial employers may be exposed to civil, criminal and tortious liabilities.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect our business and the Indian financial markets.

Public places like Theatres could and have in the past been targets for terrorist attacks and rioting. Any violence in public places such as Theatres could cause damage to life and property, and also impact customer sentiment and their willingness to visit cinemas, which would have a material adverse effect on our results of operations. Our insurance policies for assets cover, among other things, terrorism, fire and earthquakes. However, our insurance policies may not be adequate to cover the loss arising from these events, which could adversely affect our results of operations. India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

The price of the Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Issue Price or at all.

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after this Issue may be subject to significant fluctuations in response to, among other factors, our results of operations and performance, subsequent corporate actions taken by us, performance of our competitors, market conditions specific to the Indian film industry, and the market perception about investments in the film exhibition industry.

You will not be able to sell or transfer any of our Equity Shares till such time until the listing of our Equity Shares.

The provision of the SEBI DIP Guidelines mandates that the allotment and transfer of shares should be made within 15 days of the Bid/Offer closing date. However, the Equity Shares purchased pursuant to the offer will not be credited to the demat account of the investors within approximately 15 days of the Bid/Offer Closing Date. Furthermore the investors would not be able to sell or purchase the shares of the Company till such time as the listing of the Equity Shares on the Stock Exchanges. There can be no assurances that the Equity Shares allotted to the Investors pursuant to this Issue would be credited to their respective demat accounts, or that the trading in our Equity Shares will commence within the specified time period.

Any downgrading of India's debt rating by an independent agency may have a material impact on our operations.

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

Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 has also adversely affected sowing operations for certain crops. Further prolonged spells of rainfall below or above normal levels or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and our results of operations.

Future sales of our shares may negatively affect our share price.

Future sales of substantial amounts of our shares in the public market, or even the potential for such sales, could adversely affect the price of our shares and could impair our ability to raise capital. All of the shares sold in this offering, will be freely tradable without restriction.

The shares owned by our Promoters are subject to lock-in as detailed under the section titled "Capital Structure" beginning on page 3 of this Draft Red Herring Prospectus. We cannot assure you that they will retain ownership of our shares after the lock-in period following this offering. Sales or distributions by our promoters or other shareholders of substantial amounts of our shares in the public market could adversely affect prevailing market prices for our shares.

Notes:

- This is a public issue of 8,920,000 Equity Shares of Rs. 10 each ("Equity Shares") for cash at a price of Rs. [•] per equity share, aggregating Rs. [•] million, comprising a Fresh Issue of 7,000,000 equity shares by our Company and an Offer for Sale of 1,920,000 equity shares by the Selling Shareholders. The Issue will constitute 31.86% of the fully diluted post Issue Equity Share capital of our Company. The Net Issue will constitute 31.64% of the fully diluted post Issue Equity Share capital of our Company.
- The net worth of our Company as of March 31, 2006 and June 30, 2006 was Rs. 187.01 million and Rs. 257.51 million, based on audited, restated stand alone financial statements of our Company.
- The net asset value per equity share of Rs. 10 each as of March 31, 2006 and June 30, 2006 was Rs. 31.17 and Rs. 17.17 respectively.
- The average cost of acquisition of Equity Shares by our Promoters is Rs. 2.50 per Equity Share.
- The name of our Company was changed from Cineline Entertainement (India) Private Limited to Cinemax Cinemas (India) Private Limited on December 23, 2005. Our Company was subsequently converted to a public limited company and the name was changed to Cinemax India Limited, pursuant to resolutions of the shareholders passed in the EGM held on June 12, 2006. The Registrar of Companies, Maharashtra at Mumbai issued a fresh certificate of incorporation consequent to the conversion on July 27, 2006.

- Except as disclosed in the section titled "Capital Structure" beginning on page 3 of this Draft Red Herring Prospectus, we have not issued any shares for consideration other than cash.
- Except as disclosed in the sections titled "Our Promoters and Group Companies" or "Our Management" beginning on pages 3 and 3 of this Draft Red Herring Prospectus, none of our Promoters, our Directors and our key managerial employees have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding.
- Any clarification or information relating to the Issue shall be made available by the BRLMs and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the BRLMs and the Syndicate Members for any complaints pertaining to the Issue.
- Investors are advised to see the section titled "Basis for Issue Price" beginning on page 3 of this Draft Red Herring Prospectus.
- Refer to the notes to our financial statements relating to related party transactions in the section titled "Financial Statements - Related Party Transactions" beginning on page 3 of this Draft Red Herring Prospectus for related party transactions.
- Investors may note that in case of oversubscription in the Issue, allotment shall be on proportionate basis to Qualified Institutional Buyers, Retail Individual Bidders and Non-Institutional Bidders in consultation with the Designated Stock Exchange.
- Under subscription, if any, in the Non-Institutional Portion Retail Individual Portion and the Employee Reservation Portion would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLMs. If at least 50% of the Net Issue cannot be allotted to QIB Bidders, then the entire application money will be refunded. However, if the aggregate demand by Mutual Funds is less than 221,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will be added to the QIB Portion and be allocated proportionately to the QIB Bidders.
- 60,000 Equity Shares, i.e. 0.21% of our post Issue share capital have been reserved for Employees on a competitive basis. Any under-subscription in this portion shall spill over to other categories at the sole discretion of our Company in consultation with the BRLMs.

SECTION III – INTRODUCTION

SUMMARY

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Draft Red Herring Prospectus, including the information on "Risk Factors" and our "Financial Statements" and related notes beginning on page iii and page 3 of this Draft Red Herring Prospectus, before deciding to invest in our Equity Shares.

Indian Entertainment Industry

The Indian entertainment industry is currently estimated at Rs. 234 billion (US$5.2 billion). Films contribute a significant proportion (28%) to India's entertainment industry (Source: *The Indian Entertainment and Media Industry* ("FICCI - PWC Report, 2006"). The entertainment industry is expected to grow annually at almost 21 percent to reach around Rs. 617 billion (US$13.77 billion) by 2010. (Source: FICCI - PWC Report, 2006).

Indian Film Industry

The Indian film industry is the largest film industry in the world in terms of the number of films produced and admissions each year. *(Source: Indian Entertainment Industry Focus 2010: Dreams to Reality, Confederation of Indian Industry - KPMG, 2005 ("CII - KPMG Report, 2005")*

The film industry comprises three segments:
- Film production: which involves the making of movies;
- Film distribution: which involves the distribution of movies to cinemas, television, video stores etc;
- Film exhibition: which involves the exhibition of movies.

Film Production Segment

The quantity and quality of movies has an important bearing on the success of the film exhibition and film distribution industries. Since being recognized as an industry in India as recently as 2000, the industry has been moving towards corporatization. Corporatization implies a fundamental shift in the way different elements of the film industry, including pre-production, financing, production, postproduction and distribution, are managed and run. This is likely to result in a scenario where movie making is governed by transparent and written contracts and is carried out in accordance with global best practices. This should have the effect of converting convert the Indian film production industry from an aggregation of creative endeavour to a volume driven business.

Film Distribution Segment

Film distribution which involves the distribution of movies to cinemas, television, video stores etc. The Indian film industry currently realizes almost 70% of its total revenues (around 80% of legitimate revenues) from domestic and overseas box office sales compared with the U.S. film industry, which earns only 35% of its revenue from box office sales and the remaining 65% of revenue is derived from other revenue sources such as sales of DVDs and VHS tapes and the sale of cable and satellite television rights. *(Source: CII - KPMG Report, 2005)*

Indian Film Exhibition Segment

The Indian film exhibition sector had revenues of INR 53 million in 2005. (*Source FICCI-PWC Report, 2006*). The domestic box office market is expected to grow at a CAGR of 14% between 2005 and 2010 to reach INR 102 Billion

Despite the higher number of tickets sold in India, the total reported box office revenue is significantly lower in India compared with the United States. This is primarily due to the fact that ticket prices are much lower in India, with an average of Rs. 17 (Source: *FICCI* - PwC Report, 2006.) The lower ticket prices in India are due to lower income levels, especially in rural and semi urban parts of the country, and the lack of good quality cinemas. The average price of a ticket for a multiplex cinema is Rs. 75 - 85 but the number of screens in multiplexes represented only 2.3% of total screens in India as of March 2005. *(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers)* An increase in the number of Multiplex screens should result in an increase in film exhibition revenues, so the opening of new Multiplexes represents a significant growth opportunity for the industry.

Organisation of the Indian Exhibition Sector

The Indian film exhibition sector can be divided into two segments: single and double-screen cinemas and multiplex cinemas, i.e., a cinema complex with three screens or more. Comparison of multiplexes and single-screen theatres on key parameters is represented in the table below:

Multiplex vs. Single-Screen Theaters

Parameter	Multiplex	Single Screen
Screens	▪ Four to five	▪ One
Seats per screen	▪ 250 – 275	▪ 1,000+
Average ticket price	▪ Rs. 80 – 100	▪ Rs. 20 - 30
Property	▪ Owned / Leased	▪ Owned
Entertainment tax benefit	▪ Tax exemption for four to five years in some cases	▪ Nil
Advantages	▪ Better quality ▪ Shares Costs ▪ Higher F&B revenue ▪ Flexibility in terms of screening times and the number of screenings	▪ Location advantage

Multiplex Growth Potential

Despite the significant advantages of multiplex cinemas, the percentage of cinema screens that are in multiplexes in India is negligible. Of an estimated 12,900 active screens, over 95 percent are stand-alone, single-screens. *(Source: CII - KPMG Report, 2005)*

As of March 2005, there were 73 multiplexes operating in India with 276 screens. Western India has the largest number of multiplexes at 42 (58%) followed by Northern India with 23 (32%). Both these regions, thus, constitute 90% of multiplexes operating in the country presently *(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers).*

More than 60 additional multiplexes with more than 220 additional screens are slated to commence operations by the end of 2006, a growth rate of 80- 100%. *(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers)*

Multiplex Growth Drivers

The key growth drivers responsible for the expected increase in the number of Multiplex Cinemas are:

- ***An increase in disposable income in the hands of an ever expanding Indian middle class.***

- ***Favourable demographic changes***

- ***Development of organized retail***

- ***Entertainment tax benefits for Multiplex Cinemas***

- ***Increased corporatization in the film industry***

- ***Increase in number of high grade films***

Indian Retail Sector

In the last 5-7 years organized retail in India has witnessed significant growth. Retailing in India is currently estimated to be a USD 200 billion industry, of which organised retailing makes up 3 percent or USD 6.4 billion. By 2010, organised retail is projected to reach USD 23 billion. *(Source: FICCI-KPMG Report on Indian Retail, 2006)*

Indian retailing set to double in the next three years, to see the emergence of more national retail chains. Modern retailing action is in urban areas – but India is witnessing experiments to tap the rural retail potential. *(Source: FICCI-KPMG Report on Indian Retail, 2006)*

Mall Development

India has witnessed the emergence of a mall culture and development of malls over the past few years. Significant investments have been channelized into development of organized retail outlets. Approximately 68 million square feet of mall space is expected to come up by end of 2007. *(Source: FICCI-KPMG Report on Indian Retail, 2006)*

Growth of large malls is a function of:
- Demographic profile, income levels
- Access to organised funding (low interest rate regime, real estate mutual funds)
- Friendly regulatory regime

Increasingly, a number of mall developers are considering Movies/Theaters and Entertainment outlets as the key elements attracting footfalls to the malls. This is being reflected in the attractive rental rates offered to such outlets, in comparison to other categories of outlets in malls. As a result, Multiplexes are fast emerging as one of the key anchor tenants for most organized retail outlets in India.

BUSINESS OVERVIEW

In this section, unless otherwise stated, any reference to“"we“,“us“,“our“ or “the Company“ refers to Cinemax India Limited along with its existing subsidiaries and erstwhile subsidiary companies which have been amalgamated.

We are an emerging family entertainment centre focussed primarily on Exhibition and Gaming business with limited interests in mall development.

We are one of the largest Exhibition theatre chains in India operating 10 properties with 33 screens and 9,316 seats. We are a dominant player in Mumbai, which is home to the Hindi Film industry (‘Bollywood’). We own/control about 30 screens in Mumbai and Thane. We are also one of the largest owners of multiplex properties in India with 23 screens spread over 155,000 sq ft area.

We believe that our brand 'Cinemax' is one of the most recognizable film exhibition brands in the areas where we operate. Across our various Theatres we had 1.4 million patrons in Q1FY07 and 3.67 million patrons in FY06.

We are part of the Kanakia Group which has a track record of over 20 years in real estate development. The group has developed over 5 million sq. ft. of Residential and Commercial real estate. As a result of a recent corporate restructuring, we presently own/ control all the movie exhibition businesses of the Kanakia group. Our promoters experience in real estate helps us in identifying strategic locations at economical rates, and rapid and timely execution of projects with tight control on costs and quality.

Exhibition

Our exhibition chain is a combination of high-end multiplexes and budget retrofit single-screens. We believe in providing customer satisfaction through process enhancements and constant innovation in our services and facilities such as high comfort recliner seating arrangements in '*The Red Lounge*^{TM}', massage chairs, etc.

Having established ourselves in Mumbai, Thane and Nashik with 9,316 seats housed in 33 screens across 10 properties, we plan to expand our operations on a pan India basis across 28 locations in 11 states by the end of FY 2009. With our proposed expansion plan we intend to enhance our capacity aggregating to over 25,700 seats housed in 102 screens across 28 properties by the end of FY 2009. For details of the properties in respect of which we have entered into arrangements with third parties, see sub section titled, "Our Business-Future Expansion Plans" beginning on page 3 of this Draft Red Herring Prospectus.

Gaming

Our Gaming business which is currently operational under the brand name – '*Giggles- The Gaming Zone*^{TM}' at Eternity Mall, Thane. It is spread over 13,000 sq ft of area and offers around 50 state-of – the –art games. We plan to expand our gaming business by opening seven Giggles gaming zones at some of our future multiplexes in different locations.

Mall Development

We have also developed over 200,000 sq feet of mall area at Eternity mall, Thane with tenants including Cinemax, Giggles, Globus, Proline, Planet M, Metro Shoes, Bon Bon Shoes, My Dollar Stores and Archies Gallery. Our mall development business is limited to the development of Nagpur mall and development of the balance FSI available at Eternity Mall phase 2, Thane. We are currently, developing a mall at Nagpur with over 100,000 sq ft of area and 30,000 sq. ft. of area at Eternity mall, Thane (phase 2) which are expected to be operational by FY07 and FY08 respectively. Except the above mentioned projects, currently we do not have any proposed mall development plans.

Our (Cinemax India Limited) standalone income is Rs. 438.6 million for FY06 and Rs. 185.85 million for Q1 FY07. Our standalone profit after tax was Rs. 67.6 million for FY06 and Rs. 13.66 million for Q1 FY07.

Our pro forma combined income for FY06 is Rs. 745.8 million as against Rs. 345.5 million in FY05. Our exhibition business accounted for 60.39 % the revenues in FY06. Our combined profit after tax in FY06 was Rs. 76.79 million as against Rs. 62.21 million in FY05. For Q1FY07 our pro forma combined income is Rs. 258.35 million and profit after tax of Rs. 20.1 million.

Our Competitive strengths

FOR EXHIBITION BUSINESS

Kanakia Group - Strong Developer Background

We are a part of the Kanakia Group which has been associated with the real estate development for more than two decades and have developed over 5 million sq.ft. of residential & commercial space. The wide experience in real estate development has enabled us to reduce cost and time overrun in developing projects without compromising on quality and ambience. We have already developed 6 multiplexes having 24 screens. The group has established good relationships with various suppliers which enable us to get preferred services and negotiate for competitive commercial terms.

Exhibition outlets catering to diverse customer base

We provide a wide range of offerings catering to a wide spectrum of cinema goers from high quality multiplexes to budget retrofitted/single screens. We believe in optimising revenue and have adopted a price differentiation model, offering our patrons a superior cinema-going experience at each price point. Currently our ticket prices range from Rs. 40 to Rs. 110 for our retrofitted/single screens and Rs. 100 to Rs. 450 for our multiplexes across various properties. Our theatres are strategically located in high-catchment residential areas providing convenient access to our target customers. Our diversified offering enables us to cater to various sections of the urban population viz. upmarket households through multiplex theatres and middle income households through retrofitted/single screens.

Exhibition Chain for the value-conscious Indians

We endeavour to offer a superior movie experience to our patrons at each price point by focusing on quality, customer service and providing a host of value added services. We are able to develop high-quality infrastructure at low cost points and provide services to our patrons at reasonable prices.

Strong presence in the Mumbai and Thane market

Mumbai, is the hub for Indian cinema and is a large market for exhibition business. We have a strong presence in and around Mumbai market with 9 theatres, 30 screens and a seating capacity of 8314. Our theatres in Mumbai are strategically located in high catchment areas – Sion, Andheri, Versova, Goregaon, Kandivali, Mira Road and Thane. This allows us flexibility in rotating prints between our theatres, and thereby maximize returns.

One of the largest owners of theatre properties in India

Presently we own 8 properties with 23 screens spread over 155,000 sq. ft. under ownership. In Mumbai and Thane itself, we own 7 properties spread over 130,000 sq ft of area. This gives us lifetime access to properties with no rentals to be paid. This also provides us the flexibility of remodelling our screen formats within the owned premises with newer technology / concepts / exhibition formats.

Established Brand and track record of innovation

Our brand 'Cinemax' is one of the most recognisable movie exhibition brands in the areas where we operate. We have a track record of innovation in the exhibition industry. We were amongst the first few players to anticipate the need for modern multiplexes in India. We were one of the first to introduce the concept of high comfort recliner seating arrangements with '*The Red Lounge*'. We constantly focus on providing service enhancements and innovative value additions to our patrons. In line with this, we have introduced massage chairs, karaoke facilities. We have also introduced a gaming zone in our multiplex at Thane and also intend to further expand it by opening seven new gaming zones at different locations where are Multiplexes are present in India by fiscal 2009, to provide complete family entertainment and enhance the overall experience.

Strong relationship with film fraternity

We believe that our position as one of the leading exhibition players in Mumbai have helped us to build strong relationships with both Indian and foreign film distributors. We believe this gives us an edge in accessing content – both in terms of quality of content as well as terms of agreement due to better negotiating leverage. This enables us to host premieres which generate a lot of footfalls and have a ripple effect on future screenings, brand visibility and brand recognition. We hosted 17 film premieres in FY06 including blockbuster films such as Salaam Namaste, Rang de Basanti, Chronicles of Narnia, Hanuman and Shaadi No 1.

Enhancing revenues through optimal utilization of large available area

We normally plan our area in theatres based on certain predefined parameters of area per seat which enables our patrons to have a free movement within the theatre premises having large foyer area. The excess available area per patron is put to productive use through concessionaires (rented kiosks or speciality food vendors) or advertising hoardings and props which generate significant revenue for us at no extra costs.

Strong project execution capabilities

We have an in-house specialized team for design and development of our properties. Our strong developer background, regulatory management skill sets and relationship with various suppliers help us in timely execution of projects and in maintaining tight control on costs and quality.

Ability to identify strategic locations and to acquire properties at competitive prices

One of the key factors for the success of any multiplex is the location. Our promoter's background and expertise in real estate development enables us to identify strategic locations and acquire properties at competitive prices. In addition, we have a professional team with many years of experience to assess the potential of a location after evaluating its demographic trends in terms of catchments area, purchasing power, competing alternatives, etc. Our ability to evaluate such trends enables us to identify locations which are relatively untapped and gain the first mover advantage.

FOR OUR GAMING BUSINESS

Offering a wide variety of games

We offer a wide variety of games including LAN based games, designed specially to engage every age group. We believe that this provides greater choice to our patrons and enhances the overall gaming experience.

Easy Availability of locations/ customers

Since we have entered into Memorandum of Understanding for properties for our exhibition business, we already have adequate space for our gaming business. Our gaming zones will be complementary to our exhibition business, thereby providing a ready customer base for our gaming business.

Games across age groups at competitive rates

The gaming zone has games across age groups as well as special LAN games. The pricing of the games has also been kept very competitive and there are incentives for those who achieve set parameters in each game.

THE ISSUE

ISSUE	
Which comprises of	
Fresh Issue	7,000,000 Equity Shares
Offer for Sale by the Selling Shareholder	1,920,000 Equity Shares
Total	8,920,000 Equity Shares
Of which	
Employee Reservation	60,000 Equity Shares
Net Issue	8,860,000 Equity Shares
Of which	
Qualified Institutional Buyers Portion	Atleast 4,430,000 Equity Shares (allocation on proportionate basis) out of which 5% of the QIB Portion or 221,500 Equity Shares (assuming the QIB Portion is 50% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and the balance Equity Shares shall be available for allocation to all QIBs, including Mutual Funds.
Non Institutional Portion	Upto 1,329,000 Equity Shares available for allocation on proportionate basis.
Retail Portion	Upto 3,101,000 Equity Shares available for allocation on proportionate basis.
Equity shares Outstanding prior to the Issue	21,000,000 Equity Shares
Equity shares outstanding after the Issue*	28,000,000 Equity Shares
Objects of the issue	See section titled ”Objects of the Issue” beginning on page no 3 of this Draft Red Herring Prospectus.

** Subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in the Non-Institutional Portion Retail Individual Portion and Employee Reservation Portion would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLMs. If at least 50% of the Net Issue cannot be allotted to QIB Bidders, then the entire application money will be refunded. However, if the aggregate demand by Mutual Funds is less than 221,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will be added to the QIB Portion and be allocated proportionately to the QIB Bidders.*

SELECTED FINANCIAL AND OPERATING INFORMATION

The following table sets forth our selected financial information derived from our restated standalone financial statements as of and for the fiscal years ended March 31, 2003, 2004, 2005 and 2006 and for the quarter ended June 30, 2006, all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the auditors' report of RSM & Co. Chartered Accountants included in the section entitled "Financial Statements" beginning on page 3 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

Summary Statement of Standalone Assets and Liabilities, As Restated

Rupees in Millions

Particulars	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at March 31, 2006	As at June 30, 2006
FIXED ASSETS					
Gross Block	10.80	173.55	230.73	203.87	641.14
Less: Depreciation	-	2.31	11.08	20.50	90.05
Net Block	**10.80**	**171.24**	**219.65**	**183.37**	**551.09**
Capital Work In Progress	**-**	**60.45**	**34.05**	**125.54**	**11.85**
GOODWILL ON AMALGAMATION					**18.13**
INVESTMENTS	**6.80**	**6.80**	**16.9**	**60.08**	**18.22**
CURRENT ASSETS, LOANS AND ADVANCES					
Inventory	-	0.21	68.87	157.10	132.01
Sundry Debtors	-	0.30	-	31.76	52.36
Cash and Bank Balances	0.08	2.72	152.55	21.05	8.29
Loans and Advances	-	7.60	80.72	271.40	408.73
	0.08	**10.83**	**302.14**	**481.31**	**601.39**
Total (A)	**17.68**	**249.32**	**572.74**	**850.31**	**1200.68**
LIABILITIES AND PROVISIONS					
Secured Loans	-	61.38	224.37	375.51	544.08
Unsecured Loans	17.24	73.63	77.54	56.61	173.80
Current Liabilities	0.40	49.50	143.16	190.87	147.11
Provisions	-	-	8.49	31.08	43.67
Deferred Tax Liability (Net)	-	2.20	7.41	9.23	34.51
Total (B)	**17.64**	**186.71**	**460.97**	**663.30**	**943.17**
NET WORTH (A) – (B)	**0.04**	**62.61**	**111.77**	**187.01**	**257.51**
REPRESENTED BY					
Share Capital	0.10	60.00	60.00	60.00	151.70
Reserves & Surplus					
General Reserves	-	-	-	-	57.50
Profit & Loss Account	-	2.97	52.14	127.19	50.86
Less:					
Miscellaneous Expenditure	0.05	0.36	0.37	0.18	2.55
Debit Balance in Profit & Loss Account	0.01	**-**	**-**	**-**	

Particulars	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at March 31, 2006	As at June 30, 2006
NET WORTH	**0.04**	**62.61**	**111.77**	**187.01**	**257.51**

Summary Statement of Profit & Loss Account, As Restated

Rupees in Millions

Particulars	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006	For the quarter ended June 30, 2006
INCOME					
Operating Income	-	26.49	151.82	423.73	182.69
Other Income	-	1.28	2.86	14.87	3.16
TOTAL	**-**	**27.77**	**154.68**	**438.60**	**185.85**
EXPENDITURE					
Operating Expenses	-	14.24	56.18	265.93	113.98
Employees Remuneration and Benefit	-	1.14	5.34	9.93	12.54
Administrative and Selling Expenses	0.01	3.72	17.89	29.61	21.51
Miscellaneous Expenses	-	-	-	-	-
Preliminary Expenses Written Off	-	0.09	0.09	-	-
Financial charges	-	1.10	3.53	24.49	9.99
Depreciation		8.45	24.67	9.42	7.74
Amortisation of Goodwill	-	-	-	-	0.95
TOTAL	**0.01**	**28.74**	**107.70**	**339.38**	**166.71**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**(0.01)**	**(0.97)**	**46.98**	**99.22**	**19.14**
Add/(Less): Taxes related to earlier years	-	-	-	-	-
Less: Prior period items	-	-	-	-	-
PROFIT BEFORE TAX	**(0.01)**	**(0.97)**	**46.98**	**99.22**	**19.14**
Provision For Income Tax (Include Wealth Tax)	-	-	8.49	22.21	3.02
Deferred Tax	-	-	-	9.23	2.18
Provision For Fringe Benefit Tax	-	-	-	0.14	0.27
PROFIT AFTER TAX	**(0.01)**	**(0.97)**	**38.49**	**67.64**	**13.67**
ADJUSTMENTS					
Impact of material adjustment for restatement in corresponding years	-	3.95	10.68	7.41	-
Adjusted Net Profit after tax	(0.01)	2.98	49.17	75.05	13.67
Balance brought forward from Previous year	-	(0.01)	2.97	52.14	127.20
Profit available for appropriation	-	2.97	52.14	127.19	140.87
Less: Proposed Preference Dividend & Tax thereon	-	-	-	-	0.01

Particulars	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006	For the quarter ended June 30, 2006
Less: Amount capitalized for bonus share issued	-	-	-	-	90.00
BALANCE CARRIED OVER TO BALANCE SHEET	**(0.01)**	**2.97**	**52.14**	**127.19**	**50.86**

Summary Statement of Cash Flow, As Restated

A. Cash Flow from Operating Activities					
Net Profit Before Prior Period items, extraordinary items and Tax	**(0.01)**	**5.18**	**62.89**	**99.21**	**19.14**
Depreciation	-	2.31	8.77	9.42	7.74
Interest Payments	-	1.10	3.53	24.49	9.99
Interest Received	-	(0.63)	(0.68)	(9.49)	(0.25)
Miscellaneous Expenditure to the Extent not written off		0.09	0.09	0.20	0.15
Amortisation of goodwill	-	-	-	-	0.95
Operating Profit before prior period items and Working Capital Changes	(0.01)	**8.05**	**74.60**	**123.83**	**37.72**
Adjustment for:	-				
Increase/(Decrease) in working capital					
Sundry Debtors	-	(0.30)	0.30	(31.76)	(7.63)
Loans & Advances	-	(6.96)	(72.38)	(170.44)	(26.99)
Inventories	-	(0.21)	(68.66)	(88.24)	37.36
Current Liabilities and provisions	0.40	49.09	93.65	47.95	(209.09)
Net Changes in Working capital	0.40	**41.62**	**(47.09)**	**(242.48)**	**(206.35)**
Direct Taxes Paid	-	(0.01)	(0.06)	(10.75)	(3.94)
Net Cash from Operating Activities	**0.39**	**49.66**	**27.45**	**(129.40)**	**(172.57)**
B. Cash Flow from Investing Activities					
Purchase of Fixed Assets (Including Capital Advances)	(10.80)	(223.20)	(30.78)	(64.63)	(22.37)
Interest Received		-	-	-	8.38
Purchase of Investments	(6.80)	-	(10.10)	(43.18)	0.40
Net Cash from Investing Activities	**(17.60)**	**(223.20)**	**(40.88)**	**(107.81)**	**(13.59)**
C. Cash Flow from Financing Activities					
Issue of Share Capital / Increase in Share Capital	0.10	59.90	-	-	-

Share Issue / Pre-operative Expenses Incurred	(0.05)	(0.39)	(0.11)		(2.53)
Vehicle loan taken/ (repaid)	-	-	0.48	1.33	(0.71)
Unsecured loan taken/(repaid)	17.24	56.39	3.91	(20.93)	116.45
Term loans from bank taken/(repaid)	-	61.38	162.50	149.81	63.96
Interest Paid on Loans	-	(1.10)	(3.53)	(24.49)	(9.99)
Net Cash from Financing Activities	**17.29**	**176.18**	**163.25**	**105.72**	**167.18**
Net Increase in Cash and Cash Equivalent (A+B+C)	**0.08**	**2.64**	**149.82**	**(131.49)**	**(18.98)**
Cash and cash equivalents at the beginning of year	-	0.08	2.72	152.55	21.05
Cash and cash equivalents at the end of the year	0.08	2.72	152.55	21.05	2.07
Cash and cash equivalents taken over on amalgamation (Note 1below)	-	-	-	-	6.21
Net Increase/(Decrease) as disclosed above	**0.08**	**2.64**	**149.82**	**(131.49)**	**(18.98)**

Note:

1. Cash and cash equivalents includes Rs. 6,215,352 taken over on amalgamation of the subsidiary companies.
2. The amalgamation of the subsidiary companies with the Company is a non-cash transaction (Refer Note 3 to Annexure V).
3. Cash and cash equivalents as at period end includes Rs. 2,523,981 on account of fixed deposit and Rs. 425, 330 on account of margin deposit.

GENERAL INFORMATION

Registered Office of our Company:

The Registered Office of our Company was changed from Acme Commercial Arcade, 4th Floor Trikamdas Road, Kandivali (West) Mumbai-400 067 to 5th Floor, 349 Business Point, Western Express Highway, Andheri (East), Mumbai 400069 on March 28, 2006. On August 25, 2006, the Registered Office of our Company was subsequently shifted to 805, 8th Floor, 349 Business Point, Western Express Highway, Andheri (East), Mumbai 400 069.

Our Company is registered at the office of the Registrar of Companies, Mumbai, located at 100, Everest, Marine Drive, Mumbai 400 002, India.

The Corporate Identity Number of the Company is U92142MH2002PLC135964.

Board of Directors:

The following persons constitute our Board of Directors:

1. Mr. Rasesh B. Kanakia, Chairman,
2. Mr. Himanshu B. Kanakia, Managing Director,
3. Mr. Kranti Sinha, Independent Director, and
4. Mr. Pravin Ghatalia, Independent Director,

For further details of our Chairman, Managing Director and other Directors, see section titled "Our Management" beginning on page 3 of this Draft Red Herring Prospectus.

Company Secretary and Compliance Officer:

Mr Amit Shah
Cinemax India Limited
805, 8th Floor, 349 Business Point,
Western Express Highway,
Andheri (East),
Mumbai 400069
Tel: +91 22 6710 1991-95
Fax: +91 22 2684 5337/6710 5856
Email: investor@cinemax.co.in

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

Book Running Lead Managers:

Enam Financial Consultants Private Limited
801, Dalamal Tower
Nariman Point,
Mumbai 400 021.
Tel: +91 22 6638 1800
Fax: +91 22 2284 6824

Email: cinemax.ipo@enam.com
Website: www.enam.com
Contact Person: Ms. Aishwarya Mehra

JM Morgan Stanley Private Limited
141, Maker Chambers III,
Nariman Point,
Mumbai 400 021.
Tel: +91 22 6630 3030
Fax: +91 22 2204 7185
Email: cinemax.ipo@jmmorganstanley.com
Website: www.jmmorganstanley.com
Contact Person: Ms. Neha Manaktala.

Edelweiss Capital Limited
14th Floor, Express Towers,
Nariman Point,
Mumbai 400 021.
Tel : +91 22 2286 4400
Fax: +91 22 2288 2119
Email: cinemax.ipo@edelcap.com
Website: www.edelcap.com
Contact Person: Mr. Shailendra Shabnani

Ambit Corporate Finance Private Limited
Ambit RSM House,
3rd Floor
449, Senapati Bapat Marg,
Lower Parel,
Mumbai 400 013.
Tel : +91 22 3982 1819
Fax: +91 22 3982 3020
Email: cinemaxipo@ambitpte.com
Contact Person: Mr. Kashyap Choksi

Syndicate Members:

ENAM Securities Private Limited
Khatau Building, II Floor
44B, Bank Street
Off Shahid Bhagat Singh Road Fort,
Mumbai 400 001.
Maharashtra
Tel: +91 22 2267 7901
Fax: +91 22 2266 5613
Email: cinemax.ipo@enam.com
Web site: www.enam.com
Contact Person: Mr. M. Natrajan

JM Morgan Stanley Financial Services Private Limited
Apeejay House,
3, Dinshaw Waccha Road,
Churchgate,
Mumbai 400 021.
Tel: +91 22 6704 3184/3185
Fax: +91 22 6654 1511
Email: cinemax.ipo@jmmorganstanley.com
Web site: www.jmmorganstanley.com
Contact Person: Mr. Deepak Vaidya/ Mr. T. N. Kumar

Edelweiss Securities Private Limited
14th Floor, Express Towers,
Nariman Point,
Mumbai 400 021.
Tel : +91 22 2286 4400
Fax: +91 22 2288 2119
Email: cinemax.ipo@edelcap.com
Website: www.edelcap.com
Contact Person: Mr. Devang Asher

Ambit Capital Private Limited
Ambit RSM House,
449, Senapati Bapat Marg,
Lower Parel,
Mumbai 400 013.
Tel: +91 22 3982 1819
Fax: +91 22 3982 3020
Email: cinemaxipo@ambitpte.com
Website: www.ambitpte.com
Contact Person: Mr. Chandrashekhar Chincholkar

Legal Advisors to the Company:

Wadia Ghandy & Co
Advocates, Solicitors and Notaries
N.M. Wadia Buildings,
123 Mahatma Gandhi Road,
Mumbai 400 001.
Tel: +91 22 2267 0669
Fax: +91 22 2267 6784
Email: contact@wadiaghandy.com

Legal Advisors to the BRLMs

Luthra & Luthra
Law Offices
704-706, 7th Floor,
Embassy Centre,
Nariman Point,
Mumbai 400 021.
Tel : +91 22 6630 3600
Fax : +91 22 6630 3700
Email: luthra@luthra.com

Registrars to the Issue:

Intime Spectrum Registry Limited

C-13, Pannalal Silk Mills Compound,
L.B.S Marg,
Bhandup West,
Mumbai 400 078.
Tel: + 91 22 2596 0320
Fax: + 91 22 2596 0329
Email**:** cinemaxipo@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Mr. Salim Shaikh

Statutory Auditors to the Company:

RSM & Co.
Chartered Accountants
Ambit RSM House,
449, Senapati Bapat Marg,
Lower Parel,
Mumbai 400 013.
Tel: +91 22 3982 1819
Fax: +91 22 3982 3020

Bankers to the Company

HDFC Bank Limited
J.B. Nagar,
Andheri Kurla Rd,
Andheri (E)
Mumbai 400 059.
Tel: + 91 22 2832 5164
Fax: + 91 22 6644 9786

Jammu and Kashmir Bank Ltd
Block "D' 1st Floor
Shiv Sagar Estates,
Dr Annie Besant Road,
Worli,
Mumbai 400 018.
Tel: + 91 22 5660 8865/69
Fax: + 91 22 5660 8870

Bank of Baroda
Sattam Ind. Estate,
Cardinal Gracious Road,
Andheri (East).
Mumbai 400 099.
Tel: + 91 22 2835 3472
Fax: + 91 22 2821 3379

Bank of India
Andheri Corporate Banking Branch,
M.D.I Building 1st Floor,
S. V. Road,
Andheri (West),
Mumbai 400 058.
Tel: + 91 22 2670 2936
Fax: + 91 22 2624 7655

State Bank of India
Industrial Finance Branch
Snehal Chambers
Teli Galli
Andheri East
Mumbai 400 069.
Tel: + 91 22 2683 6870
Fax: + 91 22 2683 1648

Banker(s) to the Issue and Escrow Collection Bank(s):
[●]

Monitoring Agency:

In terms of clause 8.17.1 of the SEBI Guidelines, since this Issue will not exceed Rs. 5,000 million, we are not required to appoint a monitoring agency. Our Board of Directors will monitor the use of proceeds from this Issue. No part of the proceeds of this Fresh Issue will be paid as consideration to our Promoters, our Directors, key management employees or companies promoted by our Promoters.

Statement of Inter se Allocation of Responsibilities for the Issue

The following table sets forth the distribution of responsibility and coordination for various activities by the BRLMs:

No	Activities	Responsibility	Coordinator
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	Enam, JMMS, Edelweiss, Ambit	Enam
2.	Due diligence of the company's operations / management / business plans/legal etc. Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	Enam, JMMS, Edelweiss, Ambit	Enam
3.	Drafting and approval of all publicity material other than statutory advertisement (mentioned in (2) above) including corporate advertisement, brochure, corporate film, etc	Enam, JMMS, Edelweiss, Ambit	Edelweiss
4.	Appointment of Intermediaries viz. Registrar, Ad agency, Printers and Bankers to the Issue	Enam, JMMS, Edelweiss, Ambit	Edelweiss
5	Institutional marketing of the Issue, which will cover, *inter alia*,	Enam, JMMS, Edelweiss	Enam

No	Activities	Responsibility	Coordinator
	• Preparing Roadshow presentation • Finalizing the list and division of investors for one to one meetings; and • Finalizing road show schedule and investor meeting schedules. • Managing the Book • Finalization of Pricing		
6	Non-Institutional and Retail Marketing of the Issue, which will cover, *inter alia*, • Formulating marketing strategies, preparation of publicity budget; • Finalizing media and PR strategy; • Finalizing centers for holding conferences for brokers, etc. • Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material; and • Finalizing collection centers.	Enam, JMMS, Edelweiss, Ambit	JMMS
7	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	Enam, JMMS, Edelweiss, Ambit	JMMS
8	The post Offer activities of the Offer will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrar to the Offer, Bankers to the Offer and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	Enam, JMMS, Edelweiss, Ambit	JMMS

Credit Rating

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

Grading

We have not opted for the grading of this Issue.

Trustees

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

Book Building Process

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

The principal parties involved in the Book Building Process are:

1. The Company;
2. The Selling Shareholder;
3. Book Running Lead Managers;
4. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs; and
5. Registrar to the Issue.

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

QIB bidders are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details see the section titled "Terms of the Issue" beginning on page 3 of this Draft Red Herring Prospectus.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed Enam Financial Consultants Private Limited, JM Morgan Stanley Private Limited, Edelweiss Capital Limited and Ambit Corporate Finance Private Limited, as the BRLMs to manage the Issue and to procure subscription to the Issue.

Illustration of Book Building and Price Discovery Process *(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 40 to Rs. 48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the BSE (www.bseindia.com) and NSE (www.nseindia.com). The illustrative table as shown below, shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. The issuer, in consultation with the BRLMs will finalise the issue price at or below such cut off price i.e. at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Steps to be taken for bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure – Who Can Bid" beginning on page 3 of this Draft Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN cards or PAN allotment letter to the Bid cum Application Form (see section titled "Issue Procedure —'Permanent Account Number ' on page 3 of this Draft Red Herring Prospectus).
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

Our Company and the Selling Shareholders, in consultation with the BRLMs, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date without assigning any reason therefore.

Underwriting Agreement

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

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In million)
Enam Financial Consultants Private Limited	[●]	[●]
JM Morgan Stanley Private Limited	[●]	[●]
Edelweiss Capital limited	[●]	[●]
Ambit Corporate Finance Private Limited	[●]	[●]
ENAM Securities Private Limited	[●]	[●]
Edelweiss Securities Private Limited	[●]	[●]
JM Morgan Stanley Financial Services Private Limited	[●]	[●]
Ambit Capital Private Limited	[●]	[●]

The above-mentioned amount is indicative and this would be finalized after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [•].

In the opinion of the Board of Directors (based on a certificates given to them by BRLMs and the Syndicate Members), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The above Underwriting Agreement has been accepted by the Board of Directors and our Company has issued letters of acceptance to the Underwriters.

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

CAPITAL STRUCTURE

Our Share Capital as on the date of filing of this Draft Red Herring Prospectus is as follows.

(Rs. In Million)

	Aggregate nominal value	Aggregate value at issue Price
A. Authorised Capital The Authorised Share Capital of the Company is Rs. 402,500,000 divided as follows:		
i) 40,000,000 Equity Shares of Rs. 10 each.	400	[•]
ii) 250,000 Redeemable Non-Convertible Preference Shares of Rs. 10 each.	2.50	[•]
B. Issue Subscribed and Paid up capital prior to the issue:		
i) 21,000,000 Equity Shares of Rs. 10 each.	210	[•]
ii) 170,160 Preference Shares of Rs. 10 each.	1.70	[•]
C. Present issue to the Public in terms of the Draft Red Herring Prospectus.	89.20	[•]
Fresh Issue of Equity Shares 7,000,000 Equity Shares of Rs. 10 each	70	[•]
Offer for Sale 1,920,000 Equity Shares of Rs. 10 each	19.20	[•]
Out of which		
60,000 Equity Shares for Employee Reservation Portion	(a) 0.60	[•]
8,860,000 Equity Shares for Net Issue	(b) 88.60	[•]
D. Issued, Subscribed and Paid up Capital post the issue.	280	[•]
E. Share Premium Account		[•]
Prior to the issue	**Nil**	
Post the issue	[•]	

The authorised share capital of the Company was increased from Rs. 500,000 divided into 50,000 shares of Rs. 10 each to Rs. 60,000,000 divided into 6,000,000 shares of Rs. 10 each through a resolution of the shareholders of the Company dated November 24, 2003. The authorised share capital of the Company was further increased from Rs. 60,000,000 to Rs. 62,500,000 by addition of 250,000 redeemable non-convertible preference shares of Rs. 10 each by resolution of the shareholders of the Company dated March 29, 2006. The authorised share capital of our Company was increased from Rs. 62,500,000 divided into 6,000,000 equity shares of Rs. 10 each and 250,000 Preference Shares of Rs. 10 each to Rs. 402,500,000 divided into 40,000,000 equity shares of Rs. 10 each and 250,000 Preference Shares of Rs. 10 each by a resolution of the shareholders of the Company dated June 12, 2006.

Notes to the Capital Structure

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

a) Following is the history of the equity share capital of the Company

Date of Allotment	Number of Equity Shares	Issue Price per Equity Share in Rs.	Face Value per Equity Share	Consideration (cash or other than cash)	Remarks	Cumulative number of Equity Shares	Cumulative Share Capital (in Rs)
May 28, 2002	10,000	10	10	Cash	Subscription to the Articles and Memorandum of Association	10,000	100,000
December 5, 2003	5,990,000	10	10	Cash	Allotment at par	6,000,000	60,000,000
June 16, 2006	9,000,000	10	10	Other than cash	Bonus shares issued in the ratio of 3 Equity Shares for every 2 Equity Shares held.	15,000,000	150,000,000
August 25, 2006	6,000,000	10	10	Other than cash	Bonus shares issued in the ratio of 2 Equity Shares for every 5 Equity Shares held.	21,000,000	210,000,000

b) Following is the history of the preference share capital of the Company.

Date of Allotment and Date on which fully paid up	No of preference shares*	Face Value	Issue Price Consideration	Remarks	% of the Preference Share Capital
June 7, 2006	42,540	10	N.A.	Issued to Kanakia Finance and Investments Limited pursuant to the Scheme of Amalgamation** dated March 24, 2006.	25%
June 7, 2006	42,540	10	N.A.	Issued to Kanakia Gruhnirman Private Limited pursuant to the Scheme of	25%

Date of Allotment and Date on which fully paid up	No of preference shares*	Face Value	Issue Price Consideration	Remarks	% of the Preference Share Capital
				Amalgamation** dated March 24, 2006.	
June 7, 2006	42,540	10	N.A.	Issued to Kanakia Housing Private Limited, pursuant to the Scheme of Amalgamation** dated March 24, 2006.	25%
June 7, 2006	42,540	10	N.A.	Issued to Vrusti Builders Private Limited pursuant to the Scheme of Amalgamation** dated March 24, 2006.	25%

* The Preference Shares are 5% Non-cumulative redeemable preference shares, redeemable at the end of the fifth year from the date of issue or earlier at the option of the Company.
**For more information on the Scheme of Amalgamation, see the section titled "History and Certain Corporate Matters" beginning on page 3 of this Draft Red Herring Prospectus.

c) The Bonus shares have been issued by way of capitalisation of general reserves

Details of the capitalisation of the reserves are as follows.

Date of approval to the Bonus Issue	Date of allotment of Bonus Shares	Ratio of the Bonus Issue	Number of Equity Shares issued as Bonus Shares	Face Value of Shares	Amount of reserves capitalised
June 12, 2006	June 16, 2006	Bonus shares issued in the ratio of 3 Equity Shares for every 2 Equity Shares held.	9,000,000	10	90,000,000
August 24, 2006	August 25, 2006	Bonus shares issued in the ratio of 2 Equity Shares for every 5 Equity Shares held.	6,000,000	10	60,000,000

d) Following is the build up of Promoter and Promoter Group Shareholding

Name of the Promoters / member of Promoters Group	Date of allotment /acquisition	No. of Equity Shares	Face Value per Equity Share	Consideration	Nature of Issue (bonus/consideration other than cash)	Pre-Issue Shareholding percentage	Post Issue Shareholding percentage
Promoters							
Mr. Rasesh B. Kanakia	May 28, 2002	5,000	10	50,000	Subscription to the Memorandum of Association		
	December 5, 2003	2,975,000	10	29,750,000	Allotment against cash*.		
	June 16, 2006	4,470,000	10	N.A.	Bonus		
	August 25, 2006	2,980,000	10	N.A.	Bonus		
	August 25, 2006	250,000**	10	2,500,000**	Transfer of shares to Mr. Rasesh B. Kanakia and Ms. Rupal R. Kanakia.		
	August 25, 2006	(250,000)	10	(2,500,000)	Transfer of shares to Ms. Rupal R. Kanakia and Mr. Rasesh B. Kanakia.		
Total		**10,180,000**		**27,300,000**		**48.48%**	**32.93%**
* From the total of the 2,975,000 Shares allotted above, 960,000 Equity Shares are being offered under this Issue as part of Offer for Sale. **Mr. Rasesh B. Kanakia is holding the Shares jointly with Ms. Rupal R. Kanakia and as he is the first holder, the same has been included in his cumulative shareholding/consideration.							
Mr. Himanshu B. Kanakia	May 28, 2002	5,000	10	50,000	Subscription to the Memorandum of Association		
	December 5, 2003	2,975,000	10	29,750,000	Allotment against cash*.		
	June 16, 2006	4,470,000	10	N.A.	Bonus		
	August 25, 2006	2,980,000	10	N.A.	Bonus		
	August 25, 2006	250,000**	10	2,500,000**	Transfer of shares to Mr. Himanshu B. Kanakia and Ms. Hiral H. Kanakia.		

Name of the Promoters / member of Promoters Group	Date of allotment /acquisition	No. of Equity Shares	Face Value per Equity Share	Consideration	Nature of Issue (bonus/consideration other than cash)	Pre-Issue Shareholding percentage	Post Issue Shareholding percentage
	August 25, 2006	(250,000)	10	(2,500,000)	Transfer of shares to Ms. Hiral H. Kanakia and Mr. Himanshu B. Kanakia		
Total		**10,180,000**		**27,300,000**		**48.48%**	**32.93%**
* From the total of the 2,975,000 Shares allotted above, 960,000 Equity Shares are being offered under this Issue as part of Offer for Sale ** Mr. Himanshu B. Kanakia is holding the Shares jointly with Ms. Hiral H. Kanakia and as he is the first holder, the same has been included in his cumulative shareholding/consideration..							
Member of the Promoters Group							
Ms. Rupal R. Kanakia	June 8, 2006	100	10	1000	Transfer from Mr. Babubhai Kanakia		
	August 25, 2006	40	10	N.A.	Bonus		
	August 25, 2006	250,000*	10	2,500,000	Transfer from Mr. Rasesh B. Kanakia.		
Total		**250,140**		**25,001,000**		**1.19%**	**0.89%**
*These shares are being held jointly with Mr. Rasesh B. Kanakia**.**							
Ms. Hiral H. Kanakia	June 8, 2006	100	10	1000	Transfer from Mr. Babubhai Kanakia		
	August 25, 2006	40	10	N.A.	Bonus		
	August 25, 2006	250,000*	10	2,500,000	Transfer from Mr. Himanshu B. Kanakia.		
Total		**250,140**		**25,001,000**		**1.19%**	**0.89%**
*These shares are being held jointly with Mr. Himanshu B. Kanakia.							
Mr. Babubhai Kanakia	December 5, 2003	40,000	10	400,000	Allotment against cash.		
	June 8, 2006	(400)	10	(4,000)	Transfer of 100 shares each to Ms. Hiral H. Kanakia, Ms. Rupal R. Kanakia, Kanakia Gruhnirman		

Name of the Promoters / member of Promoters Group	Date of allotment /acquisition	No. of Equity Shares	Face Value per Equity Share	Consideration	Nature of Issue (bonus/consideration other than cash)	Pre-Issue Shareholding percentage	Post Issue Shareholding percentage
					Private Limited and Kanakia Finance & Investments Private Limited.		
	June 16, 2006	60,000	10	N.A.	Bonus		
	August 25, 2006	39,840	10	N.A.	Bonus		
Total		**139,440**		**396,000**		**0.66%**	**0.50%**
Kanakia Gruhnirman Private Limited	June 8, 2006	100	10	1000	Transfer from Mr. Babubhai Kanakia		
	August 25, 2006	40	10	N.A.	Bonus		
Total		**140**		**1000**		**0.00%**	**0.00%**
Kanakia Finance & Investments Private Limited	June 8, 2006	100	10	1000	Transfer from Mr. Babubhai Kanakia		
	August 25, 2006	40	10	N.A.	Bonus		
Total		**140**		**1000**		**0.00%**	**0.00%**

2. Promoters Contribution and Lock in

a) Share Capital Locked-In For Three Years:

The equity shares, which are being locked in for three years from the date of allotment, are as follows:

Name of the Promoter	Date of Allotment	Date when made fully paid up	Consideration	No. of Equity Shares locked-in	Face Value (in Rs.)	Issue Price (in Rs.)	% of Post-Issue paid-up capital	Lock-in Period
Mr. Rasesh B. Kanakia	August 25, 2006	August 25	Bonus*	2,800,000	10	Bonus Issue	10%	3 years
Mr. Himanshu B. Kanakia	August 25, 2006	August 25	Bonus*	2,800,000	10	Bonus Issue	10%	3 years
				5,600,000			**20%**	

* Equity Shares issued pursuant to this bonus issue are not out of any revaluation reserves or reserves without the accrual of cash resources and are hence eligible for being considered as minimum Promoters contribution as per clause 4.6.1 (ii) of SEBI Guidelines.

b) Share capital locked-in for one year:

In addition to the lock-in of the Promoters' contribution specified above, in terms of clause 4.14.1 of the SEBI Guidelines the entire balance pre-Issue issued Equity Share capital of the Company (other than the Equity Shares being offered through the Offer for Sale as a part of this Issue), will be locked-in for a period of one year from the date of Allotment.

c) Other requirements in respect of lock-in:

In terms of Clause 4.15 of the SEBI Guidelines, the locked-in Equity Shares held by the Promoters can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan. The Promoters have not pledged their shares with any banks or financial institutions.

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than Promoters, prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Further, in terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter group or to new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

3. Shareholding Pattern of the Company

The table below represents the shareholding pattern of the Company before the proposed issue and adjusted for this issue* as on [•].

Name of Shareholder	Number of Equity shares held prior to the Issue	Pre-Issue percentage of Equity Share Capital (%)	Number of Equity Shares held post Issue	Post-Issue percentage of Equity Share Capital (%)
Promoters				
Mr. Rasesh B. Kanakia	10,180,000**	48.48%	9,220,000	32.93%
Mr. Himanshu B. Kanakia	10,180,000***	48.48%	9,220,000	32.93%
Sub-Total	**20,360,000**	**96.95%**	**18,440,000**	**65.86%**
Promoter Group				
Mr. Babubhai Kanakia	139,440	0.66%	139,440	0.50%
Ms. Rupal R. Kanakia	250,140****	1.19%	250,140	0.89%
Ms. Hiral H. Kanakia	250,140*****	1.19%	250,140	0.89%
Kanakia Gruhnirman Private Limited	140	0.00%	140	0.00%
Kanakia Finance & Investments Private Limited	140	0.00%	140	0.00%
Sub-Total	**640,000**	**3.04%**	**640,000**	**2.29%**
Employees	0	0.00%	60,000	0.21%
Public Shareholding	0	0.00%	8,860,000	31.64%
Total	**21,000,000**	**100.00%**	**28,000,000**	**100.00%**
Total Promoter and Promoter Group Entities	**21,000,000**	**100.00%**	**28,000,000**	**100.00%**

* The shareholding pattern represented above assumes that Promoters will not be allotted any Equity Shares in the Issue

** from the aggregate of 10,180,000 Equity Shares, Mr. Rasesh B. Kanakia holds 250,000 Equity Shares jointly with Ms. Rupal R. Kanakia.

*** from the aggregate of 10,180,000 Equity Shares, Mr. Himanshu B. Kanakia holds 250,000 Equity Shares jointly with Ms. Hiral H. Kanakia.

**** from the aggregate of 250,140 Equity Shares, Ms. Rupal R. Kanakia holds 250,000 Equity Shares jointly with Mr. Rasesh B. Kanakia.

*****from the aggregate of 250,140 Equity Shares, Ms. Hiral H. Kanakia holds 250,000 Equity Shares jointly with Mr. Himanshu B. Kanakia.

4. Our Company, our Directors, our Promoters, our Promoter Group and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any person.

5. In the case of over-subscription in all categories, at least 50% of the Net Issue shall be allotted on a proportionate basis to Qualified Institutional Buyers, up to 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. If atleast 50% of the Net Issue cannot be allotted to QIBs, then the entire application money shall be refunded. Under subscription, if any, in the Non-Institutional Portion Retail Individual Portion and Employee Reservation Portion would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLMs. Under subscription, if any, in the Employees Reservation Portion would be met with spill over from the Net Issue at the sole discretion of our Company in consultation with the BRLMs.

6. The list of top ten shareholders of our Company and the number of equity shares held by them is as under:

   a) As on the date of filing of this Draft Red Herring Prospectus.

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage of Equity Share Capital (%)
1.	Mr. Rasesh B. Kanakia	10,180,000*	48.48%
2.	Mr. Himanshu B. Kanakia	10,180,000**	48.48%
3.	Ms. Rupal R. Kanakia	250,140***	1.19%
4.	Ms. Hiral H. Kanakia	250,140****	1.19%
5.	Mr. Babubhai Kanakia	139,440	0.66%
6.	Kanakia Gruhnirman Private Limited	100	0.00%
7.	Kanakia Finance & Investments Private Limited	100	0.00%
	Total	**21,000,000**	**100%**

* from the aggregate of 10,180,000 Equity Shares, Mr. Rasesh B. Kanakia holds 250,000 Equity Shares jointly with Ms. Rupal R. Kanakia.

** from the aggregate of 10,180,000 Equity Shares, Mr. Himanshu B. Kanakia holds 250,000 Equity Shares jointly with Ms. Hiral H. Kanakia.

*** from the aggregate of 250,140 Equity Shares, Ms. Rupal R. Kanakia holds 250,000 Equity Shares jointly with Mr. Rasesh B. Kanakia.

**** from the aggregate of 250,140 Equity Shares, Ms. Hiral H. Kanakia holds 250,000 Equity Shares jointly with Mr. Himanshu B. Kanakia.

   b) As on ten days prior to the filing of this Draft Red Herring Prospectus:

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage of Equity Share Capital (%)
1.	Mr. Rasesh B. Kanakia	10,180,000*	48.48%
2.	Mr. Himanshu B. Kanakia	10,180,000**	48.48%
3.	Ms. Rupal R. Kanakia	250,140***	1.19%

4.	Ms. Hiral H. Kanakia	250,140****	1.19%
5.	Mr. Babubhai Kanakia	139,440	0.66%
6.	Kanakia Gruhnirman Private Limited	100	0.00%
7.	Kanakia Finance & Investments Private Limited	100	0.00%
	Total	**21,000,000**	**100%**

* from the aggregate of 10,180,000 Equity Shares, Mr. Rasesh B. Kanakia holds 250,000 Equity Shares jointly with Ms. Rupal R. Kanakia.

** from the aggregate of 10,180,000 Equity Shares, Mr. Himanshu B. Kanakia holds 250,000 Equity Shares jointly with Ms. Hiral H. Kanakia.

*** from the aggregate of 250,140 Equity Shares, Ms. Rupal R. Kanakia holds 250,000 Equity Shares jointly with Mr. Rasesh B. Kanakia.

**** from the aggregate of 250,140 Equity Shares, Ms. Hiral H. Kanakia holds 250,000 Equity Shares jointly with Mr. Himanshu B. Kanakia.

c) As on two years before the date of filing this Draft Red Herring Prospectus:

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage of Equity Share Capital (%)
1.	Mr. Rasesh B. Kanakia	2,980,000	49.67%
2.	Mr. Himanshu B. Kanakia	2,980,000	49.67%
3.	Mr. Babubhai Kanakia	40,000	0.66%
	Total	**6,000,000**	**100%**

7. Other than the, issue of bonus shares as mentioned in “Notes to the Capital Structure”, beginning on page 3 of this Draft Red Herring Prospectus, our Promoters, Promoter group, our Directors or the directors of our Promoter companies have not acquired, purchased or sold any Equity Shares, during a period of six months preceding the date on which this Draft Red Herring Prospectus was filed with SEBI.

8. Our Company has not granted any options or issued any Equity Shares under any employee’s stock option or employees stock purchase scheme.

9. Our Promoter and Promoter Group have not purchased or sold any Equity Shares during the period of six months preceding the date on which the Prospectus is filed with SEBI, except as under:

   Mr. Rasesh B. Kanakia, Mr. Himanshu B. Kanakia and Mr. Babubhai Kanakia have sold the following Equity Shares as mentioned in the table below

Date of Transfer	Transferor	Transferee	Number of Equity Shares	Face Value of Equity Shares
August 25, 2006	Mr. Rasesh B. Kanakia	Mr Rasesh B. Kanakia and Ms. Rupal R. Kanakia	250,000	2,500,000
August 25, 2006	Mr. Rasesh B. Kanakia	Ms. Rupal R. Kanakia and Mr	250,000	2,500,000

		Rasesh B. Kanakia		
August 25, 2006	Mr. Himanshu B. Kanakia	Mr. Himanshu B. Kanakia and Ms. Hiral H. Kanakia	250,000	2,500,000
August 25, 2006	Mr. Himanshu B. Kanakia	Ms. Hiral H. Kanakia and Mr. Himanshu B. Kanakia	250,000	2,500,000
June 8, 2006	Mr. Babubhai. Kanakia	Ms. Hiral H. Kanakia	100	1000
June 8, 2006	Mr. Babubhai. Kanakia	Ms. Rupal R. Kanakia	100	1000
June 8, 2006	Mr. Babubhai. Kanakia	Kanakia Gruhnirman Private Limited	100	1000
June 8, 2006	Mr. Babubhai. Kanakia	Kanakia Finance and Investment Private Limited	100	1000

10. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

11. Except as disclosed in the section titled "Our Management" beginning on page 3 of this Draft Red Herring Prospectus, none of our Directors and key managerial employees hold any equity shares.

12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.

13. We presently do not intend or propose to alter our capital structure for a period of six months from the date of filing of this Draft Red Herring Prospectus, by way of split or consolidation of the denomination of equity shares or further issue of equity shares (including issue of securities convertible into or exchangeable, directly or indirectly for equity shares) whether preferential or otherwise, except if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use equity shares as currency for acquisition or participation in such joint ventures.

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

15. A total of 60,000 Equity Shares has been reserved for allocation to the Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Only Employees (as defined herein) would be eligible to apply in this Issue under Employees Reservation Portion. Employees may bid in the Net Issue to the Public portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Employee Reservation Portion would be treated as part of the Net Issue.

16. As on the date of filing of this Draft Red Herring Prospectus the total number of holders of Equity Shares was 11 out of which, there are 5 individual shareholders, 2 corporate shareholders and 4 individual-joint shareholders.

17. We have not raised any bridge loans against the proceeds of the Issue.

18. Except as disclosed in the sections titled "Capital Structure – Notes to the Capital Structure" beginning on page 3 and "Other Regulatory and Statutory Disclosures – Issues otherwise than for Cash" on page 3 of this Draft Red Herring Prospectus, we have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.

19. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.

20. Our Promoters and members of the Promoter Group will not participate in this Issue.

21. There are certain restrictive covenants in the agreements that our Company has entered into with banks and financial institutions for short-term loans and long-term borrowings. For further details of the terms of these agreements, see the section entitled "Financial Indebtedness" on page 3 of this Draft Red Herring Prospectus.

22. The shareholders of our Company pursuant to their resolution passed at the Extraordinary General Meeting held on August 24, 2006 have accorded their consent to this Issue. The Selling Shareholder is offering 1,920,000 Equity Shares, which were allotted on December 5, 2003 being 9.14% of its pre-Issue holding in our Company as a part of this Issue. (The Selling Shareholder is eligible for the Offer for Sale under SEBI Guidelines.)

23. An over-subscription to the extent of 10% of the Issue can be retained for the purposes of rounding off while finalizing the basis of allotment.

24. Subject to valid Bids being received at or above the Issue Price, under subscription, if any, in the Issue, would be allowed to be met with spill-over from any category or combination of categories at the discretion of the Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 221,500 Equity Shares (assuming QIB Portion is 50% of the Net Issue to the Public, i.e. 4,430,000 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. If a minimum allotment of 50% of the Net Issue to the Public is not made to the QIBs, the entire subscription monies shall be refunded.

25. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash, in the past except to the extent of bonus shares issued to the existing shareholders by capitalisation of free reserves as described in the section titled "Capital Structure – Notes to the Capital Structure" beginning on page 3 of this Draft Red Herring Prospectus. All the bonus shares issued by us in the past were by capitalizing free reserves

OBJECTS OF THE ISSUE

The net proceeds of the present Fresh Issue after deducting lead managers' fees, underwriting commission and selling fees is estimated to be Rs. [●] million. We will receive no proceeds from the Offer for Sale of the Equity Shares by the Selling Shareholders.

We intend to deploy the net proceeds of the Fresh Issue for financing of our expansion plans of setting up new Theatres across the country and general corporate expenses including acquisitions and capital expenditure. We believe that listing of our Equity Shares on Stock Exchanges will also enhance our visibility and our brand name.

In the event of a shortfall in raising the requisite capital from the proceeds of the present Fresh Issue, towards meeting the objects of the Fresh Issue, the extent of the shortfall will be met by internal accruals and/or from fresh debt. In case of any surplus of monies received in relation to the Present Fresh Issue, our Board of Directors in accordance with our internal policies will take necessary steps to determine the application of such monies for general corporate purposes, which may include acquisitions and capital expenditure.

As on the date of filing the Draft Red Herring Prospectus with SEBI, we are in various stages of implementation for proposed projects.

Brief details of the Project and fund requirements

The objects and the estimated cost of the objects as envisaged by our management are as follows:

(Rs. In Million)

Sr. No.	Particulars	Total project cost	Funds deployed Up to September 15, 2006	Amount to be financed by way of the Fresh Issue
1	Setting up of new Theatres	1106.85	39.42	1067.43
2	General Corporate Expenses including Acquisitions and Capital Expenditures	[●]	0.00	[●]
3	Issue Expenses	[●]		[●]
	Total	**[●]**		**[●]**

The fund requirements and deployment are based on the estimates of our management and have not been appraised by any bank or financial institution or independent third party entity.

The main object clause of our MoA and the objects incidental and ancillary to the main objects enable us to undertake our existing activities as well as activities for which the funds are being raised by us in the Fresh Issue.

The fund requirements stated above are based on the current business plan of our Company. We operate in a highly competitive and dynamic industry, and may have to revise our business plan from time to time on account of new projects that we may pursue including any industry consolidation initiatives, i.e., potential merger and/ or acquisition opportunities for existing Theatres or Theatres under development.

Means of finance:

The entire fund requirement towards the aforesaid objects of the Issue are proposed to be funded through the net proceeds from the Fresh Issue. In the event of a shortfall in raising the requisite capital from the proceeds of the Fresh Issue, towards meeting the objects of the Issue, the extent of the shortfall will be met by internal accruals and/or from fresh debt. As per the audited statement as on March 31, 2006, our cash profit stands at Rs. 77.06- million:

Particulars	**Amount in Rs. million**
Profit after tax	67.64
Depreciation & Non Cash Charges	9.42
Cash Profit	**77.06**

The item wise details of the utilization of the net proceeds of the Fresh Issue are given below:

1. Setting up of new Theatres

We are in the process of setting up several Theatres in various locations across India. As part of our expansion plans, over the next two years we have identified 19 key locations to set up our proposed Theatres in which a total seating capacity of approximately 15,864 seats will be created. These projects are in different stages of negotiations/implementation. These stages would include:

- LoI or MoU being signed
- Final agreement being signed and/or registered and taking possession of the property.

The break-up of the cost for setting up the Theatres is as follows:

(Rs. in Million)

Sr. No.	**Proposed Activity**	**Estimated Expenditure till March 31, 2008**
1.	Civil and interiors related works including architectural, interiors & services consultants fee	561.61
2.	Plant & Machinery	390.24
3.	Furniture, Fixtures and Equipment	81.56
4.	Security Deposit	73.44
	Total	1,106.85
	Amount Spent Up to September 15, 2006*	39.42
	Balance Fund Requirement	1067.43

**The expenditure already incurred amounting to Rs. 39.42 million as of September 15, 2006 has been certified by* RSM & Co.*, chartered accountants by their letter dated* September 29, 2006.

Proposed Implementation Schedule:

The status of implementation of setting up and establishing new Theatres, as per our current business strategy are as follows:

Sr. No	**Project location**	**Approximate Area (in square feet)**	**No. of screens**	**No. of seats**	**Entertainment Tax Exemption Availability**	**Expected Possession Date**	**Expected date of commencement of operations**	**Stage of Development**
1	Mumbai-Bandra	5,500 square feet	1	112	No	Taken	Oct-06	LoI signed (Fit Out work completed)
2	Indore	30,000	3	1019	Yes*	Taken	Dec-06	LoI signed

Sr. No	Project location	Approximate Area (in square feet)	No. of screens	No. of seats	Entertainment Tax Exemption Availability	Expected Possession Date	Expected date of commencement of operations	Stage of Development
		square feet						(Fit Out work in progress)
3	Guwahati	19,758 square feet	2	625	No	Taken	Jan-07	Agreement to lease signed (Fit Out Work in progress)
4	Nagpur	30,000 square feet	3	1000	Yes*	Taken	Jan-07	Owned property (Fit Out Work in progress)
5	Nashik	10,000 square feet	2	450	No	Nov-06	Jan-07	MoU signed (Fit Out Work in progress)
6	Faridabad		3	741	No	Nov-06	Mar-07	Agreement to lease signed
7	Panipat	19,161 square feet	3	719	No	Nov-06	Apr-07	LoI signed
8	Hyderabad	62,500 square feet	3	1068	No	Dec-06	Apr-07	MoU signed
9	Mumbai-Grant Road	10,000 square feet	2	600	No	Jan-07	May-07	MoU signed
10	Mumbra	28,500 square feet	3	1000	Yes*	Sep-07	Dec-07	MoU signed
11	Kanjurmarg	26,248 square feet	4	850	No	Aug-07	Jan-08	MoU signed
12	Kolkata	18,400square feet	3	900	No	Sep-07	Jan-08	MoU signed
13	Ahemdabad	24,124 square feet	4	1000	No	Sep-07	Jan-08	MoU signed
14	Ahemedabad	11,200 square feet	3	450	No	Sep-07	Feb-08	MoU signed
15	Ghaziabad	33,200 square feet	5	1130	Yes*	Nov-07	Mar-08	LoI signed
16	Siligudi	36,000 square	4	1000	Yes*	Sep-07	Jan-08	MoU signed

Sr. No	Project location	Approximate Area (in square feet)	No. of screens	No. of seats	Entertainment Tax Exemption Availability	Expected Possession Date	Expected date of commencement of operations	Stage of Development
		feet						
17	Ludhiana	23,000 square feet	4	1000	Yes*	Dec-07	Mar-08	LoI signed
18	Banglore	30,053 square feet	5	1000	No	Feb-08	Aug-08	MoU signed
19	Pune- Karve Road	32,000 square feet	6	1200	Yes*	Mar-08	Aug-08	MoU signed
	Total		63	15864	7 out of 19			

*The application for availing E-tax exemption will be made to the relevant authority from the date of commencement of operations.

We estimate the total fund requirements for our proposed 19 new Theatres till fiscal 2008 at Rs 1067.43 million. Capital expenditures in respect of our new Theatres would include civil and interior works (flooring, false ceilings, acoustic treatment, wall finishes, painting and polishing, waterproof treatment, woodwork, steel works, architects, interiors and services consultants' fee, etc), plant and machinery (electrical installations, air-conditioning, plumbing and fire fighting works, screen and sound projection equipment, etc), furniture, fixtures and equipment (foyer furniture, signs, seats, carpets, show windows, computers, concession and other office equipment) and pre-operative and interest costs.

While we have estimated the cost of the required plant, machinery and other services and equipment based on the rates in our existing contracts and projects and our anticipated scope of work in the new Theatres, the actual costs could vary in the course of implementation.

For the projects listed above, we will apply for necessary statutory and governmental approvals at appropriate stages of the development of the project. We intend to enter into definitive contractual arrangements with the developers / property owners in respect of our new Theatres on/ before the expected possession date. Since we do not own any of the proposed premises in which our cinemas are located except Nagpur, we are required to pay deposits at the time of entering into the commercial arrangement with the developers / property owners. We have already entered into MoU/ LOIs with the developers / property owners for all the above properties and paid them deposits aggregating to Rs. 19.95 million. We have already incurred an amount of Rs. 39.42 million till September 15, 2006 on the setting up of our new Theatres. For further details on properties see section titled, "Our Business-Further Expansion Plans" beginning on page 3 of this Draft Red Herring Prospectus.

We are currently negotiating with various suppliers for supply of furniture, fixtures, equipments, hardware and software required to operate our proposed Theatres/Multiplexes. The following is the list of contractors/ suppliers/ consultants that we have appointed/ intend to appoint for the purposes of carrying out our proposed expansion:

Sr No.	Works/ Equipments	Contractors/ Suppliers/ Consultants
1.	Civil and Interior Works	System A. D. Solutions (I) P Ltd.
2.	Architecture and Design	Sanjay Puri Architects Pvt Ltd.

Sr No.	Works/ Equipments	Contractors/ Suppliers/ Consultants
		Architech Rushikesh H. P. R. Consultants – Architects
3.	Plant and Machinery:	Parimal Mehta – Theatre & Acoustic Consultants
	a. Electrical Works	Bhuva & Associates
	b. Air Conditioning	Ketan A. Shah & Associates – A. C. Consultants
	c. Plumbing and Fire Fighting Works	Binee Engineers
	d. Acoustics	Anutone Acoustics Ltd.
	e. Projection Equipment	MRH Digital Systems Private Limited
	f. Sound System	MRH Digital Systems Private Limited
4.	Furniture and Fixture	Pen Worker.

We will have arrangements with suppliers and consultants including but not limited to the above mentioned for the projects at the appropriate stage of project implementation.

2. General Corporate Purposes

We seek to further enhance our position as a leading Indian film exhibitor. In addition to continued investments for the expansion of our cinema circuit by setting up new cinemas, we intend to expand our cinema circuit by exploring viable acquisition opportunities, and enhance our capabilities through the technological upgradation and refurbishment of our existing cinemas. Our Company is currently examining various opportunities to acquire existing Theatres at various locations. We have initiated actions to identify and evaluate prospective acquisition targets and have discussions with them. We also plan to acquire traditional standalone theatres and refurbish and remodel them to high quality single/multi-screen set-ups, to provide quality viewing experience. We propose to utilize funds for general corporate purposes including acquisitions.

In case, we are unable to identify acquisitions, we shall use the proceeds for part financing our proposed further expansion plans. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes either towards acquisitions or part financing our further expansion plans. For details of the properties in respect of which we have entered into arrangements with third parties, see section titled, "Our Business-Future Expansion Plans" beginning on page 3 of this Draft Red Herring Prospectus.

3. Issue Expenses

The Issue expenses include fees payable to BRLMs to the Issue, Registrar to the Issue, Legal Advisors to the Issue, Auditors, Underwriting Commission, Selling Commission, Escrow Bankers charges, Printing and Distribution expenses, Advertising Expenses and all other incidental and miscellaneous expenses for listing of the Equity Shares on the Stock Exchanges. The total estimated expenses is Rs. [●] millions which is [●]% of the Issue size. All expenses with respect to the Issue will be borne proportionately by our Company and the Selling Shareholders. For further details refer to section titled 'Other Regulatory and Statutory Disclosures' beginning on page 3 of this Draft Red Herring Prospectus.

Funds Deployed

Based on the certificate dated September 29, 2006 from the Statutory Auditors of our Company, the expenditure incurred by the Company till September 15, 2006 from internal accruals/debt on the specified new projects is given below:

Nature of Expenditure	**Rs. in Million**
Amount paid towards Mou/LOI	19.95
Capital Work in Progress and Capital advances	1700
Preoperative Expenses	2.47
Total **Means of Finance** Debt Internal Accruals	39.42

Proposed Deployment of Funds:

Year wise break up of the expenditure proposed to be incurred on the projects is as follows

(Rs. in millions)

Particulars	**Amount Already Spent**	**FY 2007**	**FY 2008**	**Total**
Setting up of new Theatres	39.42	418.24	688.61	1106.85
General Corporate Expenses including acquisitions and capital expenditures		[●]	[●]	[●]
Issue Expenses		[●]	-	[●]
Total		[●]	[●]	[●]

INTERIM USE OF PROCEEDS OF THE FRESH ISSUE

Pending any use as described above, we intend to invest the proceeds of this Fresh Issue in high quality, interest / dividend bearing short-term / long-term liquid instruments including deposits with banks for the necessary duration and no investments will be made in equity Markets. Such investments would be in accordance with the investment policies as approved by the Board of Directors from time to time.

No part of the Fresh Issue proceeds will be paid by us as consideration to our Promoter, Directors, key management personnel, associate or Group Companies.

MONITORING OF UTILISATION OF FUNDS

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI DIP Guidelines. The Audit Committee appointed by our Board of Directors will monitor the utilization of the Fresh Issue proceeds.

ISSUE STRUCTURE

The present Issue of 8,920,000 Equity Shares comprising of Fresh Issue of 7,000,000 Equity Shares and an Offer for Sale of 1,920,000 Equity Shares at a price of Rs. [•] which includes a reservation for Employees of 60,000 Equity Shares for cash aggregating Rs. [•] million is being made through the Book Building Process. The Issue will constitute 31.86 % of the fully diluted post Issue Equity Share capital of our Company.

	Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for allocation*	60,000 Equity Shares	Atleast 4,430,000 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Not less than 1,329,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 3,101,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue size available for allocation	Upto 0.21 %	Atleast 50% of Net Issue less allocation to Non Institutional Bidders and Retail Individual Bidders	Not less than 15% of Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 35% of Net Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate as follows: (a) Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	[•] Equity Shares	Such number of Equity Shares in multiples of [•] Equity Shares so that the Bid Amount exceeds Rs 100,000	Such number of Equity Shares in multiples of [•] Equity Shares so that the Bid Amount exceeds Rs 100,000	[•] Equity Shares

	Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
Maximum Bid	Such number of Equity Shares in multiples of [•] Equity Shares so that the Bid Amount does not exceed Rs. [•] million	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialised mode	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Allotment Lot	[●] Equity Shares in multiples of 1 Equity Share	[●] Equity Shares in multiple of 1 Equity Share	[●] Equity Shares in multiple of 1 Equity Share	[●] Equity Shares in multiple of 1 Equity Share
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	All or any of the following: (a) a permanent employee of the Company as of [●] and based, working and present in India or out of India as on the date of submission of the Bid cum Application Form; (b) a Director of the Company, whether a whole time Director, part time Director or otherwise, except any Promoters or members of the Promoter group, as of [●] and based and present in India as on the date of	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, Mutual Funds, foreign institutional investors registered with SEBI, venture capital funds registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.	Resident Indian individuals, Eligible NRIs and HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts	Individuals, including Eligible NRIs and HUF (in the name of Karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.

	Employees	QIB Bidders	Non-Institutional Bidders	Retail Individual Bidders
	submission of the Bid cum Application Form. I a permanent employee as defined in sub-clauses (a) or (b) of a subsidiary of our Company whether in India or out of India.	250 Million and pension funds with minimum corpus of Rs. 250 Million in accordance with applicable law.		
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	100% of Bid Amount	Atleast 10% of Bid Amount	100% of Bid Amount	100% of Bid Amount

* *Subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in the Non-Institutional Portion Retail Individual Portion* and Employee Reservation Portion *would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLMs. If at least 50% of the Net Issue cannot be allotted to QIB Bidders, then the entire application money will be refunded. However, if the aggregate demand by Mutual Funds is less than 221,500 Equity Shares (QIB Portion is 50% of the Net Issue size, i.e. 4,430,000 Equity Shares), the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs.*

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

**** *Any Under-subscription in Equity Shares, if any, reserved for Employees would be included in the Net Issue and allocated in accordance with the description in section titled "Basis of Allocation" beginning on page 3 of this Draft Red Herring Prospectus.*

Withdrawal of the Issue

Our Company and the Selling Shareholders in consultation with the Book Running Lead Managers, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason therefore.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of basis of allocation. Applicants residing at 15 centres where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of Issue.

Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

(i) Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
(ii) Despatch of refund orders shall be done within 15 days from the Bid/ Issue Closing Date; and
(iii) We shall pay interest at 15% per annum, if Allotment is not made, refund orders are not despatched and/ or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bid/Issue Programme

Bidding Period/Issue Period

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

Bids and any revision in Bids shall be accepted only between 10 a.m. and 5 p.m. (Indian Standard Time) and on the Bid/Issue Closing Date, Bids or revisions of Bids shall be accepted only between 10 a.m. and 1 p.m. during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form and uploaded till such time as permitted by the NSE and the BSE on the Bid/Issue Closing Date.

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

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the NSE and the BSE, by

issuing a press release, and also by indicating the change on the web site of the Book Running Lead Managers and at the terminals of the Syndicate.

BASIS FOR ISSUE PRICE

The Issue Price of Rs. [●] has been determined by us in consultation with the BRLMs on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of Equity Shares is Rs. 10 and the Issue Price is [●] times the face value.

Qualitative Factors

Our Competitive strengths

FOR EXHIBITION BUSINESS

Kanakia Group - Strong Developer Background

We are a part of the Kanakia Group, which has been associated with the real estate development for more than two decades and have developed over 5 million square feet. of residential & commercial space. The wide experience in real estate development has enabled us to reduce cost and time overrun in developing projects without compromising on quality and ambience. We have already developed 6 multiplexes having 24 screens. The group has established good relationships with various suppliers, which enable us to get preferred services and negotiate for competitive commercial terms.

Exhibition outlets catering to diverse customer base

We provide a wide range of offerings catering to a wide spectrum of cinema goers from high quality multiplexes to budget retrofitted/single screens. We believe in optimising revenue and have adopted a price differentiation model, offering our patrons a superior cinema-going experience at each price point. Currently our ticket prices range from Rs. 40 to Rs. 110 for our retrofitted/single screens and Rs. 100 to Rs. 450 for our multiplexes across various properties. Our theatres are strategically located in high-catchment residential areas providing convenient access to our target customers. Our diversified offering enables us to cater to various sections of the urban population viz. upmarket households through multiplex theatres and middle-income households through retrofitted/single screens.

Exhibition Chain for the value-conscious Indians

We endeavour to offer a superior movie experience to our patrons at each price point by focusing on quality, customer service and providing a host of value added services. We are able to develop high-quality infrastructure at low cost points and provide services to our patrons at reasonable prices.

Strong presence in the Mumbai and Thane market

Mumbai, is the hub for Indian cinema and is a large market for exhibition business. We have a strong presence in and around Mumbai market with 9 theatres, 30 screens and a seating capacity of 8314. Our theatres in Mumbai are strategically located in high catchment areas – Sion, Andheri, Versova, Goregaon, Kandivali, Mira Road and Thane. This allows us flexibility in rotating prints between our theatres, and thereby maximize returns.

One of the largest owners of theatre properties in India

Presently we own 8 properties with 23 screens spread over 155,000 sq. ft. under ownership. In Mumbai and Thane itself, we own 7 properties spread over 130,000 sq ft of area. This gives us lifetime access to properties with no rentals to be paid. This also provides us the flexibility of remodelling our screen formats within the owned premises with newer technology / concepts / exhibition formats.

Established Brand and track record of innovation

Our brand 'Cinemax' is one of the most recognisable movie exhibition brands in the areas where we operate. We have a track record of innovation in the exhibition industry. We were amongst the first few players to anticipate the need for modern multiplexes in India. We were one of the first to introduce the concept of high comfort recliner seating arrangements with '*The Red Lounge*'. We constantly focus on providing service enhancements and innovative value additions to our patrons. In line with this, we have introduced massage chairs, karaoke facilities. We have also introduced a gaming zone in our multiplex at Thane and also intend to further expand it by opening seven new gaming zones at different locations where are Multiplexes are present in India by fiscal 2009, to provide complete family entertainment and enhance the overall experience.

Strong relationship with film fraternity

We believe that our position as one of the leading exhibition players in Mumbai have helped us to build strong relationships with both Indian and foreign film distributors. We believe this gives us an edge in accessing content – both in terms of quality of content as well as terms of agreement due to better negotiating leverage. This enables us to host premieres which generate a lot of footfalls and have a ripple effect on future screenings, brand visibility and brand recognition. We hosted 17 film premieres in FY06 including blockbuster films such as Salaam Namaste, Rang de Basanti, Chronicles of Narnia, Hanuman and Shaadi No 1.

Enhancing revenues through optimal utilization of large available area

We normally plan our area in theatres based on certain predefined parameters of area per seat which enables our patrons to have a free movement within the theatre premises having large foyer area. The excess available area per patron is put to productive use through concessionaires (rented kiosks or speciality food vendors) or advertising hoardings and props which generate significant revenue for us at no extra costs.

Strong project execution capabilities

We have an in-house specialized team for design and development of our properties. Our strong developer background, regulatory management skill sets and relationship with various suppliers help us in timely execution of projects and in maintaining tight control on costs and quality.

Ability to identify strategic locations and to acquire properties at competitive prices

One of the key factors for the success of any multiplex is the location. Our promoter's background and expertise in real estate development enables us to identify strategic locations and acquire properties at competitive prices. In addition, we have a professional team with many years of experience to assess the potential of a location after evaluating its demographic trends in terms of catchments area, purchasing power, competing alternatives, etc. Our ability to evaluate such trends enables us to identify locations which are relatively untapped and gain the first mover advantage.

FOR OUR GAMING BUSINESS

Offering a wide variety of games

We offer a wide variety of games including LAN based games, designed specially to engage every age group. We believe that this provides greater choice to our patrons and enhances the overall gaming experience.

Easy Availability of locations/ customers

Since we have entered into Memorandum of Understanding for properties for our exhibition business, we already have adequate space for our gaming business. Our gaming zones will be complementary to our exhibition business, thereby providing a ready customer base for our gaming business.

Games across age groups at competitive rates

The gaming zone has games across age groups as well as special LAN games. The pricing of the games has also been kept very competitive and there are incentives for those who achieve set parameters in each game.

For further details, refer to the sections titled "Industry" and "Our Business" beginning on pages 3 and 3 of this Draft Red Herring Prospectus.

Quantitative Factors

(i) Information presented in this section is derived from our standalone restated financial statements prepared in accordance with Indian GAAP.

Earning Per Share (EPS) (as adjusted for changes in capital)

Particulars	Face value per share (Rs. 10 per share)	
	Rupees	Weight
Year ended March 31, 2004	1.53	1
Year ended March 31, 2005	8.20	2
Year ended March 31, 2006	12.61	3
Weighted average	9.24	

The EPS for the quarter ended June 30, 2006 is Rs. 1.82.

(ii) P/E pre-issue in relation to Issue Price of Rs. [•]

a. For the year ended March 31, 2006, EPS is Rs. 12.51.

b. P/E based on profits after taxes, as restated, for the year ended March 31, 2006 is Rs. [•].

c. Industry P/E

i)	Highest	:	219.2
ii)	Lowest	:	2.3
iii)	Industry Composite	:	54.5

Source: Capital Market Volume XXI/14 September 11-24, 2006, Category – Entertainment/ Electronic Media Software

(iii) Average Return on Net Worth in the last three years.

Particulars	RONW %	Weight
Year ended March 31, 2004	4.74	1
Year ended March 31, 2005	43.99	2
Year ended March 31, 2006	40.13	3
Weighted Average	35.52	[•]

The Average Return on Net Worth for the quarter ended June 30, 2006 is 5.30%.

(iv) Minimum Return on Increased Net Worth required to maintain pre –issue EPS as on March 31, 2006 is [●].

(v) Net Asset Value per Equity Share.

Net Asset Value per Equity Share for the year ended March 31, 2006 is Rs. 31.17.

Net Asset Value per Equity Share for the quarter ended June 30, 2006 is Rs. 17.17.

After the Issue: Rs. [●]

Issue Price: [●].

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

(1) Net Asset Value per Equity Share represents shareholders' equity as per restated financial statements less revaluation reserves and miscellaneous expenses as divided by weighted average number of Equity Shares outstanding as of date.

(vi) Comparison with industry peers

	EPS (Rs)	P/E	RONW%	NAV (Rs.)
Cinemax	12.51	[●]	40.13	31.17
Peer Group[1]				
Adlabs Films	5.60	39.30	10.40	85.10
Inox Leisure	2.90	43.40	15.90	36.00
PVR	2.4	79.60	8.7	75.40
Shringar Cinemas	-	-	-	16.90

Note: The EPS, RONW and NAV figures are based on the latest audited results for the year ended March 31, 2006 and P/E is based on trailing twelve months (TTM) and Market data.
(1) *Source: Capital Market Volume XXI/14 September 11-24, 2006, Category – Entertainment/ Electronic Media Software*

The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters, see sections titled "Risk Factors", "Business" and "Financial Statements" beginning on pages iii, 3 and 3 of the Draft Red Herring Prospectus to have a more informed view.

The Face Value of the shares is Rs. 10/- per share and the Issue Price is [●] times the Face Value of the Equity Shares.

The Issue Price of Rs. [●] has been determined by us in consultation with the BRLMs and on the basis of assessment of market demand for Equity Shares by way of book building.

STATEMENT OF TAX BENEFITS

The Board of Directors
Cinemax India Limited
Mumbai

Dear Sirs,

Re: Option on Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits available to Cinemax India Limited ('the Company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in India.

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

- the Company or its shareholders will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits, where applicable have been/ would be met with.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to Cinemax India Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

For RSM & Co.
Chartered Accountants

Vilas Y. Rane
Partner
M. No.: F-33220
Mumbai: September 18, 2006

STATEMENT OF TAX BENEFITS AVAILABLE TO CINEMAX INDIA LIMITED AND TO ITS SHAREHOLDERS

1. **Key benefits available to the Company under the Income-tax Act, 1961 ('the Act')**

   a) **Dividend income:**

   - Dividend (both interim and final) income, if any, received by the Company on its investment in shares of another Domestic Company shall be exempt from tax under Section 10(34) read with Section 115-O of the Act.
   - Income received in respect of units of a Mutual Fund specified under Section 10(23D) of the Act shall be exempt from tax under Section 10(35) of the Act.

   b) **Capital gains:**

   - Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. Shares held in a Company or any other securities listed on a recognized stock exchange in India or units of UTI and specified Mutual Fund/zero coupon Bonds are considered as long-term capital assets if these are held for a period exceeding 12 months. Capital gains arising on transfer of long-term capital assets are considered as 'long-term capital gains'. Capital gains arising on transfer of these assets held for a period of 12 months or less are considered as 'short-term capital gains'.
   - Section 48 of the Act, prescribes the mode of computation of capital gains. It provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long-term capital gains, for resident shareholders it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by the prescribed cost inflation index. The benefit of indexation is not available in respect of long-term capital gains arising from the transfer of long-term capital asset like bonds and debenture other than capital indexed bonds issued by the Government.
   - Long-term capital gains arising on transfer of equity shares or units of an equity oriented fund (as defined) which has been set up under a scheme of a Mutual Fund specified under Section 10 (23D), on or after October 1, 2004 are exempt from tax under Section 10 (38) of the Act provided the transaction is chargeable to Securities Transaction Tax (STT).
   - Under the provisions of Section 112 of the Act, long-term capital gains, which are not exempt under Section 10(38), are subject to tax at the rate of 20 per cent (plus applicable surcharge on tax and education cess on tax and surcharge), in case where indexation benefit is claimed. However, under the proviso to Section 112 (1), if the tax on long-term capital gains arising on transfer of listed securities or units or zero coupon bonds computed at the rate of 20 per cent (plus applicable surcharge on tax and education cess on tax and surcharge) after availing the benefit of indexation exceeds the tax on the long-term capital gain computed at the rate of 10 per cent (plus applicable surcharge on tax and education cess on tax and surcharge) without availing the benefit of indexation, then such excess tax is ignored for the purpose of computing the tax payable on the capital gains.
   - Under the provisions of Section 111A of the Act, short-term capital gains arising on sale of equity shares or units of equity oriented mutual fund (as defined) under Section 10 (23D), on or after October 1, 2004, are subject to tax at the rate of 10 per cent (plus applicable surcharge on tax and education cess on tax and surcharge), provided the transaction is chargeable to STT.
   - Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried

forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains.

- Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.
- As per Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains which are not exempt under Section 10(38) of the Act shall not be chargeable to tax in the proportion of capital gains, which are invested in certain notified bonds within six months from the date of transfer. If the Company transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of its acquisition, the amount of gains exempted earlier would be chargeable to tax as long-term capital gains in such year. The bonds specified for this Section are bonds issued by, National Highway Authority of India (NHAI)and Rural Electrification Corporation Ltd. (REC) after 1st April, 2006.

c) Depreciation / Business Loss:

- The Company shall be entitled to claim depreciation on tangible and intangible assets owned by it and used for the purposes of its business in accordance with provisions of Section 32 of the Act.
- Unabsorbed depreciation can be carried forward in future years.
- Business losses can be carried forward for eights years for set off against subsequent business profits.

d) Rebate:

- As per Section 88E of the Act, the STT paid in respect of the taxable securities transactions entered into in the course of business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains of Business or Profession' arising from taxable securities transactions.

e) MAT Credit

- Under section 115JAAof the Act, credit is allowed in respect of any Minimum Alternate Tax ('MAT') paid under section 115JB of the Act for any assessment year commencing on or after April 1st, 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to 7 years succeeding the year in which the MAT credit is allowable.

f) Deductions

- The Company will be entitled to claim tax holiday @ 50% for seven consecutive years starting from initial year (as defined) u/s. 80IB(7A) of the Income-tax Act, of the profits of the new undertaking, subject to the limits and the conditions specified under the said section.

2. Key benefits available to the Members of the Company

2.1 Resident Members

a) Dividend income:

- Dividend (both interim and final) income, if any, received by the resident shareholder from the domestic company shall be exempt under Section 10(34) read with Section 115O of the Act.

b) Capital gains:

- Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. Shares held in a Company or any other securities listed on a recognized stock exchange in India or units of UTI and specified Mutual Fund/zero coupon Bonds are considered as long-term capital assets if these are held for a period exceeding 12 months. Capital gains arising on transfer of long-term capital assets are considered as 'long-term capital gains'. Capital gains arising on transfer of these assets held for a period of 12 months or less are considered as 'short-term capital gains'.
- Section 48 of the Act, prescribes the mode of computation of capital gains. It provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long-term capital gains, for resident shareholders it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by the prescribed cost inflation index. The benefit of indexation is not available in respect of long-term capital gains arising from the transfer of long-term capital asset like bonds and debenture other than capital indexed bonds issued by the Government.
- Long-term capital gains arising on transfer of equity shares or units of an equity oriented fund (as defined) which has been set up under a scheme of a Mutual Fund specified under Section 10 (23D), on or after October 1, 2004 are exempt from tax under Section 10 (38) of the Act provided the transaction is chargeable to Securities Transaction Tax (STT).
- Under the provisions of Section 112 of the Act, long-term capital gains which are not exempt under Section 10(38), are subject to tax at the rate of 20 per cent (plus applicable surcharge on tax and education cess on tax and surcharge), in case where indexation benefit is claimed. However, under the proviso to Section 112 (1), if the tax on long-term capital gains arising on transfer of listed securities or units or zero coupon bonds computed at the rate of 20 per cent (plus applicable surcharge on tax and education cess on tax and surcharge) after availing the benefit of indexation exceeds the tax on the long-term capital gain computed at the rate of 10 per cent (plus applicable surcharge on tax and education cess on tax and surcharge) without availing the benefit of indexation, then such excess tax is ignored for the purpose of computing the tax payable on the capital gains.
- Under the provisions of Section 111A of the Act, short-term capital gains arising on sale of equity shares or units of equity oriented mutual fund (as defined) under Section 10 (23D), on or after October 1, 2004, are subject to tax at the rate of 10 per cent (plus applicable surcharge on tax and education cess on tax and surcharge), provided the transaction is chargeable to STT.
- Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains.
- Long-term capital loss suffered during the year is allowed to be set-off against long-term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.
- As per Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains which are not exempt under Section 10(38) of the Act shall not be chargeable to tax in the proportion of capital gains, which are invested in certain notified bonds within six months from the date of transfer. If the Company transfers or converts

the notified bonds into money (as stipulated therein) within a period of three years from the date of its acquisition, the amount of gains exempted earlier would be chargeable to tax as long-term capital gains in such year. The bonds specified for this Section are bonds issued by, National Highway Authority of India (NHAI), and Rural Electrification Corporation Ltd. (REC) after 1st April, 2006.

Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

- As per the provisions of Section 54F of the Act and subject to conditions specified therein, any long-term capital gains (other than on residential house but including those on shares) which are not exempt under Section 10(38) of the Act, arising to an individual or Hindu Undivided Family are exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer. Provided that the individual should not own more than one residential house at the time of such transfer. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house (other than the new residential house referred above), then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

c) Rebate:

- As per Section 88E of the Act, the STT paid in respect of the taxable securities transactions entered into in the course of business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains of Business or Profession' arising from taxable securities transactions.

2.2 Key Benefits available to Non-Resident / Non-Resident Indian Member (other than FIIs and Foreign Venture Capital Investors)

a) Dividend income:

- Dividend (both interim and final) income, if any, received by the non-resident/non-resident Indian shareholders from the domestic company shall be exempt under Section 10(34) read with Section 115-O of the Act.

b) Capital gains:

- Benefits outlined in Paragraph 2.1(b) above are also available to a non-resident/non-resident Indian shareholder except that under first proviso to Section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. Further, the benefit of indexation is not available to non-resident shareholders.

c) **Rebate:**

- As per Section 88E of the Act, the STT paid in respect of the taxable securities transactions entered into in the course of business would be eligible for rebate from the amount of income-tax on the income chargeable under the head ‘Profits and Gains of Business or Profession’ arising from taxable securities transactions.

d) **Tax Treaty Benefits:**

- As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident/non-resident Indian shareholder.
  Thus, a non-resident/non-resident Indian shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.

e) **Capital gains tax – Options available to a non-resident Indian under the Act**

Where shares have been subscribed to in convertible foreign exchange – Option of taxation under Chapter XII-A of the Act:

- Non-Resident Indians as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange.
- According to the provisions of section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company’s shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit but with protection against foreign exchange fluctuation. No deduction in respect of any expenditure or allowance shall be allowed under any provision of this Act in computing the investment income of a non-resident Indian.
- According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

  Further, if the specified asset or savings certificate in which the investment has been made is transferred or converted into money within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such

investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are transferred or converted into money.
- As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

2.2.1 Foreign Institutional Investors (FIIs)

- In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115O (i.e. dividends declared, distributed or paid on or after 1st April 2003) received on the shares of the company is exempt from tax.
- In terms of section 10(38) of the Act, any long term capital gains arising to an investor from transfer of long-term capital asset being an equity share in a company or a unit of an equity oriented fund would not be liable to tax in the hands of the investor if the following conditions are satisfied:

- The transaction of sale of such equity share is entered into on or after 1st October, 2004;
- The transaction is chargeable to securities transaction tax as explained below.

- In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head “Profit and gains of business or profession” arising from such taxable securities transactions computed based on average tax rate.
- The income by way of short-term capital gains / long-term capital gains realized by FIIs on sale of shares in the company would be taxed at 30% / 10% respectively, as per section 115AD of the Act. (However, in respect of short term capital gains referred to in section 111A the tax rate applicable will be 10%). The benefit of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable to a FII.
- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gain (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gains are invested in certain notified bonds within a period of six months after the date of such transfer for a period of at least three years. However, if the assessee transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money. The bonds specified for this section are bonds issued by, NHAI, and RECL after 1st April, 2006.

  Where the benefit of section 54EC has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the Act.

- Under section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.

Thus, a non-resident can opt to be governed by the provisions of the Act or the applicable tax treaty, whichever is more beneficial.

2.2.2 Venture Capital Companies/Funds

- Under section 10(23FB) of the Act, venture capital companies/funds registered with Securities and Exchange Board of India, which are set up for investment in venture capital undertakings (as defined) subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the company. However, income received by a person out of investments made in a venture capital company or in a venture capital fund shall be chargeable to tax in the hands of such person in the manner laid down in Section 115U.

2.2.3 Mutual funds

- Under section 10(23D) of the Act, any income of Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder or Mutual Funds authorised by the Reserve Bank of India, subject to the conditions specified, would be exempt from income tax.

2.3 Benefits to company and shareholders under the Wealth Tax Act, 1957

- Shares of the company held by the shareholder is not treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence, shares are not liable to wealth tax.

2.4 Benefits to shareholders of the company under the Gift Tax Act, 1958.

- Gift made after 1st October 1998 is not liable for any gift tax, and hence, gift of shares of the Company would not be liable for any gift tax.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2006.
2. The above Statement of possible tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or list of all potential tax consequences.
3. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
4. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
5. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

SECTION IV – ABOUT THE ISSUER COMPANY

INDUSTRY

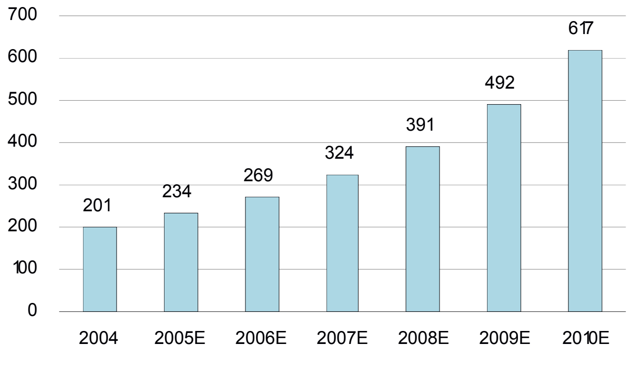
Facts and other statistics in this section relating to India, the Indian economy and Indian Entertainment and mall development industry has been derived from various publications and obtained in from agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source of materials. While our directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside India. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

Disclaimer of Yes Bank: It is agreed and understood that while information and opinion compiled or arrived at in the Report is prepared in good faith and from public or private sources believed to be reliable, no representations or warranty, express or implied is made to their accuracy, completeness, correctness or appropriateness of use of the Report. Valuation or any analysis is not a precise science and therefore YES Bank does not certify that the valuation or analysis results, or the assumptions they are based on, are accurate.

Indian Entertainment Industry

The Indian Entertainment Industry is currently estimated at Rs. 234 billion (US$5.2 billion). Films contribute a significant proportion (28%) to India's entertainment industry *(Source: The Indian Entertainment and Media Industry ("FICCI - PWC Report, 2006"))*. The entertainment industry is expected to grow annually at almost 21 percent to reach around Rs. 617 billion (US$13.77 billion) by 2010. The Indian Film entertainment industry is expected to reach Rs.153 billion in 2010, contributing 25% to India's entertainment industry.

Growth of the Indian Entertainment Industry (INR Bn)



(Source: FICCI - PWC Report, 2006)

Indian Film Industry

The Indian film industry is the largest film industry in the world in terms of the number of films produced and admissions each year. *(Source: Indian Entertainment Industry Focus 2010: Dreams to Reality, Confederation of Indian Industry - KPMG, 2005 ("CII - KPMG Report, 2005")*

The film industry comprises three segments:

- Film production: which involves the making of movies
- Film distribution: which involves the distribution of movies to cinemas, television, video stores etc.
- Film exhibition: which involves the exhibition of movies.

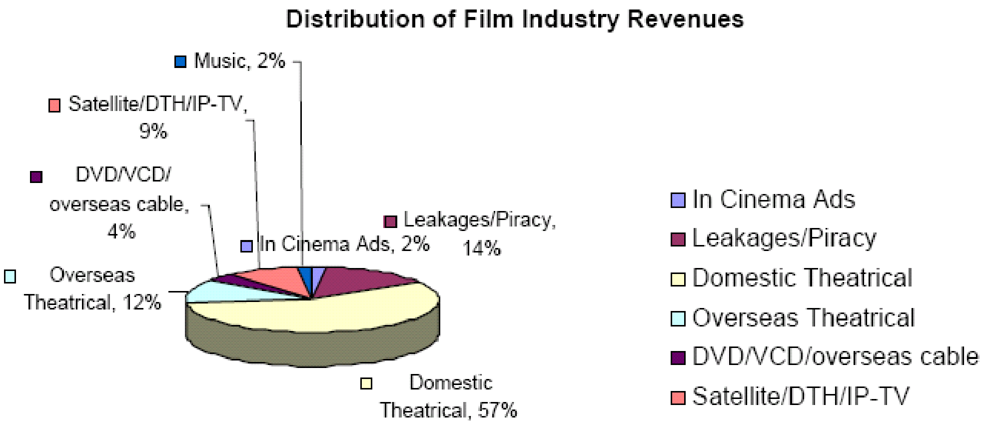
Film Production Segment

Since being recognized as an industry in India as recently as 2000, the industry has been moving towards corporatization. Corporatization implies a fundamental shift in the way different elements of the film industry, including pre-production, financing, production, postproduction and distribution, are managed and run. This is likely to result in a scenario where movie making is governed by transparent and written contracts and is carried out in accordance with global best practices. This should convert the Indian film production industry from an aggregation of creative endeavor to a volume driven business.

Corporate tie-ups, sponsorships and merchandising are new trends which help in financing the production of movies in India. Although these sources of finance have been effectively tapped in developed markets such as the United States, they have just emerged as a viable source of finance in India and are likely to play a major part in the future, with producers trying to recover part of their film costs through brand associations.

Film Distribution Segment

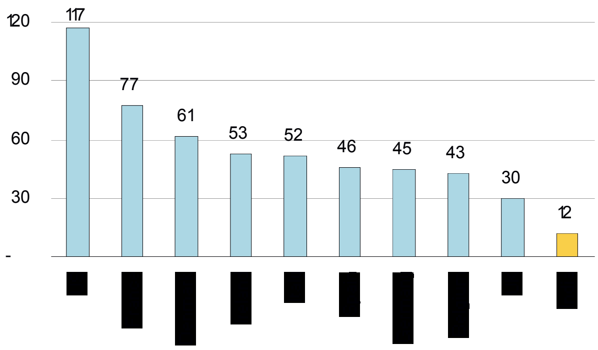
Film distribution which involves the distribution of movies to cinemas, television, video stores etc. The Indian film industry currently realizes almost 70% of its total revenues (around 80% of legitimate revenues) from domestic and overseas box office sales compared with the U.S. film industry, which earns only 35% of its revenue from box office sales and the remaining 65% of revenue is derived from other revenue sources such as sales of DVDs and VHS tapes and the sale of cable and satellite television rights. *(Source: CII - KPMG Report, 2005)*



Inadequate Number of Screens

In India, the number of screens per million of population is just 12 whereas the average in western countries is approximately 40. The table below shows the number of cinema screens per million people in selected countries.

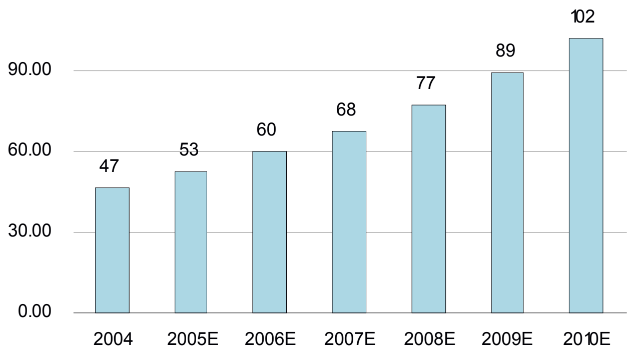
Screen per million population



(Source: CII-KPMG Report, 2005)

The Indian film exhibition sector had revenues of INR 53 million in 2005. (Source FICCI-PWC Report, 2006). The domestic box office market is expected to grow at a CAGR of 14% between 2005 and 2010 to reach INR 102 Bn

Growth of the Domestic Box Office Market (INR Bn)



(Source: FICCI – PWC Report, 2006)

Despite the higher number of tickets sold in India, the total reported box office revenue is significantly lower in India compared with the United States. This is primarily due to the fact that ticket prices are much lower in India, with an average of Rs. 17 (Source: FICCI - PwC Report, 2006.) The lower ticket prices in India are due to lower income levels, especially in rural and semi urban parts of the country, and the lack of good quality cinemas. The average price of a ticket for a multiplex cinema is Rs. 75 - 85 but the number of screens in multiplexes represented only 2.3% of total screens in India as of March 2005. *(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers)* An increase in the number of Multiplex screens should result in an increase in film exhibition revenues, so the opening of new Multiplexes represents a significant growth opportunity for the industry.

Organisation of the Indian Exhibition Sector

The Indian film exhibition sector can be divided into two segments: single and double-screen cinemas and multiplex cinemas, i.e., a cinema complex with three screens or more. Comparison of multiplexes and single-screen theaters on key parameters is represented in the table below:

Multiplex vs. Single-Screen Theaters		
Parameter	**Multiplex**	**Single Screen**
Screens	▪ Four to five	▪ One
Seats per screen	▪ 250 – 275	▪ 1,000+
Average ticket price	▪ Rs. 80 – 100	▪ Rs. 20 - 30
Property	▪ Owned / Leased	▪ Owned
Entertainment tax benefit	▪ Tax exemption for four to five years in some cases	▪ Nil
Advantages	▪ Better quality ▪ Shares Costs ▪ Higher F&B revenue ▪ Flexibility in terms of screening times and the number of screenings	▪ Location advantage

Advantages of Multiplexes

Multiplex Cinemas offer significant economic advantages over similar size single-screen theaters. The key economic advantages are as follows:

- **Better occupancy ratios**: Multiplex Cinemas have multiple screens with different seating capacities. The Multiplex Cinema operator can choose to show a movie in a larger or a smaller theater based on its expected potential. This enables the Multiplex Cinema operator to maintain higher capacity utilization compared with a single-screen cinema.

- **Greater number of shows**: Each movie has a different screening duration. A Multiplex Cnema operator has the flexibility to decide on the screening schedule so as to maximize the number of shows in the Multiplexes, thus enabling it to generate a higher number of patrons.

- **Better cost management**: A Multiplex Cinema benefits from a set of shared facilities, such as the box office, toilets, food and beverage facilities and common manpower, resulting in a lower cost of overhead per screen.

- **Tax Rebates:** The government has accorded various tax rebates for multiplexes

- **Dynamic Pricing:** States like Maharashtra and Delhi have incorporated dynamic ticket pricing, allowing them to charge ticket prices according to demand and supply.

Multiplex Growth Potential

Despite the significant advantages of multiplex cinemas, the percentage of cinema screens that are in multiplexes in India is negligible. Of an estimated 12,900 active screens, over 95 percent are stand-alone, single-screens. *(Source: CII - KPMG Report, 2005)*

As of March 2005, there were 73 multiplexes operating in India with 276 screens. Western India has the largest number of multiplexes at 42 (58%) followed by Northern India with 23 (32%). Both these regions, thus, constitute 90% of multiplexes operating in the country presently *(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers)*

The table below shows the number of multiplexes classified on the basis of geographic region and city.

Region	Number of multiplexes
West	42
North	23
South	5
East	3

City	Number of multiplexes
Mumbai and suburbs	12
Delhi	6
Ahmedabad	5
Ghaziabad	4
Kolkata	4
Gurgaon	3
Nasik	3
Pune	3

(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers)

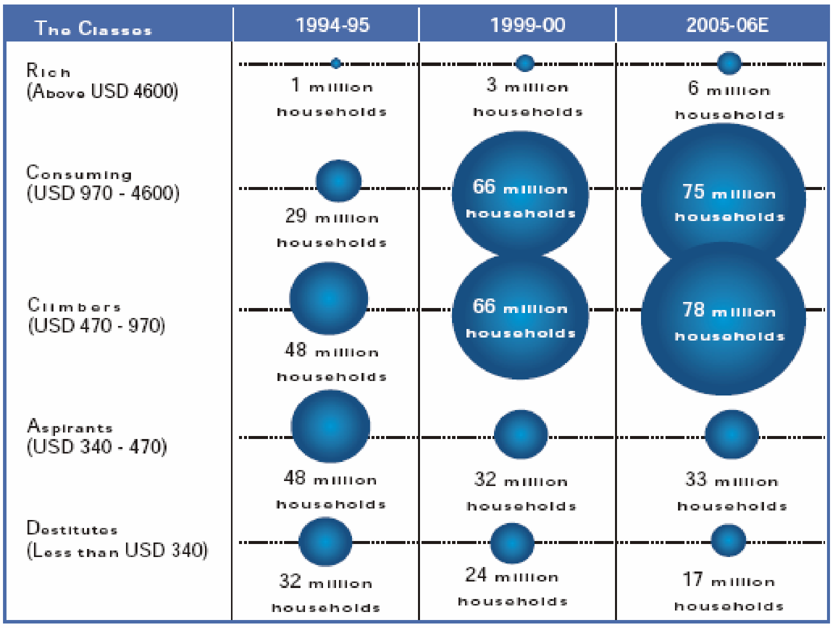
More than 60 additional multiplexes with more than 220 additional screens are slated to commence operations by the end of 2006, a growth rate of 80- 100%. *(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers)*

Multiplex Growth Drivers

The key growth drivers responsible for the expected increase in the number of Multiplex Cinemas are:

- ***An increase in disposable income in the hands of an ever expanding Indian middle class.***

  Higher propensity to spend on entertainment and quality cinema viewing experience in multiplexes has helped grow the film exhibition business though multiplexes significantly. Multiplex Cinemas generally cater to middle and high income households. The emergence of the Indian middle class with greater earning power and a higher disposable income is one of the key factors that will drive the growth of the Multiplex Cinema segment.



(Source: CII KPMG Report 2005)

- ***Favorable demographic changes***
  India is likely to see a significant demographic shift that will be favourable for the film exhibition sector. The urban population between the ages of 15-34 years is expected to increase from 107 million in 2001 to 138 million in 2011, an increase of 30%, and the urban population between the ages of 15-44 years is expected to increase from 146 million to 186 million during the same period, an increase of 27%. *(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers)* These expected increases are likely to cause a rise in the demand for movies, especially in the 15-34 years age group as this age group represents the most frequent movie goers across the global markets. *(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers)*

- ***Development of organized retail***
  In the last 5-7 years organized retail in India has witnessed significant growth. Retailing in India is currently estimated to be a USD 200 billion industry, of which organised retailing makes up 3 percent or USD 6.4 billion.

- ***Entertainment tax benefits for Multiplex Cinemas***
  Entertainment tax rate/ exemptions for various states are as under:

  Entertainment Tax Rates in various States:

Sl. No.	States	Entertainment tax rates on gross ticket price	Availability of entertainment tax exemption
1.	Maharashtra- Mumbai	31.03%	Yes
1 A.	Maharashtra- Thane/Nashik/Nagpur	28.57%	Yes
2.	Punjab	33.35%	Yes
3.	West Bengal	23.00%	Yes
4.	Uttar Pradesh	37.50%	Yes
5.	Madhya Pradesh	33.33%	Yes
6.	Karnataka	28.60%	Yes
7.	Delhi	23.08%	No
8.	Andhra Pradesh*	16.67%	No
9.	Gujarat	20.00%	No
10.	Harayana	23.08%	No
11.	Assam	50.00%	No

Source: Cinemax research on various state Multiplex cinema policies

**13.04% for high budget Telegu movies & 6.54% for low budget Telegu movies or re-run of five yearold movies. Exemption on case to case basis.*

Entertainment Tax Exemption in various States:

State	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 & 7	Minimum Seating	Minimum Screens
Maharashtra (Mumbai)	100	100	100	75	50	-	1250	4
Maharashtra (Rest)	100	100	100	75	50	-	1000	3
Punjab	100	100	100	100	100	-	1000	3
West Bengal	100	100	100	100	-	-	1000	3

State	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 & 7	Minimum Seating	Minimum Screens
Rajasthan	50	50	50	50	50	50	1000	NA
Uttar Pradesh	100	100	100	100	100	-	1000	3
Madhya Pradesh	100	100	100	75	50	-	1000	3
Karnataka*	100	100	100	75	50	-	NA	NA

Source: Cinemax research on various state Multiplex cinema policies

**Karnataka- Only for I- Max Theatres, however, government may grant from case to case basis*

- ***Increased corporatisation in the film industry***
  Over the last few years, there has been some change in the operating style of the industry. Film financing from organised sources is on the rise: around 100 films availed of organised funding of INR 7 billion in 2004, compared to virtually nil a few years ago (Source: CII - KPMG Report, 2005.) Increasing corporatisation of the film production sector should result in an increase in the number of high quality films produced, which should increase demand for movies. In an increasingly corporate environment, unviable movies with weak scripts should find it difficult to garner funding. Consequently, although the average number of films produced annually in India is expected to fall from over 900 in 2004 to around 600 by 2010, the quality of the movies produced is expected to increase. (Source: CII - KPMG Report, 2005.)

- ***Increase in number of high grade films***
  An increase in the average quantity of high grade Hindi films released per week should increase the total demand for movies, as these movies tend to be more popular. As shown in the table below, from 2001 until 2004, there was an increase 48% in the number of releases per week for high grade Hindi films.

	2001	2002	2003	2004
Average number of high grade Hindi films released per week	1.15	1.46	1.58	1.71

(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers)

Digital Cinema Technology

Traditionally, motion pictures are filmed using 35 millimeter celluloid film cameras. Rolls of celluloid film are physically copied and distributed to cinemas, and finally screened using traditional projectors. Digital cinema departs from the traditional film-based technology and relies on emerging digital technology. Motion pictures are filmed and digitalized. Once digitalized, motion pictures are capable of being stored using digital medias such hard disks, and transmitted through physical media such as DVDs as well as high-speed networks such as satellite or optical fibre connections. At cinemas, the digitalized motion pictures are screened using special digital projectors.

The digital projection technology currently being used in India (mostly in B-class and C-class centers) satisfies the requirements of the B and C-grade cinemas in India but does not produce a picture quality as good as the picture in A-grade cinemas, where celluloid film is used. In order to have a digital picture quality as good as the current celluloid film quality in A-grade cinemas, as well as to meet Digital Cinema Initiative standards, we need to use at least projectors, which cost between Rs. 4-5 million (US$ 90,000-110,000), which is significantly more than the cost of celluloid film projectors. As and when the digital projection technology up-gradation will be required in the A-grade cinemas in

India, the issue of financing of such equipment will need to be addressed. In the United States, digital projection equipment is being financed by Hollywood production houses rather than the film exhibitors, as the production houses get substantial savings from not having to produce celluloid prints.

Competition

The major players in the film exhibition industry include PVR Cinemas; Inox Leisure Limited; Adlabs Films Limited; Shringar Cinemas Limited; E City Entertainment; Wave Cinemas; and DT Cinemas. The tables below show the number of screens operated by each of those companies and the number of cinemas operated by each of those companies as of March 2005.

Company	**Number of Properties**	**Number of Screens**	**Number of Seats**
PVR Cinemas*	7	34	7,333
Inox Leisure	5	25	7,344
Adlabs Films*	4	14	5,666
Shringar Cinemas	3	14	4,588
Wave Cinemas	3	13	4,380
E City Entertainment	3	14	3,952
Total	25	114	33,263
% of All India Multiplexes	34%	41%	37%

(Source: Yes Bank Report – Bollywood - Emerging Business Trends & Growth Drivers)
** Only film exhibition properties with 3 or more screens have been considered for this analysis.*

Regulatory Environment

In India, regulation is one of the key drivers for the success of this business. There are essentially two types of regulations involved, fiscal regulations and building and operating regulations.

Film exhibition is subject to a number of taxes at the Central, State and Local level. The incidence of tax on this industry is probably the highest. Entertainment tax, the key levy on this industry, varies from state to state and ranges from 30% to 100% of net ticket price. Prohibitively high level of taxes has been the key detrimental factor in hindering the progress of the film exhibition industry in India.

Recently however, the Government of India and some State Governments have taken steps to encourage investments in the film exhibition sector and have introduced an Entertainment Tax holiday to newly constructed multiplexes. Many States are also reducing entertainment tax rates for all cinemas, to encourage the industry.

Most States, also prescribe building and operating regulations, through the respective State Cinema Rules. These regulations have an impact on how multiplexes are built, and operated.

Multiplex Business Models

Operating models for multiplexes are typically based on business arrangements around ownership, viz:

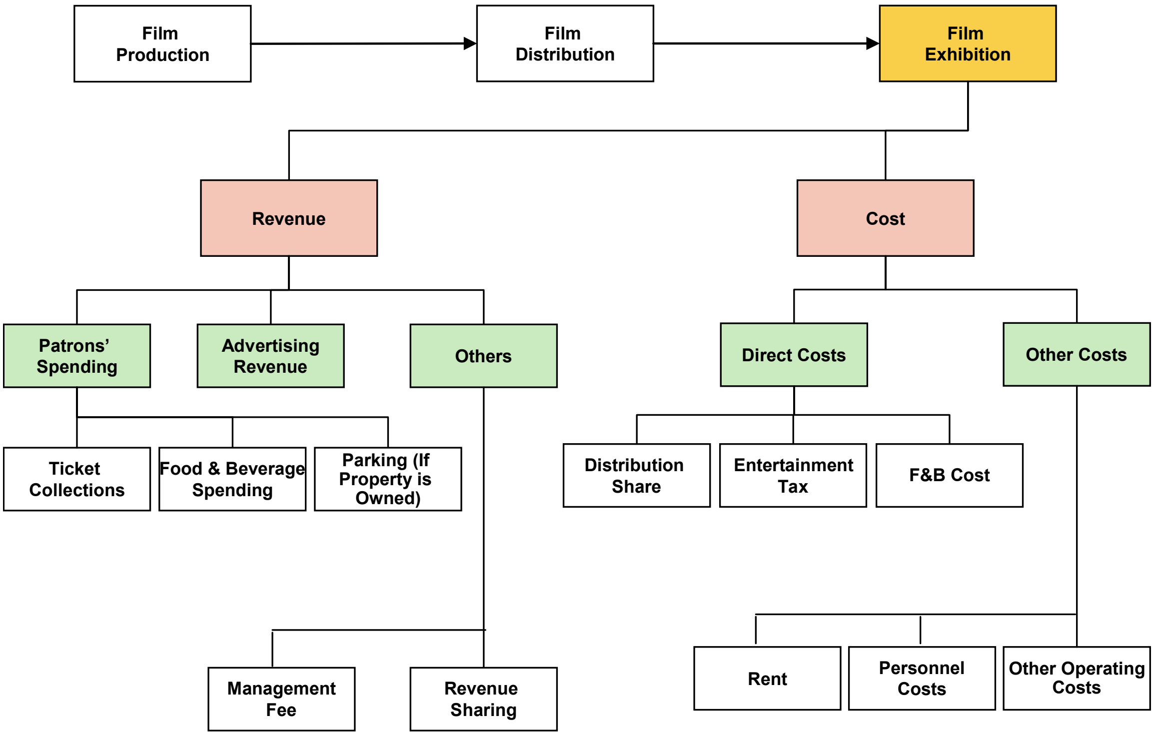
- Fully owned: In this model the operator buys the land and constructs a multiplex or buys a part of a shopping mall and sets up the multiplex within. This model works where lease rentals are very high and capital costs are low.

- Leased: Here, an operator invests only in fit-outs and not in the whole property and pays a fixed rent to the mall-owner for the multiplex shell. This model is more capital-efficient and most preferred in a rapid expansion phase. In other variations the operator also shares a small portion of the sales as a variable component on top of the fixed rental.

- Leased retrofits: Retrofit arrangements are done on lease where the multiplex operator converts a theatre into a multiplex and operates it. The lease rentals here are low. This model works in areas where mall development is slow but the property location is exceptionally good for movie exhibition.

- Theatre management: As is obvious from the name, the multiplex operator provides management services for an already constructed multiplex. The revenues from this business are in the form of fixed fees or revenue sharing or a combination of both.

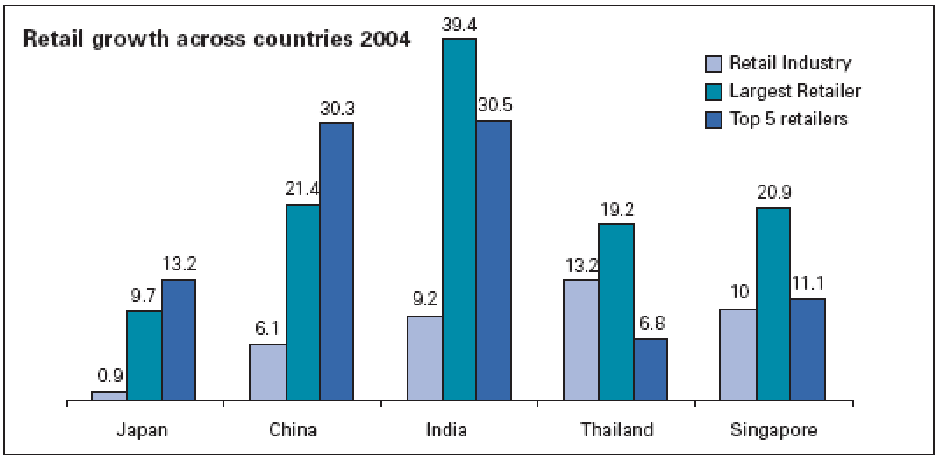
Business Model



Indian Retail Sector

In the last 5-7 years organized retail in India has witnessed significant growth. Retailing in India is currently estimated to be a USD 200 billion industry, of which organised retailing makes up 3 percent or USD 6.4 billion. By 2010, organised retail is projected to reach USD 23 billion. *(Source: FICCI-KPMG Report on Indian Retail, 2006)*

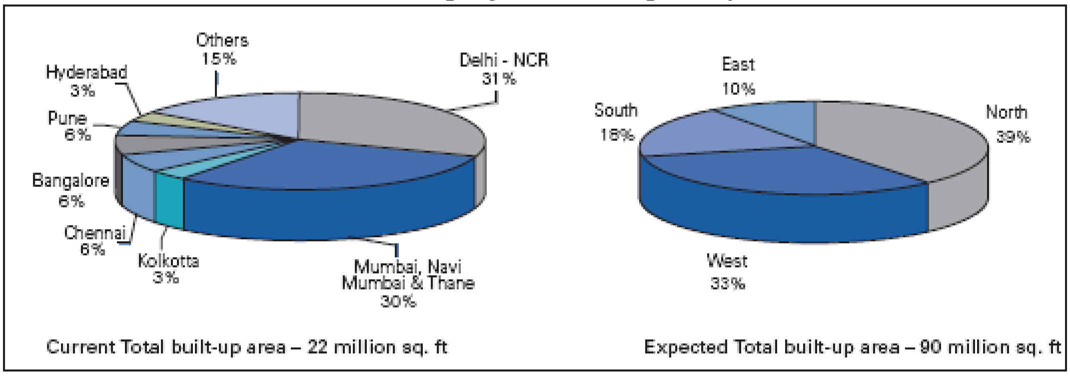
Indian retailing set to double in the next three years, to see the emergence of more national retail chains. Modern retailing action is in urban areas – but India is witnessing experiments to tap the rural retail potential.



(Source: FICCI-KPMG Report on Indian Retail, 2006)

Mall Development
India has witnessed the emergence of a mall culture and development of malls over the past few years. Significant investments have been channelized into development of organized retail outlets. Approximately 68 million square feet of mall space is expected to come up by end of 2007.

Current and projected mall space by end-2007



(Source: FICCI-KPMG Report on Indian Retail, 2006)

Growth of large malls is a function of:

- Demographic profile, income levels
- Access to organised funding (low interest rate regime, real estate mutual funds)
- Friendly regulatory regime

Increasingly, a number of mall developers are considering Movies/Theaters and Entertainment outlets as the key elements attracting footfalls to the malls. This is being reflected in the attractive rental rates offered to such outlets, in comparison to other categories of outlets in malls. As a result, Multiplexes are fast emerging as one of the key anchor tenants for most organized retail outlets in India.

Key Growth Drivers

Favorable demographics, rising consumer incomes, real estate developments especially with emergence of new shopping malls, availability of better sourcing options both from within India and overseas, and changing lifestyles that bring the Indian consumer closer to the consumers in more developed markets are driving the growth of organized retailing.

- There has been a healthy growth in the number of households in the middle income and the higher income categories.
- Lower Liquidity Constraints, Borrowing constraints have substantially reduced with consumer finance companies becoming aggressive lenders.
- Favourable demographics are creating a new consumer class. Nearly two-third of India's one billion plus population is under 35 years of age, making it one of the youngest nations in the world on a sizeable base.
- Changing lifestyles, larger number of households, pushing up demand for consumer goods. These have a direct impact on the overall consumption patterns and fuels further growth of organized retail.
- Strong economic growth after liberalisation and increasing globalisation has resulted in higher household incomes, and these continue to rise with the Indian economy growing at a brisk pace

OUR BUSINESS

In this section, unless otherwise stated, any reference to "we", "us", "our" or "the Company" refers to Cinemax India Limited along with its existing subsidiaries and erstwhile subsidiary companies which have been amalgamated.

OVERVIEW

We are an emerging family entertainment centre focussed primarily on Exhibition and Gaming business with limited interests in mall development.

We are one of the largest Exhibition theatre chains in India operating 10 properties with 33 screens and 9,316 seats. We are a dominant player in Mumbai, which is home to the Hindi Film industry ('Bollywood'). We own/control about 30 screens in Mumbai and Thane. We are also one of the largest owners of multiplex properties in India with 23 screens spread over 155,000 sq ft area.

We believe that our brand 'Cinemax' is one of the most recognizable film exhibition brands in the areas where we operate. Across our various Theatres we had 1.4 million patrons in Q1FY07 and 3.67 million patrons in FY06.

We are part of the Kanakia Group which has a track record of over 20 years in real estate development. The group has developed over 5 million sq. ft. of Residential and Commercial real estate. As a result of a recent corporate restructuring, we presently own/ control all the movie exhibition businesses of the Kanakia group. Our promoters experience in real estate helps us in identifying strategic locations at economical rates, and rapid and timely execution of projects with tight control on costs and quality.

Exhibition

Our exhibition chain is a combination of high-end multiplexes and budget retrofit single-screens. We believe in providing customer satisfaction through process enhancements and constant innovation in our services and facilities such as high comfort recliner seating arrangements in '*The Red Lounge*™', massage chairs, etc.

Having established ourselves in Mumbai, Thane and Nashik with 9,316 seats housed in 33 screens across 10 properties, we plan to expand our operations on a pan India basis across 28 locations in 11 states by the end of FY 2009. With our proposed expansion plan we intend to enhance our capacity aggregating to over 25,700 seats housed in 102 screens across 28 properties by the end of FY 2009. For details of the properties in respect of which we have entered into arrangements with third parties, see sub section titled, 'Our Business-Future Expansion Plans' beginning on page 3 of this Draft Red Herring Prospectus.

Gaming

Our Gaming business which is currently operational under the brand name – '*Giggles- The Gaming Zone*™' at Eternity Mall, Thane. It is spread over 13,000 sq ft of area and offers around 50 state-of – the –art games. We plan to expand our gaming business by opening seven new Giggles gaming zones at some of our future multiplexes at different locations in India.

Mall Development

We have also developed over 200,000 sq feet of mall area at Eternity mall, Thane with tenants including Cinemax, Giggles, Globus, Proline, Planet M, Metro Shoes, Bon Bon Shoes, My Dollar

Stores and Archies Gallery. Our mall devlopment business is limited to the development of Nagpur mall and development of the balance FSI available at Eternity Mall phase 2, Thane. We are currently, developing a mall at Nagpur with over 100,000 sq ft of area and 30,000 sq. ft. of area at Eternity mall, Thane (phase 2) which are expected to be operational by FY07 and FY08 respectively. Except the above mentioned projects, currently we do not have any proposed mall development plans.

Our (Cinemax India Limited) standalone income is Rs. 438.6 million for FY06 and Rs. 185.85 million for Q1 FY07. Our standalone profit after tax was Rs. 75.05 million for FY06 and Rs. 13.67 million for Q1 FY07.

Our pro forma combined income for FY06 is Rs. 745.8 million as against Rs. 345.5 million in FY05. Our exhibition business accounted for 60.39 % the revenues in FY06. Our combined profit after tax in FY06 was Rs. 76.79 million as against Rs. 62.21 million in FY05. For Q1FY07 our pro forma combined income is Rs. 259.81 million and profit after tax of Rs. 21.21 million.

EVOLUTION

In the late 1990s, considering the potential opportunities in the retail sector in India, the avid movie going habits of Indians and the paucity of good quality theatres in the country, our Promoters saw an opportunity in providing good quality movie viewing experience to the Indian audience.

Our Promoters entered into the film exhibition industry with the acquisition of a single screen Theatre at Goregaon, Mumbai in 1997, which was subsequently retrofitted. With our experience in project execution, we were able to grow and develop high quality theatres in a cost efficient manner. Initially our promoter group developed retrofitted single/multiple screen theatres. With the introduction of Multiplex policy by the State Government of Maharashtra, we moved into development of Multiplexes. Our exhibition operations were spread over various promoter group entities. In order to consolidate all our exhibition operations under one single entity we underwent corporate restructuring, which entailed subsidiarisation of all group companies associated with exhibition business under Cinemax Cinemas (India) Private Limited and subsequent merger of these subsidiaries into Cinemax Cinemas (India) Private Limited with effect from April 1, 2006. For further details refer to section titled "History and Certain Corporate Matters" beginning on page 3 of the Draft Red Herring Prospectus.

We converted into a public limited company Cinemax India Limited with effect from July 27, 2006.

Currently, we (Cinemax India Limited) have three wholly owned subsidiaries namely Vista Entertainment Private Limited, Growel Entertainment Private Limited and Nikmo Finance Private Limited, a wholly owned subsidiary of Growel Entertainment Private Limited. Vista Entertainment Private Limited and Nikmo Finance Private Limited operate our Multiplexes at Versova i.e Cinemax-Versova and at Kandivali (East) i.e Cinemax- Kandivali (East) respectively, pursuant to business conducting agreements. For more details on the business conducting agreements, refer to the sub section titled "History and Certain Corporate Matters" on page 3 of this Draft Red Herring Prospectus.

Presently, our Company along with our subsidiaries is today one of India's largest exhibition chains operating 10 properties with 33 screens and 9,316 seats with dominant presence in Mumbai and Thane.

Location	**Type**	**Property Status#**	**Year**	**Screens**	**Capacity**	**E Tax benefit availability**
Phase 1- Single Screens/ Retrofits			**1997 onwards**			

Location	Type	Property Status#	Year	Screens	Capacity	E Tax benefit availability
Goregaon	Multiple Screen	Ownership	Dec'1997	2	698	-
Kandivili (West)	Single Screen	Ownership	Feb'1998	1	287	-
Andheri (East)	Single Screen	Ownership	Aug'1998	1	362	-
Sion	Multiple Screen	Ownership/ lease basis	Oct'2000	5*	827	-
Phase II- Development of Multiplexes			**2003 onwards**			
Thane- Wonder Mall	Multiplex	Ownership	Dec'2003	4	1136	100% exemption till Feb' 2007 75% exemption from Feb' 2007 - Feb' 2009.
Mira Road	Multiplex	Ownership	May'2004	3	1018	100% exemption till September 2007 75% exemption from Sep' 2007 – Sep' 2009.
Nashik	Multiplex	Ownership	May'2004	3	1002	100% exemption till Oct' 2007 75% exemption from Oct' 2007 - Oct' 2009.
Versova**	Multiplex	Leased	Sep'2005	6	1671	100% exemption till Apr' 2009 75% exemption from Apr' 2009 – Apr'2011.
Kandivali (East)**	Multiplex	Leased	Jan'2006	4	1259	Applied for
Thane- Eternity	Multiplex	Ownership	May'2006	4	1056	Applied for
Total				**33**	**9316**	

For details on property status refer to sub section titled 'Our immovable properties' beginning on page 3 of this Draft Red Herring Prospectus.
* Out of the five screens present in the Multiplex, we own three screens and remaining two are operated by us pursuant to lease arrangements.
** These properties are operated through our subsidiaries.

In May, 2006, we commenced our gaming business under the brand name '*Giggles- The Gaming Zone*™'.at CINEMAX Eternity Mall comprising about fifty games spread over 10,000 sq ft.

In 2002, we commenced mall development business at Eternity mall; Thane spread over 200,000 sq. ft., which became operational in February 2006.

For further details refer to "History and Certain Corporate Matters" beginning on page 3 of the Draft Red Herring Prospectus.

BUSINESS OPERATIONS

OUR EXHIBITION BUSINESS

Competitive strengths

Kanakia Group - Strong Developer Background

We are a part of the Kanakia Group which has been associated with the real estate development for more than two decades and have developed over 5 million sq.ft. of residential & commercial space. The wide experience in real estate development has enabled us to reduce cost and time overrun in developing projects without compromising on quality and ambience. We have already developed 6 multiplexes having 24 screens. The group has established good relationships with various suppliers which enable us to get preferred services and negotiate for competitive commercial terms.

Exhibition outlets catering to diverse customer base

We provide a wide range of offerings catering to a wide spectrum of cinema goers from high quality multiplexes to budget retrofitted/single screens. We believe in optimising revenue and have adopted a price differentiation model, offering our patrons a superior cinema-going experience at each price point. Currently our ticket prices range from Rs. 40 to Rs. 110 for our retrofitted/single screens and Rs. 100 to Rs. 450 for our multiplexes across various properties. Our theatres are strategically located in high-catchment residential areas providing convenient access to our target customers. Our diversified offering enables us to cater to various sections of the urban population viz. upmarket households through multiplex theatres and middle income households through retrofitted/single screens.

Exhibition Chain for the value-conscious Indians

We endeavour to offer a superior movie experience to our patrons at each price point by focusing on quality, customer service and providing a host of value added services. We are able to develop high-quality infrastructure at low cost points and provide services to our patrons at reasonable prices.

Strong presence in the Mumbai and Thane market

Mumbai, is the hub for Indian cinema and is a large market for exhibition business accounting for 15% of all-India box-office collections. We have a strong presence in and around Mumbai market with 9 theatres, 30 screens and a seating capacity of 8314. Our theatres in Mumbai are strategically located in high catchment areas – Sion, Andheri, Versova, Goregaon, Kandivali, Mira Road and Thane. This allows us flexibility in rotating prints between our theatres, and thereby maximize returns.

One of the largest owners of theatre properties in India

Presently we own 8 properties with 23 screens spread over 155,000 sq. ft. under ownership. In Mumbai and Thane itself, we own 7 properties spread over 130,000 sq ft of area. This gives us lifetime access to properties with no rentals to be paid. This also provides us the flexibility of remodelling our screen formats within the owned premises with newer technology / concepts / exhibition formats.

Established Brand and track record of innovation

Our brand 'Cinemax' is one of the most recognisable movie exhibition brands in the areas where we operate. We have a track record of innovation in the exhibition industry. We were amongst the first few players to anticipate the need for modern multiplexes in India. We were one of the first to introduce the concept of high comfort recliner seating arrangements with '*The Red Lounge*'. We constantly focus on providing service enhancements and innovative value additions to our patrons. In line with this, we have introduced massage chairs, karaoke facilities. We have also introduced a gaming zone in our multiplex at Thane to provide complete family entertainment and enhance the overall experience. We intend to open seven new gaming zones at different locations where our Multiplexes are present in India by fiscal 2009.

Strong relationship with film fraternity

We believe that our position as one of the leading exhibition players in Mumbai have helped us to build strong relationships with both Indian and foreign film distributors. We believe this gives us an edge in accessing content – both in terms of quality of content as well as terms of agreement due to better negotiating leverage. This enables us to host premieres, which generate a lot of footfalls and have a ripple effect on future screenings, brand visibility and brand recognition. We hosted 17 film premieres in FY06 including blockbuster films such as Salaam Namaste, Rang de Basanti, Chronicles of Narnia, Hanuman and Shaadi No 1.

Enhancing revenues through optimal utilization of large available area

We normally plan our area in theatres based on certain predefined parameters of area per seat which enables our patrons to have a free movement within the theatre premises having large foyer area. The excess available area per patron is put to productive use through concessionaires (rented kiosks or speciality food vendors) or advertising hoardings and props, which generate significant revenue for us at no extra costs.

Strong project execution capabilities

We have an in-house specialized team for design and development of our properties. Our strong developer background, regulatory management skill sets and relationships with various suppliers helps us in timely execution of projects and in maintaining tight control on costs and quality.

Ability to identify strategic locations and to acquire properties at competitive prices

One of the key factors for the success of any multiplex is the location. Our promoter's background and expertise in real estate development enables us to identify strategic locations and acquire properties at competitive prices. In addition, we have a professional team with many years of experience to assess the potential of a location after evaluating its demographic trends in terms of catchments area, purchasing power, competing alternatives, etc. Our ability to evaluate such trends enables us to identify locations which are relatively untapped and gain the first mover advantage.

Our Strategy

Establish Pan India presence in a cost effective manner

With upward migration of household income levels in India and large movie goer population in India, we plan to expand our presence into new markets and aim to establish a national film exhibition chain. Our proposed expansion plan would either be through a host of lease tie-ups or through acquisition of exhibition theatres in the country. We plan to capitalize on our promoter's strong real estate background to develop cost effective projects without compromising on quality. With our proposed expansion plan we intend to enhance our capacity aggregating to over 25,700 seats housed in 102 screens across 28 properties by the end of FY2009.

The details of the expansion plans are as follows:

Fiscal Year	Number of Projects	Screens	Seats	Eligibility for E Tax Benefit
FY 07	8	20	5734	3 out of 8
FY 08	11	43	10130	5 out of 11
FY 09	9	39	9837	6 out of 9
Total	28	102	25701	14 of 28

With the expansion, our presence in India will be as follows:

By FY 2009	Number of Properties	Screens	Seats	Eligibility for E Tax Benefit#
EAST	4	13	3625	3 out of 4
WEST	12	41	9881	6 out of 12
NORTH	9	35	9127	5 out of 9
SOUTH	3	13	3068	0 out of 3
All India	28	102	25701	14 of 28

This is based on current applicable laws for E-tax benefits of different state governments.

We also plan to refurbish and remodel theatres from the traditional standalone theatres to high quality single/multi-screen set-ups, to provide quality viewing experience. For further details refer to the section titled, "Objects of the Issue" beginning on page 3 of this Draft Red Herring Prospectus.

Build a strong customer preference for the 'Cinemax' brand:

We want our 'Cinemax' brand to be associated with quality movie viewing experience by building customer loyalty through

i. *Focus on providing Convenience*
   We provide telebooking, online booking, SMS booking, customers loyalty programs, Customer Relationship Management services (CRM) etc. We also plan to offer Any Time Ticketing (ATT) services through which patrons can avail for movie tickets by swiping their debit/credit cards at our ATT machines which would be functional 24/7, and they may be able to get print outs of the movie tickets instantaneously.
ii. *High quality Sound & Projection Systems*
   We believe in enhancing our patrons' movie experience by providing high quality sound an projection systems. Our theatres are equipped with state-of the art cinema equipments such as Christie Projection, Dolby Digital / DTS sound technology, Harkness Screens and Automated Masking. We were amongst the first to install the QCC speaker system in a theatre (CINEMAX, Kandivali East) to enhance the experience of movie watching.
iii. *Service Enhancements and Innovative Value Additions*
   We believe in gaining customer satisfaction through service enhancements and constant innovation in our services such as offering recliner seats, massage chairs, sing along a karaoke.

Focus on profitable growth

a. Maximise Revenue

For Q1FY07, our pro forma combined revenue from exhibition business was Rs 199.15 million, and the break-up between ticket revenue, F&B and advertising revenue was 77.14%, 17.69% and 4.39%

respectively. We plan to increase the proportion of sales of F&B and advertising revenue as these yield higher margins. We plan to maximize revenue from exhibition business by the following means:

i. ***Increasing box office revenue*** through flexible pricing to attract patrons at various points in time of the day and by the week, corporate bulk bookings, loyalty program and providing convenient means of purchasing tickets such as home delivery and internet bookings;
ii. ***Increasing proportion of sale of food & beverages*** through product incentives, upgrading the menu periodically, 'combo' offers which increase the average spend per head;
iii. ***Increase proportion of revenue from advertisers*** As we increase our number of screens, there will be an increase in the number of our patrons and which will increase the attractiveness of our cinema circuit to advertisers. In addition, our future proposed theatre premises would have large foyer area which we intend to put to productive use through advertising hoardings, props and kiosks. This should enable us to increase our advertising revenue.

b. Minimise Costs

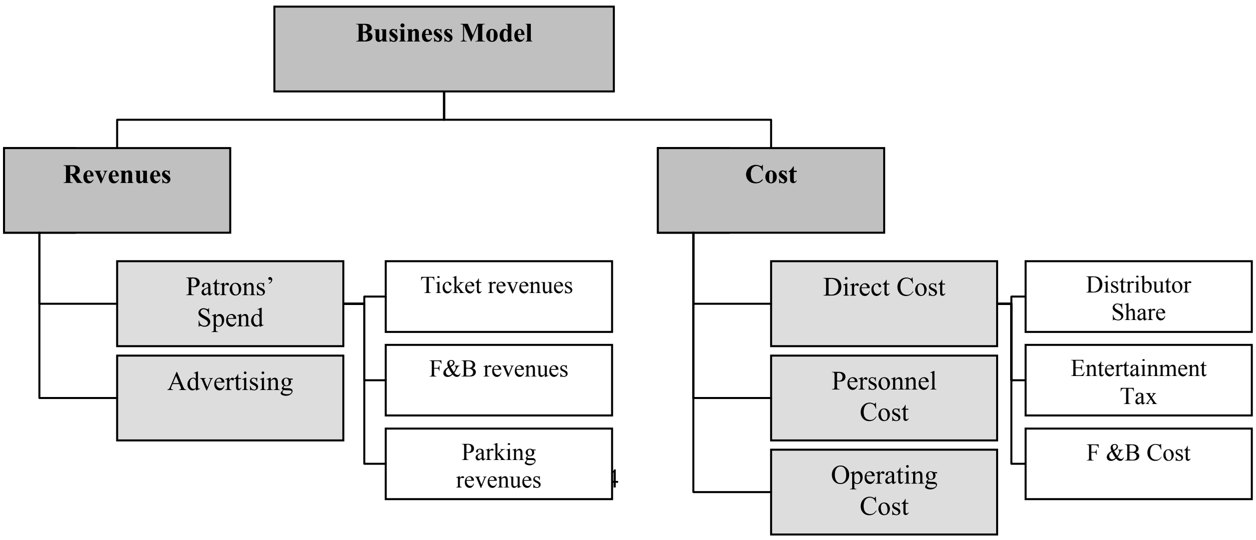
We plan to minimize our costs by the following means:

i. Innovative Programming and Scheduling of films
We have introduced various innovative programming slots in addition to the traditional 4 movie shows per day formats to maximize returns per print.
ii. In house preparation of certain F&B products
iii. Internal audit systems and procedures
We have robust internal audit systems and procedures for controlling costs and maintaining efficiency. Periodic inspection, checks, audit and review are carried out and a report with suggestions for better control and ways to improve efficiency is placed before the Operating Management Committee (comprising of all business heads and the Managers of our theatres) on a periodic basis.
iv. Robust IT systems
We have installed Vista software used internationally by exhibition business players; which covers all aspects of managing and operating cinemas. The product line is scalable so the system will be able to cater to our Company's future growth at reasonable incremental costs. The modular nature of the system supports efficiency in operations coupled with strong systems and operational controls.

In addition, we have appointed a reputed consultant for evaluating and strengthening its business processes, organizational structure and to identify and select ERP package.

This involves review of people, processes; assessing gaps; redesigning processes; SOP manuals; IT enablement etc.

Our Business Model



Revenue:

Every exhibition outlet that we set up has / will have the same key heads of Revenues, which have been depicted above. The actual performance numbers at each location will vary, depending upon the location, the quality of the property, its operating efficiency, etc.

Revenue from our exhibition business depends upon the following key operating parameters:

- *Number of Patrons*

Number of patrons is a product of occupancy, number of seats available and number of shows. The quarter wise details of the number of patrons for our theatres on a combined basis is as follows:

	Q4		Q3		Q2		Q1	
Quarter	**FY06**	**FY05**	**FY06**	**FY05**	**FY06**	**FY05**	**FY06**	**FY05**
Number of patrons	886,236	699,871	897,342	788,229	987,547	990,529	901,815	852,138

- *Average Ticket Price (ATP)*

ATP is defined as the gross ticket sales divided by the total number of tickets sold in a day. The quarter wise details of the average ticket price for our theatres on a combined basis is as follows:

	Q4		Q3		Q2		Q1	
Quarter	**FY06**	**FY05**	**FY06**	**FY05**	**FY06**	**FY05**	**FY06**	**FY05**
ATP (in Rs.)	113	90	113	92	101	80	93	85

We believe in optimising revenue and have adopted a price differentiation model, offering our patrons a superior cinema-going experience at each price point.

Since our model is a combination of single screen/retrofit and multiplex, our ATP's for single screens theatres vary as compared to our multiplexes.

For instance, at our single screens, the details of the ATP quarter wise is as follows:

	Q4		Q3		Q2		Q1	
Quarter	**FY06**	**FY05**	**FY06**	**FY05**	**FY06**	**FY05**	**FY06**	**FY05**
ATP (in Rs.)	96	92	94	92	97	82	88	86

At our multiplexes, the details of the average ticket price month wise is as follows:

	Q4		Q3		Q2		Q1	
Quarter	**FY06**	**FY05**	**FY06**	**FY05**	**FY06**	**FY05**	**FY06**	**FY05**
ATP (in Rs.)	123	88	122	92	104	78	97	84

The above data pertains to our Multiplexes at Mira Road, Thane(Wondermall), Versova and Nashik.

- *Food & Beverages(F&B) spend per head*

For our single screens, the F&B offerings were serviced by Cine Café Services, a Promoter Group entity, till April 1, 2006. However, now for all our Theatres, the F&B offerings are operated by us. We have a good mix of F&B to enhance our patron experience. The offerings are in the nature of fast food and have high margins. The quarter wise details of the average F&B spend per head for our multiplexes on a combined basis is as follows:

	Q4		Q3		Q2		Q1	
Quarter	**FY06**	**FY05**	**FY06**	**FY05**	**FY06**	**FY05**	**FY06**	**FY05**
F&B spend per head (in Rs.)	20	18	27	19	21	16	21	19

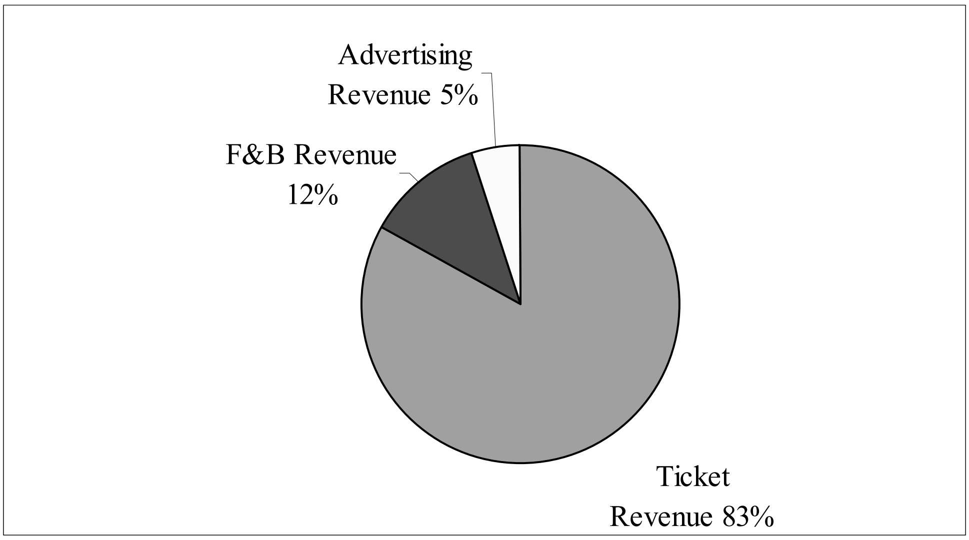
The above data pertains to Multiplex at Mira Road, Thane(Wondermall), Versova and Nashik.

- *Advertising Revenue*

An exhibition theatre offers advertisers a great opportunity to capture the attention of a large number of patrons per day. Advertising opportunities in a multiplex include space selling, on screen and off screen promotions and event sponsorship. The sales team handles the operations with brands of national and international repute such as Times of India, Nokia, Reliance, ITC and Nike. Our ten properties spread over Mumbai, Thane and Nashik make an attractive proposition for sponsorship package.

In FY06, we earned Rs. 54.97 million as advertising revenue on a combined basis.

The break-up of revenue from the various revenue streams for FY06 based on pro forma combined results is as follows:



Costs:

The key operating cost heads in an exhibition business are Distributors Share, F&B Cost and Entertainment Tax, Personnel Cost and Property Rentals.

- *Distributors Share*

Distributors are content suppliers to us. Distributors acquire theatrical exhibition rights from film production houses for specific geographical territories. As per industry practise, Distributors are paid a certain percentage of total box office net collections of a film by the exhibitor for screening the film. Various revenue sharing models are known to exist, in this regard. We either have a revenue sharing / minimum guarantee agreement with Distributors, For further details of the model refer to the section "Industry Overview" beginning on page of this 3 the Draft Red Herring Prospectus.

We work with a wide range of distributors and they account for 14.4% and 17.7% of total combined revenue in FY06 and Q1FY07 respectively. The distribution share break up of top 5 distributors is Rs. 49.1 million and their contribution to our total Distributors Share cost is 45.6%.

- *F&B Cost*

This is the cost that we incur in sourcing various food and beverages from our vendors. This is usually a direct function of our F&B revenues.

- *Entertainment Tax*

Entertainment tax represents the tax payable on the box office collections. This usually is a key component of cost, except in cases where the multiplex enjoys a concessional tax regime due to a tax exemption policy. Many States have, in order to encourage the growth of this industry, announced an entertainment tax policy, which grants exemptions to multiplexes, subject to fulfillment of certain conditions. Most of our multiplexes currently enjoy an entertainment tax exemption. Such exemption, where available, directly adds to our profits. For more details refer to section titled "Regulation and Policy" beginning on page 3 of this Draft Red Herring Prospectus.

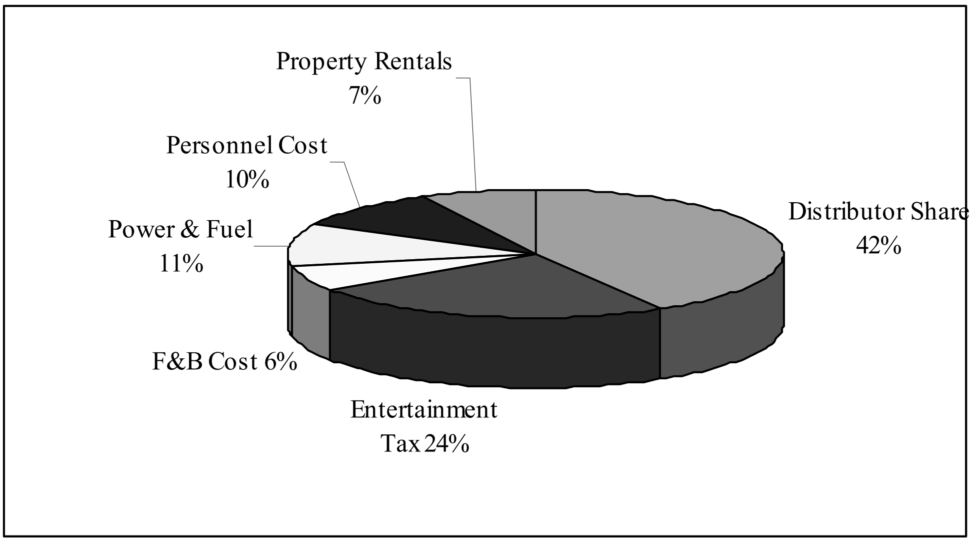
- *Personnel costs*

Personnel cost includes salaries and other cost associated with employees and other recruits at each Operating Unit. This also includes the cost of training required to deliver the high levels of service.

- *Property Rentals*

Where operating units are not owned, property rentals are a key element of cost. Such rentals are negotiated with the property developer at a fairly early stage of the property development. Typically, these are structured as long term leases, where we pay a monthly rental to the property developer. Usually, multiplex rentals are lower than normal rentals for retail space, since multiplexes are considered to be "anchor tenants" due to the footfalls that multiplexes attract to the retail development and are generally located on the top floor of the mall.

The break-up of costs for FY06 based on pro forma combined results is as follows:



Business Functions

The key functional areas essential to our business are detailed below:

1. Programming & Development

Programming is one of the most important departments in any film exhibition business. The programming department is responsible for the regular supply of films to all our screens. The main objective of the programming department is to source the right films for the right market (based on thorough analysis of the profile of the market), at the most competitive terms, and screen the films in a manner and at the show that enables maximization of revenues from each film.

Programming, or sourcing of content for our screens, is a centralised function done under direct guidance from the Vice President – Programming & Development. However, decisions on programming are taken based on inputs from heads of respective theatres, in respect of local factors including tastes and preferences of the patrons in the areas where the cinemas are based. Programming is usually done on every Tuesday after a careful assessment of the collections during the weekend of the current and past week's releases. Based on capacity available, a programming mix of Hindi, English and Regional films is finalised.

The development team is involved with planning the expansion and growth of the business. The team consists of key persons from each function area of the organisation namely programming, legal, finance, marketing, Project execution team and the Managing Directors. The team is responsible for carrying out feasibility studies, identifying best cities and locations for growth and expansion of the business and negotiating the terms for the target project to ensure optimal terms are decided.

2. Operations

This department takes care of the day to day operations of the multiplex and ensures its complete compliance with the highest standards of service, comfort and safety. It is supported by strong and dedicated team lead by the Executive Director and Vice President (Operations). The key responsibilities of this department include ensuring highest service standards with full regards to all safety norms.

The function of various departments in an Operating Unit can be broadly classified as under:

- **Box office and Tele-Sales:** All our theatres provide a single window service for sale of tickets with a totally computerized and networked environment through highly customized software, catering to multiple choice of screens and movies. Box office sales are supported by a Tele-Sales team that not only provides the patrons the ability to book tickets from comfort of their homes, but also provide information for all movie related queries. Patrons can also book tickets through the SMS and Internet route. In addition, we plan to offer Any Time Ticketing (ATT) services through which patrons would be able to avail of their movie tickets by swiping their debit/credit cards at our ATT machines which would be functional 24/7, and may enable print outs of the movie tickets instantaneously.

- **Food and Beverages:** Our theatres have a concession / candy / snack bar. The snack bar follows the station concept with multiple counters offering all products with speed, efficiency and courtesy. The F & B division is involved with serving quality food and beverages and working out cost effective deals and better selling concepts so as to reduce the cost of products leading to maximization of profit.

- **Ushering & House-keeping:** This department is involved with coordinating the movement of patrons within the cinema in an efficient and friendly way and upkeep of the theatres to ensure a high degree of maintenance, sanitation and hygiene in the theatres.

- **Human Resources:** This department services the needs of the Operating Units for all matters relating to human resource and training.

3. Finance

This department ensures an accurate capturing of revenues, booking of costs, safeguarding of assets, and ensuring proper controls and documentation for inhouse and statutory compliance. We have independent and experienced team for internal audit & control. Periodic inspection, checks, audit and review are carried out at all theatre locations and at Head Office. In addition to the daily and weekly reporting, the team submits suggestions for better controls and ways to improve efficiency. These suggestions are placed before the Operations Management Meeting (comprising of all business heads and Managers of our theatres) on monthly basis.

4. Systems and Information Technology

This department is involved in the upgradation and process support though information technology. At all our theatres, we have installed Vista software which is used internationally by exhibition business players and covers all aspects of managing and operating cinemas. In addition, for real time data and reports, all our theatre and multiplex locations are connected with wireless RF connectivity with head office. Our IT team consists of strong qualified professionals who are dedicated and are accessible round the clock. The IT team is responsible for providing the networking, software and hardware support.

5. Legal

This function includes broadly Corporate Law Compliances, Maintenance of key statutory records and documents, drafting & vetting of key important agreements.

6. Projects & Engineering

We have an in-house specialized team of professional and experienced Engineers and Interior Designers for design and development of our properties. This team is responsible for planning, designing, project management & execution, constructing of interiors and fit outs, licensing and liaison for construction of our theatres.

7. Marketing

Our marketing department is responsible for extending, formulating and maintaining the position of our brand 'Cinemax'. In addition, the marketing department is the interface for patrons. It organizes promotions, events, campaigns and contests to attract patrons to the multiplexes. It is also responsible for our branding alliances, and meeting our advertising revenue targets.

Other medium to attract audiences to the multiplex are direct mailers, newspaper advertisements, internet, outdoors, radio and alliances with brands In addition the following marketing tools are used to create awareness amongst the patrons:

- **Gaming Zone- "Giggles"**

We have introduced an innovative concept of having a gaming zone in our theatres. This provides for complete family entertainment and enhances the overall experience, thereby attracting patrons and increase box office collections. We intend to open seven new gaming zones at different locations where our Multiplexes are present in India by fiscal 2009.

- **Loyalty Program**

We identify premium and frequent customers through our feedback forms and data generated from contest forms. We have a loyalty program to reward our customers with certain privileges. For instance, at Cinemax, Nashik, a patron can pay Rs. 300 to become a member and get a movie voucher worth Rs. 200 and earn points with every amount spent which can be redeemed at the café. At Cinemax, Mira Road presently we are offering one ticket is free with every three tickets bought.

- **Promotions**

This includes media buying in national and regional dailies, Outdoor Publicity and other means of publicity vehicles. All properties are promoted through newspaper ads, hoardings, show reels, corporate films, company brochure and sometimes bus backs and bus shelters. Every new Multiplex opened is promoted well with its location and various supporting activities and campaigns are planned. In addition, events happening at Cinemax, theme events, film premiers and charity events are promoted with adequate PR backup. '*The Red Lounge',* with innovative offerings like high comfort recliner seats, massage chairs and sing along Karaoke, hosts a number of events such as premieres of block buster films, music releases, press conferences and star visits. These events have been regularly covered by the media. This has resulted in making *'The Red Lounge'* a strong brand identity of Cinemax and a sought after destination for premieres and events.

- **Celebrity Visits**

The purpose of celebrity visits is to make the movie experience memorable as the patrons interact with their favourite stars thereby attracting crowd and increase box office collections. We have had Amitabh Bachchan, Aamir Khan, Kareena Kapoor, Saif Ali Khan, Dia Mirza, Katrina Kaif, Jackie Chan, and several other stars, visit our multiplexes. We also have cricketers/ famous sports personalities and other well known personalities visiting our multiplexes.

- **Events and Activities**

Our theatres host a number of activities and events including film premiers, star visits, press conferences, special screenings, charity events, and social responsibility programmes coordinated at our all theatres. For instance, we hosted a live screening of World Cup FIFA 2006 football matches, on Independence Day had a special event organised for cancer patient kids of CPAA, hosted the press conference of the film Bluff Master. Premieres hosted include Salaam Namaste, Rang de Basanti, Chronicles of Narnia, Hanuman and Shaadi No 1. Print and electronic media is invited regularly at all events and extensive coverage is pulled out. The event calendar for all properties is fashioned in such a way that it covers all social gathering programmes, festivals, regional plays in addition to regular Bollywood events.

OUR GAMING BUSINESS

Our gaming business, 'Giggles' was started as a move to provide additional entertainment options for CINEMAX patrons at its theatres. We have recently set up the first of its kind Giggles Gaming Zone at CINEMAX Eternity Mall spread over 10,000 sq ft comprising games catering to all age groups including Air Hockey, Bungee jumping, Dashing Cars, Gun bullet, Mini Giant Wheel and Corousal. The ambience has been exquisitively designed with the interiors and colours that enhance the overall gaming experience. It also features LAN gaming comprising modern computer games housed in a stylish Game Garage designed as a replica of actual garage. The variety of games, the spacious layout and the ambience have lead to a good response with large footfalls. We intend to open seven new gaming zones at different locations where our Multiplexes are present in India by fiscal 2009.

Our Competitive strengths

Offering a wide variety of games

We offer a wide variety of games including LAN based games, designed specially to engage every age group. We believe that this provides greater choice to our patrons and enhances the overall gaming experience.

Easy Availability of locations/ customers

Since we have entered into Memorandum of Understanding for properties for our exhibition business, we already have adequate space for our gaming business. Our gaming zones will be complementary to our exhibition business, thereby providing a ready customer base for our gaming business.

Games across age groups at competitive rates

The gaming zone has games across age groups as well as special LAN games. The pricing of the games has also been kept very competitive and there are incentives for those who achieve set parameters in each game.

Our Strategy

We believe that watching a movie forms part of a family outing which includes shopping, entertainment and eating out. Consequently, it is our endeavour to set up gaming zones adjacent to the multiplexes or in the foyer of the multiplexes to provide complete family entertainment at a single location. Further, we believe that setting up gaming zones enables our patrons to differentiate our theatres.

OUR MALL DEVELOPMENT BUSINESS

Our mall development business is limited to the development of Nagpur mall and development of the balance FSI available at Eternity Mall phase 2, Thane. Details of the same are as follows:

Eternity Mall, Thane

We have already developed a mall called the Eternity Mall at Thane. The development was done as a sale model and entailed development of over 2 lacs sq.ft.. Cinemax, Giggles, Globus, Proline, Planet

M, Metro Shoes, Bon Bon Shoes, My Dollar Stores and Archies Gallery are the key tenants. We plan to commence construction at Eternity mall phase 2 of another 30,000 sq.ft..

Eternity Mall, Nagpur

We are currently constructing a mall at Nagpur with over 1 lac sq.ft. of development area. The location is one of the prime areas of Nagpur. Cinemax, Globus and Giggles will be the anchor brands. The mall is expected to be completed by end 2006.

Employees

Our Company along with our wholly owned subsidiaries has a total strength of over 750 Employees. The classification of our employees as per their qualification and designation as on August 2006, is as follows:

Grade	Number of Employees			
	Post Graduates	Graduates	Undergraduates	Total
Senior Management	3	2	4	9
Managers	3	25	21	49
Executives	20	66	50	136
Staff Level	9	81	472	420
Total	35	174	547	756

We believe that a well-trained and experienced team of employees is crucial to our continued growth and success. In this regard, we endeavour to recruit the best people in the industry, provide the best training available and remunerate our staff at levels that will encourage them to perform to their best capability.

We have a well drawn recruitment policy to attract and retain the best talent. According to this policy, recruitment is bifurcated into various stages such as requisition for additional manpower, screening of applications, interviews and selection, probation etc.

In order to maintain employee motivation, we have introduced certain innovative methods. For instance, our Company has devised the scheme of "Employee Recognition" at our exhibition properties, wherein every month there is a selection of the 'Employee of the Department', and the 'Employee of the Location' based on performance. The selected employees are rewarded and awarded with a recognition certificate. We have been successful in retaining most of our senior managers who have been integrally involved in the planning and development of our business. We aim to retain high-performing employees through attractive compensation, benefits and working environment.

Key Equipments:

Key equipments in a multiplex include, among others, projection equipment (including projection screens, sound equipments etc.), concession equipments (for food and beverages business), auditorium seats, HVAC items (air-conditioning equipment) and IT equipments (computer hardware and software). Except for projection and sound equipments, procurement for the other equipments is usually done locally. Projection and sound equipment is sourced domestically as well as imported.

The total cost incurred by us towards sourcing our key equipments (mainly including projection and sound sytems) for all our Multiplexes as on March 31, 2006 is Rs. 148.11 million.

The total cost incurred by us towards sourcing our key equipments for our Gaming business as on March 31, 2006 is Rs. 12.61 million.

Our Immovable Property

Details of the immoveable properties owned by our Company are discussed hereunder:

1. **Cinemax – Andheri**

   The aforesaid property situated at Village Gundavali, off Suren Road, Andheri comprises of an approximate built-area of 5,738 sqaure feet. We operate a single screen Theatre in the aforesaid area.

2. **Cinemax – Eternity Mall, Thane**

   Our Company owns a 4-screen Mutiplex Theatre and a shopping complex at the aforesaid property. The area of the Multiplex Theatre admeasures approximately 29,200 square feet situated at Naupada Village, Thane.

3. **Cinemax – Goregaon**

   The aforesaid property comprises an approximate built-up area of 15,162 sqaure feet and is situated at Sidharth Nagar, Goregaon. We operate a 2-screen Theatre at the aforesaid property.

4. **Cinemax – Kandivali (West)**

   The aforesaid property situated at Trikamdas Road, Sona Shopping Centre, Near Railway Crossing, Kandivali (W) an approximate built-up of 4,677 sqaure feet. We operate a single screen Theatre at the aforesaid property.

5. **Cinemax – Mira Road**

   The aforesaid property, admeasuring approximately 26,500 square feet (built-up area), is situated at Beverly Park, Mira Bhayandar Road, Near Shivar Garden, Mira Road (E), Thane. We operate a 3 – screen Multiplex Theatre at the aforesaid property.

6. **Nagpur**

   The Nagpur property, situated at Variety Square, Sitabulding, comprises of an approximate carpet area of over 1,00,000 square feet, which includes an approximate area of 98,845 square feet for the construction of a 3 screen Multiplex. We also plan to construct a shopping complex and gaming centre (Giggles) on the said property.

   We have acquired the said pursuant to a development agreement entered into with a partnership firm and a Hindu Undivided Family. The said property, allotted to the Owners is under litigation. The details of the said litigation have been discussed under the chapter "Outstanding Litigation and Material Developments" beginning on page 3 of this Draft Red Herring Prospectus.

7. **Cinemax – Nashik**

   The aforesaid property situated at College Road, Near Vittal Mandir, Nashik, comprises of an approximate built-up area of 26,541 square feet. We operate a 3-screen Multiplex Theatre at the aforesaid property.

8. **Cinemax – Sion**

The aforesaid property situated at the Sion-Matunga comprises of an approximate built-up area of 15,364 square feet. We operate a 5-screen Theatre at the aforesaid property out of which we own three screens and remaining two are operated by us pursuant to lease arrangements.

9. **Cinemax – Wonder Mall, Thane**

The aforesaid property situated at Chitalsar Village, Manpada, Thane comprising of a 4-screen Multiplex Theatre comprising of an approximate built-up area of 25,102 square feet.

In addition to the above, details of the immoveable properties, in respect of which our Company has entered into a lease and a leave and license agreement, are discussed hereunder:

1. **'*Giggles- The Gaming Zone™*' – Eternity Mall, Thane**

The aforesaid property, which is situated at Naupada Village, Thane comprises of a total area of 10,431 square feet. We have an interest in the said property pursuant to a lease deed dated June 1, 2006 entered into with M/s R & H Amusement & Games Pvt. Ltd. The said lease is for a period of five years commensing from April 10, 2006 to April 9, 2011.

2. **Guwahati, Assam**

The Company has entered into an agreement dated August 2, 2006 for the lease of a portion of the fifth floor of the Dona Planet Commercial Complex situated at G.S. Road, Guwahati, Assam, admeasuring 19,758 square feet super built up area. The said property, leased for the purpose of running a Mutiplex/ Multiple Screen Theatre has been leased for an initial period of five years, and is renewable by the parties for two further terms of five years on mutual consent. The initial term of five year has commenced from August 2006.

3. **Faridabad, Haryana**

The Company has entered into an agreement dated September 5, 2006 for the lease of a portion of the EF3 Shopping Mall situated in sector 20A at Mathura Road, Faridabad, Haryana admeasuring an approximate super built up approximate area of 18,600 square feet. The said property, leased for the purpose of running a Multiplex/ Multiple Screen Theatre has been leased for a period of fifteen years out of which the first three shall be a lock in period, from the date of the grant of the completion certificate or we taking possession whichever is earlier. The term of the said lease has commenced from September 5, 2006.

4. **Registered and Corporate Offices**

The Registered and Corporate Office of the Company is situated at 805, 8th Floor, Unit no 805, Business Point, Western Express Highway, Andheri-E, Mumbai-400 069. The Company has an interest in the said property pursuant to a leave and license agreement, dated May 16, 2006 with a third party in relation to the premises, for a period of 36 months with effect from May 1, 2006 to April 30, 2009. The said agreement is renewable for a further period of 36 months at the option of both the parties.

Our subsidiary companies, Vista Entertainment Pvt. Ltd and Nikmo Finance Pvt. Ltd., carries on the cinema exhibition business pursuant to conducting agreements at Versova and Kandivali (East), respectively. For further details on the same refer to the section titled "History and Certain Corporate Matters" beginning on page 3 of this Draft Red Herring Prospectus.

Future Expansion Plans

In relation to our future expansion plans, our Company has entered in to Memorandum of Understandings (MoUs) for establishing Multiplexes, on lease basis. The final terms are yet to be agreed upon.

Details of MoUs: The Company has entered into the following MoUs.

Sl.No	Location	Approximate Area
1.	Mysore Road, Opp. Bus Stand Bangalore, Karnataka	25,000 square feet
2.	Mantri Mall, Myanpur, Hyderabad, Andhra Pradesh	62,500square feet
3.	MSX Mall, Plot No. B-4, UPSIDC, Greater Noida, Uttar Pradesh	26,666 square feet.
4.	Dev Arc Mall, T.P. Scheame – 6, S.G Highway Ahmedabad, Gujrat	24,124 square feet
5.	Annapurna Hall, Viksh Gruh Road, Near Dharnidhar derashar, Ahemdabad Gujrat	11,200 square feet
6.	Press Enclave Road, Saket, New Dehli	25,000square feet
7.	Cikkathogur, Begur Hobli, Hosur Main Road, Bangalore, Karnataka	30,053square feet
8.	Ganesh Chandra Avenue, Kolkata, West Bengal	18,400square feet
9.	Thane, Bhiwandi Junction, Village Rajnoli, Taluka – Bhiwandi, Maharashtra	29,170 square feet
10.	S.No.14, Vadgaon Sheri Kalyani Nagar, Kumar City, Pune,	24,000 square feet

Sl.No	Location	Approximate Area
	Maharashtra	
11.	Mek Compound, Mumbai Pune Highway (Old), Mumbra District, Thane, Maharashtra	28,500 square feet
12.	Shalimar, Shalimar House Grant Road, Mumbai, Maharastra	10,000 square feet
13.	S.No.144, Erandwane, Kothrud, Pune, Maharashtra	32,000 square feet
14.	LBS Road, Kanjurmarg, Mumbai, Maharashtra	26,248 square feet
15.	Regimental Plaza, Nashik Road, Nashik, Maharashtra	10,000 square feet
16.	Omaxe Terminal Mall- Amritsar, Punjab	32,000 square feet
17.	Sector 110, Mohali, Punjab	29,120 square feet
18.	Silicon Square Mall, Derabassi, Mohali, Punjab	48,000 square feet
19.	Gupta City Mall, Raipur, Chattisgarh	32,890 square feet
20.	G.T Road, Jallandhar, Punjab	32,600 square feet

In addition to the above MoU's, as part of our business expansion plans for establishing Theatres, we have also entered into LoI's with various parties for different locations.

INSURANCE

We maintain comprehensive insurance coverage with New India Assurance and Bajaj Allianz for all of our Multiplexes and Theatres. Our insurance includes coverage for electronic equipment, fire and special perils, machinery and public liability. In addition, we also maintain key man insurance policies for our Chairman and Managing Director.

REGULATIONS AND POLICIES IN INDIA

Introduction

There are various Central and State acts, regulations and rules governing our business, including the construction of Theatres or using premises for cinematographic exhibition. Currently, we are operating our business only in the State of Maharashtra. The important Central and State acts having a bearing on our business have been discussed below.

EXHIBITION BUSINESS

The Cinematograph Act, 1952 and The Cinematograph (Certification) Rules, 1983

The Cinematograph Act provides for the certification of the films, which are used for the purposes of public exhibition, so as to regulate its intended viewer ship. An exhibitor of a film is required to make an application to the Board of Film Certification ("**the Board**") for the said certificate.

The examining committee is appointed by the Regional Officer and makes a determination for the grant of the said certificate, based on the appropriateness of viewership by different categories of viewers. On its recommendation, the Board issues the certificate, which is valid for a period of 10 years from the date on which it is granted. The exhibitor is required to ensure that it shall not contravene any restrictions specified by the Board. A person aggrieved by the decision of the Board has a right to appeal to the Appellate Tribunal.

Films certified for public exhibition may be re-examined by the Board if any complaint is received in respect of the same. All advertisements of films displayed by the producer/ distributor/ exhibitor in any form including hoardings, handbills, newspapers and trailers are required to indicate that the film has been certified for public exhibition. If films are exhibited contrary to restrictions specified by the Board, the exhibitor is liable for punishment with imprisonment and/or a fine.

The certificate may provide restrictions in respect of viewership or, the Board may direct the applicant to carry out any modifications, as it may think fit. The obligation to obtain such certificate is on the producer of a film. The duplicate copy of the same has to be provided to the distributor or the exhibitor according to the Cinematograph (Certification) Rules, 1983.

The Cinematograph Film Rules, 1948 (the "Cinematograph Rules")

The Cinematograph Rules provide for grant of license for storage of films. The license granted under the Rules is valid for a period of one year and may be renewed annually. The licensee may, at any time before the expiry of the license, apply for permission to transfer the said license to another person. The licensing authority is also empowered to cancel a license in the event any provision of the Petroleum Act, 1934 is contravened. The Cinematograph Rules ensure compliance in respect of transportation, storage and handling of films.

The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981

The Act provides for the regulation of conditions of employment of certain cine workers and cinema theatre workers and for matters connected therewith. The Act makes the Payment of Gratuity Act, 1972, and the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 applicable to the employees of cinema theatres in which five or more persons are employed.

The Bombay (Maharashtra) Cinemas (Regulation) Act, 1953 (the "Bombay Cinemas Act") and the Maharashtra Cinemas (Regulation) Rules, 1966 (the "Maharashtra Rules")

The Act provides for regulating exhibitions by means of cinematographs and licensing of places in which cinematograph films are exhibited in the State of Maharashtra. Any person intending to exhibit by means of a cinematograph is required to obtain a cinema license for operating and using the cinema house/ multiplex.

The license is valid for period not exceeding three years. The applicant is also required to obtain a license for the sale of tickets for granting the right of admission to the cinema under the Maharashtra Rules. Tickets are required to be sold only at booking office(s) as approved by the licensing authority and specified in the license.

The following conditions are required to be complied with, for the continuation of the license for sale of tickets:

- The tickets are not to be sold earlier than seven days from the date of the show;
- The price and the hours of sale are to be notified on a board in the premises of the cinema;
- The licensee shall not caused to be closed down the sale of tickets of any class indicating the closure of the sale of those tickets, unless and until all the tickets are actually sold out;
- Price is to be printed on the ticket and the price charged shall not exceed the price printed on that ticket;
- Records of tickets sold are to be maintained and the same is subject to inspection by the licensing authority.

The licenses are required to be displayed prominently on the walls of the office of the cinema. The Maharashtra Rules also provide for certain restrictions and prohibitions with respect to maintenance of the cinema and authorize certain authorities/ officers to inspect the premises of the cinema at all hours. Licenses granted under the Maharashtra Rules are not transferable.

Labour Laws

The employment of workers is regulated by a wide variety of generally applicable labour laws, including the Contract Labour (Regulation & Abolition) Act, 1970**,** the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Building and Other Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 and the Payment of Wages Act, 1936.

Other Licences, Clearances and Registrations relating to the Cinema:

Premises

Cinema owners may be required to obtain various licences, clearances and no-objection certificates from municipal authorities, under various State specific legislations. These may include, among others, occupation certificate for the cinema theatres, licences in relation to canteens at cinema premises etc.

Entertainment Tax law

The responsibility of collecting entertainment tax is vested with the proprietors / organizers of entertainments. In certain states, subject to compliance with certain prescribed conditions, exemptions from payment of entertainment taxes may be granted. The extent of entertainment tax reliefs, which may be available, varies from state to state.

Andhra Pradesh

The Andhra Pradesh Entertainments Tax Act, 1939 levies entertainment duty in respect of entertainments, defined to mean cinematography exhibition to which persons are admitted on payment, at varying rates specified therein. Further, Section 8 of the aforesaid act also makes provision for the state government to grant exemptions from payment of entertainment tax. The prevailing rate of entertainment tax in the aforesaid state is 16.67% of the gross ticket price.

Presently no exemption from payment of entertainment tax is granted to Multiplexes in the said state.

Assam

Section 3 of the Assam Betting and Amusement Tax Act, 1939 provides for the levy of entertainment tax on all payments for admission to any Theatre, cinematograph exhibition or circus or any class of entertainment to which the state government may make this provision applicable. The said duty is payable at such rate as may be notified by the government from time to time. The aforesaid Act further provides for an additional tax on cinematograph exhibition at the rate of 10% of the total payment of admission excluding the amount of tax payable under the said act or Rs. 10, which ever is lesser. The prevailing rate of entertainment tax in the aforesaid state is 50% of the gross ticket price.

The said Act also empowers the state government to exempt any entertainment or class of entertainment from the obligation of payment entertainment tax on the satisfaction of the grounds provided therein. Presently no exemption from payment of entertainment tax is granted to Multiplexes in the said state.

Delhi

The Delhi Entertainment and Betting Tax Act, 1989, provides for the payment of entertainment duty on admission charges to any entertainment, which is defined to include cinematograph exhibitions. The said duty is payable at such rate as may be notified by the government from time to time, however, not exceeding one hundred percent of each such admission charge. Further under Section 14 of the aforesaid act the government has the power to grant exemption to any individual entertainment programme or class or entertainments from the liability to pay the said tax. The prevailing rate of entertainment tax in the aforesaid state is 23.08% of the gross ticket price. Presently no exemption from payment of entertainment tax is granted to Multiplexes in the said state.

Gujarat

The entertainment tax within the state of Gujarat is levied under the Gujarat Entertainments Tax Act, 1977, which provides for the levy of the said tax on all forms of entertainment, defined therein, including cinematograph shows. The prevailing rate of entertainment tax in the aforesaid state is 20.00% of the gross ticket price.

Presently no exemption from payment of entertainment tax is granted to Multiplexes in the said state.

Haryana

The entertainment duty in the state of Haryana is levied and collected under the Punjab Entertainments Duty Acts, 1955 (Act 16 of 1955). The said act provides for the levy of entertainment duty on payment of admission to any entertainment, defined therein, at a rate, not exceeding one hundred and twenty five percent of the payment of admission, as may be specified by the state government by a notification. The Government of Haryana may, for encouragement or arts and crafts, or other public interest, exempt any entertainment from the liability to pay duty under the said act. By a notification (No. S.O. 2 /P.A. 16/1955/S. 3/2006) dated January 12, 2006 the Government of

Haryana has reduced the rate of entertainment duty by 20%. The prevailing rate of entertainment tax in the aforesaid state is 23.08% of the gross ticket price.

Presently no exemption from payment of entertainment tax is granted to Multiplexes in the said state.

Karnataka

The Karnataka Entertainments Tax Act, 1958, provides for the levy of entertainment duty on all forms of entertainment as defined therein, which includes cinematograph shows. Further, section 4 of the said act provides for an additional duty to be levied on cinematograph shows.

Section 3 C of the said Act exempts cinematograph shows of certain Kannada, Konkani, Telugu, Tulu or Banjara films produced in the aforesaid state, from the payment of entertainment duty.

The government of Karnataka by its order (No. ITKC/296/TTT/2000, Bangalore) dated January 20, 2003 granted an entertainment tax exemption available upto 100% for the first three years and 75% for the subsequent two years to I- Max Theatres only. Presently no exemption from payment of entertainment tax is granted to Multiplexes in the said state.

Madhya Pradesh

Under the Madhya Pradesh Entertainments Duty and Advertisement Tax Act, 1936 every proprietor of entertainment shall pay an entertainment duty to the state government in respect of every, payment of admission to the entertainment at the rate of 50% of the net ticket price in the municipal corporation areas and 40% of the net ticket price in the rest of the areas. However, as per the current entertainment tax policy of the said state an exemption is granted to integrated family entertainment Multiplex centres from payment of entertainment tax. Under the said policy Multiplex complex, after completion, may avail a 100% exemption from the payment of entertainment duty for the first three years, from the date of commercial exhibition of a movie and 75% and 50% for the subsequent fourth and fifth year, respectively.

Maharashtra

The Bombay Entertainments Duty Act, 1923 provides for the levy of duty in respect of admission to entertainment in the state of Maharashtra. The rate of entertainment tax levied varies, not only on the basis of the area within which the entertainment establishment conducts its business within the state of Maharashtra, but also on the type of entertainment that is provided.

Any non-compliance with the provisions of the Bombay Entertainments Act may lead to penalties in the form of imprisonment and/or monetary fines. The State Government has the power to make rules for securing the payment of the entertainments duty and for carrying out the provisions of the said Act.

The state government has granted a 100% concession in entertainment tax for the initial 3 years of operations and 75% for two years thereafter to the owner and operator of Multiplex cinemas. The criteria for a Multiplex cinema complex to be eligible for the entertainment tax concessions are as follows:

- The Multiplex Theatre owner is not allowed to impose service charges till the period of concession expires;
- The proprietor must charge nothing less than the maximum entry charges imposed by other Theatres in the concerned district of operation;
- The Multiplex Theatre complex must be run consecutively for a period of 10 years from the date of commencement of operations;

- One screen in the Theatre complex is required to be reserved exclusively for Marathi cinema for a total period of one month in a year;
- A multiplex complex operating within the limits of the Municipal Corporation of Brihan Mumbai is required to have a minimum of four screens within the complex and total seating capacity of not less than 1250.
- A multiplex complex operating outside the limits of the Municipal Corporation of Brihan Mumbai is required to have to have a minimum of three screens within the complex and total seating capacity of not less than 1000.
- In Maharashtra, entertainment tax is levied at 45%**.** No tax is leviable for Marathi films

Punjab

The Punjab Entertainments Duty Act, 1955, provides for the levy of entertainment duty on payment of admission to any entertainment, defined therein, at a rate, not exceeding one hundred and twenty five percent of the payment of admission, as may be specified by the state government by a notification. The said Act further provides that the state government may in the alternative, by a notification, levy a lumsump duty at a rate specified in the said act. Further, under the said Act the state government is empowered to exempt the payment of such duty where the whole of the net proceeds of the entertainment will be devoted to philanthropic, charitable, educational or scientific purposes, which have been approved as such by the government.

However, the state government has under a notification granted exemption to an integrated entertainment and shopping centre or complex having at least three cinema halls with total minimum capacity of 1000 seats, set up in an area of 4000 square yards or above with a minimum investment of Rs. 200 millions a 100% entertainment tax exemption for a period of five years from the date such complex comes into operations.

Uttar Pradesh

Entertainment tax in the state of Uttar Pradesh is levied and collected under the Uttar Pradesh Entertainments and Betting Act, 1979 and Rules framed there under. It is levied on all payments for admission to any entertainment at the rate specified from time to time. The said Act further empowers the state government to exempt any entertainment or class of entertainment from the liability to pay tax for promotion of peace, international goodwill, arts, sports or other public interests. Similarly, the District Magistrate is also empowered to grant exemption to those entertainments whose gross proceeds are devoted to philanthropic, religious or charitable purposes.

However, in accordance with existing entertainment tax policy applicable in the said state Multiplexes are eligible for 100% entertainment tax exemption for a period of five years, from the commencement of their commercial operations, subject to compliance with certain conditions.

West Bengal

The Bengal Amusement Act, 1922 provides for the levy of tax on payments for admission to an entertainment including tax on the value of tickets for admission to any cinematograph exhibition. In addition to the above, the said act provides for an additional tax on cinematograph exhibitions.

As per the current entertainment tax policy of the said state, in case of a newly opened Multiplex Theatre complex, the entertainment tax amount collected against tickets can be retained by the proprietor by way of subsidy for upto four years or till such date when the total amount of entertainment tax retained by the proprietor exceeds the total amount invested for the purpose of making the new Multiplex theatre complex, whichever is earlier, from the date of commencing of such Multiplex Theatre complex. Further, if an existing cinema hall is converted into a Multiplex

Theatre complex, the proprietor can retain the entertainment tax for upto three years from the date of commencing of such Multiplex Theatre complex or till such date when the total amount of entertainments tax retained by the proprietor exceeds the total amount invested for converting the existing cinema hall into a Multiplex Theatre complex, whichever is earlier.

Intellectual Property Laws

Copyright Act, 1957

The Copyright Act of 1957 governs the law relating to copyright in India and defines infringement and provides remedies for the same. Copyright means the exclusive right to do or authorise others to do certain acts in relation to original (1) literary, dramatic or musical works, not being a computer programme, (2) computer programme, (3) artistic work, (4) cinematograph film and (5) sound recording. The object of copyrights is to protect the author of a copyrighted work from any unlawful reproduction or exploitation. . Copyright subsists during the life of the author/creator of the work and 60 years thereafter in case the author is a natural person. In all other cases, copyright subsists for 60 years from the date of publication of the work concerned.

Trade Marks Act, 1999

The Indian law on trademark is enshrined in the Trade Marks Act of 1999. Under the existing Act, a trademark is a mark used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor to use the mark. A 'Mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style, the shape of goods other than those for which a mark is proposed to be used, or any combination thereof or a combination of colours and so forth. The trademark once it is applied for is advertised in the trademarks journal, oppositions, if any, are invited and after satisfactory adjudication of the same, is given a certificate of registration. The right to use a mark can be exercised either by the registered proprietor or a registered user. The present term of registration of a trademark is ten years, which may be renewed for similar periods on payment of prescribed renewal fees.

MALL DEVELOPMENT

Our business, to the extent relating to mall development, is subject to, amongst various central and state laws, like the Urban Land (Ceiling and Regulation) Act, 1976, the Maharashtra Regional and Town Planning Act, 1966, like Development Control Regulations for Greater Mumbai, 1991, laws relating to transfer of property and labour legislations. Additionally, our projects, at various stages require the sanction of the concerned authorities under the relevant state legislation and local byelaws.

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on May 22, 2002 under the Companies Act as Cineline Entertainment (India) Private Limited to primarily carry on the business of building, owning, and operating Multiplexes, Theatres and entertainment centres. The name of our Company was changed to Cinemax Cinemas (India) Private Limited on December 23, 2005. We were converted to a public limited company by a resolution of the members passed at the AGM held on June 12, 2006. The fresh certificate of incorporation consequent to the change of name of our Company was issued by the RoC on July 27, 2006.

Our Company was incorporated with its registered office at Acme Commercial Arcade, 4th Floor Trikamdas Road, Kandivali (W) Mumbai-400067, which was subsequently shifted to 5th Floor, 349 Business Point, Western Express Highway, Andheri (East), Mumbai 400069 consequent to the approval of the Board on March 28, 2006. Pursuant to the approval of our Board on August 25, 2006, the registered office of our Company was shifted from 5th Floor, 349 Business Point, Western Express Highway, Andheri (East), Mumbai 400069 to 805, 8th Floor, 349 Business Point, Western Express Highway, Andheri (East), Mumbai 400069, where it is presently situated.

Our Company had carried out a restructuring exercise, wherein seven of our group companies i.e. Rupam Private Limited, Hariyash Theatres Private Limited, Kanakia Shelters Private Limited, Kanakia Creators Private Limited, Vrushti Theatres Private Limited, Cineline Cinemas (India) Private Limited, and Cineline Multiplex Theatres (India) Private Limited (hereinafter referred to as the "merged entities") were merged with us with effect from April 1, 2006. The High Court of Bombay sanctioned the Scheme of Amalgamation on March 24, 2006. The restructuring exercise was done with a view to consolidate the Theatres and Multiplexes operated by us through various subsidiaries under the brand name of CINEMAX and also to facilitate cost effective regulatory compliance. Some of the salient features of the Scheme of Amalgamation are as follows.

1. The entire business and whole of the undertakings of Rupam Private Limited, Hariyash Theatres Private Limited, Kanakia Shelters Private Limited, Kanakia Creators Private Limited, Vrushti Theatres Private Limited, Cineline Cinemas (India) Private Limited and Cineline Multiplex Theatres (India) Private Limited, as on the appointed date of April 1, 2006 was transferred to and vested in our Company so as to become assets and properties of our Company.

2. The entire equity share capital of Rupam Private Limited, Hariyash Theatres Private Limited, Kanakia Shelters Private Limited, Kanakia Creators Private Limited, Vrushti Theatres Private Limited and Cineline Multiplex Theatres (India) Private Limited was being held by our Company and subsequently on the Scheme of Amalgamation becoming effective, stood automatically cancelled. However, we along with Rupam Private Limited, Hariyash Theatres Private Limited, Vrushti Theatres Private Limited and Kanakia Shelters Private Limited held collectively only 71.64% of the equity share capital of Cineline Cinemas (India) Private Limited and the remaining 28.36% equity shares was being held by the other shareholders, who were issued twelve redeemable non-convertible Preference Shares of Rs 10 each of our Company for every one equity share held by them in Cineline Cinemas (India) Private Limited.

Currently, we have three wholly owned subsidiaries namely Vista Entertainment Private Limited, Growel Entertainment Private Limited and Nikmo Finance Private Limited, a wholly owned subsidiary of Growel Entertainment Private Limited. Vista Entertainment Private Limited and Nikmo Finance Private Limited operate our Multiplexes at Versova i.e Cinemax-Versova and at Kandivali (East) i.e Cinemax- Kandivali (East) respectively, pursuant to business conducting agreements. For more details on the business conducting agreements, see the section titled "History and Certain Corporate Matters-" beginning on page 3 of this Draft Red Herring Prospectus.

Major Events

A chronology of some of the key events of the group is set forth.

Calendar Year and Month	Events
December, 1997	Commencement of first Theatre at Goregaon–West (Mumbai)which was owned and operated collectively by the merged entities Kanakia Creators Private Limited and Kanakia Shelters Private Limited*.
February, 1998	Commencement of second Theatre at Kandivali –West (Mumbai), , which was owned andoperated by the merged entity Hariyash Theatres Private Limited*.
August, 1998	Commencement of Theatre at Andheri–East (Mumbai) which was owned and operated by the merged entity Vrusti Theatres Private Limited**.
October, 2000	Commencement of first Theatre with multiple screens at Sion (Mumbai) under the brand name CINEPLANET, which was owned and operated by the merged entity Rupam Private Limited.
December, 2003	Commencement of first Multiplex at Wonder Mall, Thane (near Mumbai) – under the brand name CINE WONDER.
May, 2004	Commencement of Multiplex at Mira Road (near Mumbai) – under the brand name CINE PRIME and at Nashik under the brand name of CINE ZONE.
April, 2005	All the Theatres/Multiplexes renamed to CINEMAX to create a chain of Theatres/Multiplexes, centred around the brand CINEMAX.
September, 2005	For the first time we operated a Multiplex at Versova under a conducting arrangement through our subsidiary Vista Entertainment Private Limited.
April, 2006	Carried out restructuring exercise pursuant to which our erstwhile subsidiary companies (Rupam Private Limited; Hariyash Theatres Private Limited; Kanakia Shelters Private Limited; Kanakia Creators Private Limited; Vrushti Theatres Private Limited; Cineline Cinemas (India) Private Limited; and Cineline Multiplex Theatres (India) Private Limited) were merged with us with effect from April 1, 2006. All the Theatres/Multiplexes were now owned directly by our Company, except Cinemax – Versova and Cinemax – Kandivali (East), which we operate under conducting agreements.
May, 2006	Opening of the Eternity Mall with Multiplex and the first *Giggles- The Gaming Zone*^{TM} at Cinemax- Eternity Mall, Thane

**Upto 2000, although the Theatre was owned by us, it was operated by Shringar Cinemas Limited.*
*** Upto 2000, although the Theatre was owned by us, it was operated by VIP Exhibitors.*

Our Main Objects as contained in the Memorandum of Association are as follows:

To carry on, in any part of the world, the business of building, developing, owning and operating, Multiplex Theatres, entertainment centers, hotels, restaurants, health centres, art galleries, malls, shopping complexes, exhibition centres, family entertainment centres, gaming parlors, bowling gallery, pool parlors, cyber café, other commercial single or multistoried buildings or works of any such description on any land, free-hold or lease hold or otherwise, as principals, agents, trustees or otherwise, either alone or in conjunction with others and by or through agents, sub-contractors, trustees or otherwise and deal in all kinds of immovable properties, including but not limited to land, and to sell, lease, rent, grant licenses, easements and other rights over and in any other manner deal with or dispose of the undertaking, property, assets, rights and all other effects of the Company, or any part thereof and to do all such acts and things incidental or in the opinion of the Company conducive to the attainment of any or all of the aforesaid objectives.

The main objects and the objects incidental or ancillary to the main objects of the Memorandum of Association of our Company enables us to undertake our existing activities and the activities for which the funds are being raised through this Issue.

CHANGES IN MEMORANDUM OF ASSOCIATION

Since the date of Incorporation the following changes have been made to the Memorandum of Association;

Date of Amendment	Amendment
November 24, 2003	The Authorised share capital of the Company was increased from Rs. 500,000 divided into 50,000 shares of Rs. 10 each to Rs. 60,000,000 divided into 6,000,000 Equity Shares of Rs. 10 each.
December 23, 2005	The name of our Company was changed to Cinemax Cinemas (India) Private Limited from Cineline Entertainment (India) Private Limited.
March 29, 2006	The authorised Share Capital of our Company was increased from Rs. 60,000,000 divided into 6,000,000 Equity Shares of Rs. 10 each to Rs. 62,500,000 divided into 6,000,000 Equity Shares of Rs. 10 each and 250,000 Preference Shares of Rs. 10 each.
June 12, 2006	• The main objects of our Memorandum of Association was deleted and the following clause was added *"To carry on, in any part of the world, the business of building, developing, owning and operating, Multiplex Theatres, entertainment centres, hotels, restaurants, health centres, art galleries, malls, shopping complexes, exhibition centres, family entertainment centres, gaming parlors, bowling gallery, pool parlors, cyber café, other commercial single or multistoried buildings or works of any such description on any land, free-hold or lease hold or otherwise, as principals, agents, trustees or otherwise, either alone or in conjunction with others and by or through agents, sub-contractors, trustees or otherwise and deal in all kinds of immovable properties, including but not limited to land, and to sell, lease, rent, grant licenses, easements and other rights over and in any other manner deal with or dispose of the undertaking, property, assets, rights and all other effects of the Company, or any part thereof and to do all such acts and things incidental or in the opinion of the Company conducive to the attainment of any or all of the aforesaid objectives."* • The authorised share capital of our Company was increased from Rs. 62,500,000 divided into 6,000,000 equity shares of Rs. 10 each and 250,000 Preference Shares of Rs. 10 each to Rs. 402,500,000 divided into 40,000,000 equity shares of Rs. 10 each and 250,000 Preference Shares of Rs. 10 each.
July 27, 2006	The name of our Company was changed from Cinemax Cinemas (India) Private Limited to Cinemax India Limited, wherein the word private was deleted.
August 25, 2006	Change of Registered Office from 5th Floor, 349 Business Point,

Date of Amendment	Amendment
	Western Express Highway, Andheri (East), Mumbai 400069 to 805, 8th Floor, 349 Business Point, Western Express Highway, Andheri (East), Mumbai 400069.

Subsidiaries:

We have three subsidiaries Vista Entertainment Private Limited, Growel Entertainment Private Limited and Nikmo Finance Private Limited.

Vista Entertainment Private Limited ("VEPL")

VEPL was incorporated on July, 31 2002, to carry on the business of setting up, operating, managing or running family entertainment, and recreation centres in all forms of Multiplex, art galleries, shopping centres, discotheques.

We operate our Multiplex at Versova (Cinemax –Versova) through VEPL pursuant to a share sale agreements and business-conducting agreement as detailed below.

VEPL became our subsidiary pursuant to a share sale agreement entered into between Mr. Gopal L. Raheja, Mr Sandeep G. Raheja, and Ferani Hotels Private Limited, as sellers and us on December 24, 2004 to facilitate the purchase of the entire issued and subscribed paid up capital of VEPL by us. Some of the important terms of the agreement are discussed below:

I. VEPL is required to obtain the express consent and approval of the sellers for the following:
   - for declaration of any dividends or any benefit in cash or kind to the shareholders of VEPL
   - for any change in the shareholding pattern of VEPL
   - for the purposes of borrowing money from anyone else apart from our Promoters
   - for the creation of any securities or mortgage of property or right devolving upon VEPL pursuant to the agreement.

Business conducting agreement

VEPL conducts and operates the Multiplex at Versova, Cinemax-Versova pursuant to a business conducting agreement entered into by VEPL, Unique and us on December 24, 2004. The important terms and conditions of the agreement are as follows:
- VEPL shall pay to Unique such fees and expenses as mutually decided along with consideration for the utilisation and maintenance of the Multiplex.
- VEPL shall not be amalgamated or merged with any other entity or dissolved and shall always remain a wholly owned subsidiary of our Company.
- VEPL shall not mortgage any of the rights accrued to it pursuant to the business conducting agreement.
- The agreement shall be terminated on the expiry of twelve (12) years from the effective date of the agreement.

Board of Directors:

The board of directors of VEPL comprises of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.

Shareholding Pattern:

The shares of VEPL are not listed on any stock exchanges. The shareholding pattern of VEPL as on August 31, 2006 is as follows.

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1.	Cinemax India Limited	100,000	99.00
2.	Cinemax India Limited jointly with Mr. Rasesh B. Kanakia	500	0.50
3.	Cinemax India Limited jointly with Mr. Himanshu B. Kanakia	500	0.50
	Total	**101,000**	**100**

Financial Performance:

The unconsolidated financial results of VEPL for fiscal 2006, 2005 and 2004 are as follows.*

(Rs. in million except per share data)

	As of March 31		
	2006	**2005**	**2004**
Total Income	95.33	Nil	Nil
Profit/loss after tax	(5.96)	Nil	Nil
Equity share capital	10.10	10.10	10.10
Reserves and Surplus	(5.96)	Nil	Nil
Earnings/loss per share (Rs.)	(59.05)	Nil	Nil
Book Value Per share (Rs.)	**39.40**	**90.28**	**98.07**

* Source: Audited financial results of VFPL

Growel Entertainment Private Limited ("GEPL")

GEPL was incorporated on October 12, 2004 to carry on the business of entertainment, and to run and maintain Multiplexes, Theatres, etc.
GEPL became our subsidiary pursuant to a share sale agreement

The share sale agreement was entered into between us, Mr. Niraj Kumar U More and Mrs Pallavi N. More as the sellers and GEPL and NFPL as the confirming parties on April 7, 2006 to facilitate the purchase of the entire issued and subscribed paid up capital of GEPL and its wholly owned subsidiary NFPL by us. Some of the important terms of the agreement are as follows.

- The sellers have agreed to transfer the equity shares in GEPL on the understanding that the sellers will have the option to buy-back the equity shares of GEPL on the termination of the business conducting agreement.
- GEPL would require the express consent and approval of the sellers for any change in the term and composition of its board.
- The sellers have the first option to buy back/purchase all or any of the shares of GEPL and NFPL at the same aggregate price for which they were sold if there has been any material breach as per the business conducting agreement or on account of termination of the business conducting agreement, or a change in management control of GEPL and NFPL or the revocation of permission and licences by the Ministry of Revenue, Government of Maharashtra.

Board of Directors:

The board of directors of GEPL comprises of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia

Shareholding Pattern:

The shares of GEPL are not listed on any stock exchanges. The shareholding pattern of GEPL as on August 31, 2006 is as follows.

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1.	Cinemax India Limited	9,900	99.00
2.	Mr. Rasesh B. Kanakia* with Cinemax India Limited	30	0.30
3.	Ms. Asha Hemant Shah* with Cinemax India Limited	10	0.10
4.	Ms. Rupal R. Kanakia* with Cinemax India Limited	10	0.10
5.	Ms. Hiral H. Kanakia* with Cinemax India Limited	10	0.10
6.	Ms. Manisha Vora* with Cinemax India Limited	10	0.10
7.	Mr. Himanshu B. Kanakia* with Cinemax India Limited	30	0.30
	Total	10,000	1000

*** shares held as nominees of Cinemax India Limited**

Financial Performance:

GEPL is the holding company of NFPL, it does not carry out any operations. The unconsolidated financial results of GEPL for the 18 month period beginning from October 2004 to March 2006 are as follows.*

(Rs. in million except per share data)

	As of March 31
	2006
Total Income	NIL
Profit/loss after tax	NIL
Equity share capital	0.10
Reserves and Surplus	0.00
Earnings/loss per share (Rs.)	NIL
Book Value Per share (Rs.)	5.76

*Source: Audited financial results of GFPL

The financial results for the fiscal year 2004 is not available as GEPL was incorporated on October 12, 2004.

Nikmo Finance Private Limited ("NFPL"):

NFPL was incorporated on June 22, 1989 to carry on the business of financiers, to undertake financial business, to lend or invest money and negotiate loans in any form and to carry on all or any of the business of producing, distributing and exhibiting films. NFPL is a wholly owned subsidiary of GEPL. It became our subsidiary pursuant to GEPL becoming our subsidiary.

We operate our Multiplex at Kandivali (Cinemax-Kandivali-East) through NFPL pursuant to a business conducting agreement as mentioned below. NFPL had entered into a business conducting agreement dated September 30, 2004 with Grauer and Weil (India) Limited ("G&W") in relation to the Multiplex situated at Cinemax-Kandivali (East). Some of the important terms of the agreement are as follows:

- NFPL shall pay to G&W such fees and expenses as mutually decided along with consideration for the utilisation and maintenance of the Multiplex.
- NFPL shall not be entitled to subcontract business, which would amount to more than half of the gross sales of the business with a sub contracting company or sub conducting company unless the third party undertakes to be bound by the terms and conditions of the aforesaid agreement.
- NFPL shall not be entitled to terminate the business conducting agreement during the tenure of this agreement and shall be liable to pay for the full term all the fees, charges, expenses and deposits.
- G&W shall be liable to terminate the business conducting agreement if NFPL fails to pay the stipulated conducting fee, failure to pay deposits, if there is shut down of the Multiplex and any direct or indirect loss caused to G&W on account of the business conducting agreement.

Board of Directors:

The board of directors of NFPL comprises of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia

Shareholding Pattern:

The shares of NFPL are not listed on any stock exchanges. The shareholding pattern of NFPL as on August 31, 2006 is as follows.

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1.	Growel Entertainment Private Limited	10,000	99.80
2.	Mr. Rasesh B. Kanakia* with M/s Growel Entertainment Private Limited	10	0.10
3.	Mr. Himanshu B. Kanakia* with M/s Growel Entertainment Private Limited	10	0.10
	Total	10,020	100

*** shares held as nominees of** Growel Entertainment Private Limited

Financial Performance:

The unconsolidated financial results of NFPL for fiscal 2006, 2005 and 2004 are as follows.*

(Rs. in million except per share data)

	As of March 31		
	2006	**2005**	**2004**
Total Income	10.64	NIL	NIL

	As of March 31		
	2006	2005	2004
Profit/loss after tax	(4.29)	NIL	NIL
Equity share capital	0.10	0.10	0.10
Reserves and Surplus	(4.29)	NIL	NIL
Earnings/loss per share (Rs.)	(427.70)	NIL	NIL
Book Value Per share (Rs.)	(434.08)	(10.48)	(9.66)

* Source: Audited financial results of NFPL

Shareholders Agreement:

The shareholders of the Company have not entered into any Shareholders Agreement as on the date of the filing of this Draft Red Herring Prospectus.

Promoter Groups special rights:

The articles of association of our Company provides that the Kanakia family comprising of Mr. Rasesh B. Kanakia, Mr. Himanshu B. Kanakia, their respective spouses, lineal descendants and/or persons who are directly or indirectly controlled, held or owned by them, have the right to appoint half of the Board strength of our Company as long as they own 50% or more of the Equity Share capital of the Company and in case such shareholding falls below 50% but remains above 33% then they have the right to appoint and remove the non-retiring Directors of our Company. For further details see section titled "Main Provisions of the Articles of Association " beginning on page 3 of this Draft Red Herring Prospectus.

Strategic and Financial Partnerships:

The Company has not entered into any strategic or financial partnerships with any third parties as on the date of filing of this Draft Red Herring Prospectus.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we cannot have fewer than three directors or more than twelve directors, unless otherwise determined by our Company in general meeting. We currently have four (4) directors including two (2) independent directors.

The following table sets forth current details regarding our present Board of Directors:

Sr. No	Name, Age Designation. Fathers Name, Educational Qualification, Nationality, Occupation	Address	Other Directorships held
1.	**Mr. Rasesh B. Kanakia.** 45 yrs Chairman S/o: Mr. Babubhai Kanakia Indian Business	Ashish, Plot No. 18, Road No. 4, JVPD Scheme Vile Parle West. Mumbai-400 056	• Kanakia Constructions Private Limited; • Kanakia Properties Private Limited; • Kanakia Finance and Investments Private Limited; • Kanakia Housing Private Limited; • Kanakia Gruhnirman Private Limited; • Vrusti Builders Private Limited; • Evergreen Home Makers Private Limited; • Indicon Developers Private Limited; • Kanakia Hospitality Private Limited; • Supreme Real Estate Developers Private Limited; • Nikmo Finance Private Limited; and • Vista Entertainment Private Limited.
2.	**Mr. Himanshu B. Kanakia.** 42 yrs Managing Director S/o: Mr. Babubhai Kanakia Diploma (Civil Engineering) Indian	Vrusti Plot No 20. Road No. 2 JVPD Scheme Vile Parle West. Mumbai-400 056 Maharashtra, India.	• Kanakia Constructions Private Limited; • Kanakia Properties Private Limited; • Kanakia Finance and Investments Private Limited; • Kanakia Housing Private Limited; • Kanakia Gruhnirman Private Limited; • Vrusti Builders Private Limited; • Evergreen Home Makers Private Limited; • Indicon Developers Private Limited;

Sr. No	Name, Age Designation. Fathers Name, Educational Qualification, Nationality, Occupation	Address	Other Directorships held
	Business		• Kanakia Hospitality Private Limited; • Supreme Real Estate Developers Private Limited; • Nikmo Finance Private Limited; and • Vista Entertainment Private Limited.
3.	**Mr. Pravin Ghatalia** 64 yrs Independent Director S/o: Mr. N. Ghatalia Bachelor of Commerce (B.Com); Chartered Accountant (C.A.) Indian Professional	I A. Ishwar Bhavan, Little Gibbs Road, Malabar Hill, Mumbai 400 006. Maharashtra India.	• Gulf Oil Corporation Limited; • Ashok Leyland Limited; • Ennore Foundries Limited; • Star Papers Mills Limited • Foseco India Limited; • NRC Limited; • Kamat Hotels (India) Limited; and • Schenectady Herdillia Limited.
4.	**Mr. Kranti Sinha** 62 yrs S/o: Late Rama Prasad Sinha Independent Director Master of Arts (M.A) Indian Professional	Flat No. 3 Jeevan Sangram, CHSL, Plot No 24, Sector 2, Charkop, Kandivali (W), Mumbai-400 067 Maharashtra, India.	• Larsen and Toubro Limited; • Hindustan Motors Limited; • India Infoline Limited; • LICHFL Care Homes Limited; • Gremach Infrastructure Equipments and Projects Limited; and • The Global Institute for Financial and Educational Services Private Limited.

Details of Directors:

Mr. Rasesh B. Kanakia, 45 years, is the Chairman of our Company. He started his career as real estate consultant in the year 1984 and subsequently ventured into real estate development in the year 1986. He was instrumental in the successful diversification of the Kanakia Group of companies from real estate to other business activities such as entertainment, education and hotels. He looks after critical functions of the Management viz Finance, Strategic Management and P R Management. He has been a member of our Board since incorporation.

Mr. Himanshu B. Kanakia, 42 years, is the Managing Director of our Company. He holds a Diploma in Civil Engineering. He has handled more than fifty projects involving development of approximately five million square feet for the Kanakia Group of companies. He is closely involved with the operations, construction, systems and administration of our Company. He has been a member of our Board since incorporation.

Mr. Pravin Ghatalia, 64 years, is an Independent Director of our Company. He holds a Bachelors Degree in Commerce from Bombay University and is a qualified Chartered Accountant from the Institute of Chartered Accountants of India. He has a vast experience spanning approximately 38 years of auditing organisations involved in the areas of engineering, man made fibres steel, breweries, consumer products, power, entertainment and media communication, airlines, oil and natural gas, pharmaceuticals, offshore oil extraction, drilling, banking and telecom. He started his career with Price Waterhouse, Mumbai in 1967; he was seconded to the London office in 1976 where he was actively involved in providing professional services to various banks and financial institutions. He became a partner in Price Waterhouse in 1978 and subsequently retired as a Senior Partner in April 2005. He is also on the advisory board of various academic institutions. He joined our Board on August 25, 2006.

Mr. Kranti Sinha, 62 years, is an Independent Director of our Company. He holds a Masters Degree in Arts. He started his career as Direct Recruitment Probationary Class I Officer of the Life Insurance Corporation of India in March 1965, from where he went on to retire as a Executive Director in January 2003. He was also a Director and Chief executive of LIC Housing Finance Limited from August 1998 to December 2002 and the Managing Director of LICHFL Care Homes limited which is a wholly owned subsidiary of LIC Housing Finance Limited from September 2001 to December 2002. He is presently the Managing Director of the Global Institute for Financial and Educational services (India) Private Limited. His past assignments include being the Director of the Uniflex Cables Limited, LIC Mutual Fund AMC, member of the working group on construction of the Planning Commission for the 10th Plan, President of the Forum of the Housing Finance Companies, Deputy President of the Governing Council of the Insurance Institute of India, Member of the Governing Council of the National Insurance Academy, Pune and the Member of the Governing Council of the Construction Industry. He joined our Board on August 25, 2006.

Borrowing Powers of the Board of Directors:

Pursuant to a resolution dated April 29, 2006 passed by our Board in accordance with provisions of the Companies Act, our Board has authorised Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia to borrow sums of money for the purpose of the Company, provided that one borrowing transaction shall not exceed Rs. 500 million and the total borrowing shall not exceed Rs. 2000 Million from any lending entity including financial institutions/ banks on such terms and conditions as may be mutually agreed upon.

Shareholding details of the Directors in the Company

Name of Director	Number of Equity Shares
Mr. Rasesh B. Kanakia	10,180,000*
Mr. Himanshu B. Kanakia	10,180,000**
Mr. Pravin Ghatalia	Nil
Mr. Kranti Sinha	Nil

* from the aggregate of 10,180,000 Equity Shares, Mr. Rasesh B. Kanakia holds 250,000 Equity Shares jointly with Ms. Rupal R. Kanakia.

** from the aggregate of 10,180,000 Equity Shares, Mr. Himanshu B. Kanakia holds 250,000 Equity Shares jointly with Ms. Hiral H. Kanakia.

1. Details of Appointment and Compensation

Name of the Director	Contract/Appointment	Details of Remuneration	Term
Mr. Rasesh B. Kanakia	May 1, 2006	Basic Salary upto Rs. 125,000 per month. Perquisites. Part A: • House Rent Allowance of 50% on the basic salary. • Medical Reimbursement maximum of 5% of the Basic Salary. • City Compensatory Allowance of upto 5% of the Basic Salary. • Bonus allowance of Rs. 50,000 per month. Part B: • Contributions to Provident fund. • Gratuity payable on 15 days of basic salary for every year of	Five years from the date of appointment.

Name of the Director	Contract/Appointment	Details of Remuneration	Term
		completed service. • Entitlement of a Car with a driver	
Mr. Himanshu B. Kanakia	May 1, 2006	Basic Salary upto Rs. 125,000 per month. Perquisites. Part A: • House Rent Allowance of 50% on the basic salary. • Medical Reimbursement maximum of 5% of the Basic Salary. • City Compensatory Allowance of upto 5% of the Basic Salary. • Bonus allowance of Rs. 50,000 per month. Part B: • Contributions to Provident fund. • Gratuity payable on 15 days of basic salary for every year of completed service. • Entitlement of a Car with a driver	Five years from the date of appointment.
Mr. Pravin Ghatalia	August 25, 2006	Sitting fees and actual expenses as incurred.	Liable to retire by rotation
Mr. Kranti Sinha	August 25, 2006	Sitting fees and actual expenses as incurred.	Liable to retire by rotation.

Corporate Governance

Our Company is in compliance with the provisions for corporate governance as stipulated in the listing agreements with the Stock Exchanges, including with respect to the appointment of independent Directors to our Board and the constitution of the audit committee, investor grievance committee and compensation committee.

We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

a) Audit Committee,
b) Shareholders'/ Investors' Grievance Committee,

Audit Committee

The members of the Audit Committee comprise of Mr. Kranti Sinha (Chairman), Mr. Pravin Ghatalia, and Mr. Rasesh B. Kanakia The Audit Committee was formed on August 25, 2006 pursuant to a resolution of the Board.

The Committee has been vested with the following powers:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary
5. Other powers as may be mandated by any Law for time being force or as per Listing Agreement

The Committee shall function primarily in the following roles:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. Shall carry out such other functions as may be required for the Company or as may be mandated in any Law (as may be applicable) or Listing Agreement."

The Audit Committee is required to review the following:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee."

Shareholders' / Investors' Grievance Committee

The members of the Investors' Grievance Committee are Mr. Kranti Sinha (Chairman) Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia. The Investors' Grievance Committee was constituted on August 25, 2006 pursuant to a resolution of the Board.

The Committee has been vested with the following powers:

1. To approve and register transfer and/or transmission of all classes of shares;
2. To sub-divide, consolidate and issue share certificates on behalf of the company;
3. To affix or authorise fixation of the common seal of the company to the share certificates of the company; and
4. To redress the investor complaints like non-receipt of balance sheet, dividend, etc.
5. To delegate the powers of share transfer/transmission to any Executive Directors and/or Company Secretary, however, such delegation shall be subject to confirmation of this committee on periodic (not more than three months) basis. and
6. To do all such acts, things or deeds as may be necessary or incidental to the exercise the above powers."

Interest of our Directors

Other than disclosures made in the section titled "Our Promoters and Group Companies-Common Pursuits" beginning on page 3 and "Related Party Transaction" beginning on page 3 of this Draft Red Herring Prospectus and as stated below, there are no common interests of the Directors who are also the Promoters of our Company.

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

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

Our Directors are not interested in the appointment of or acting as Underwriters, Registrar and Bankers to the Issue or any such intermediary registered with SEBI.

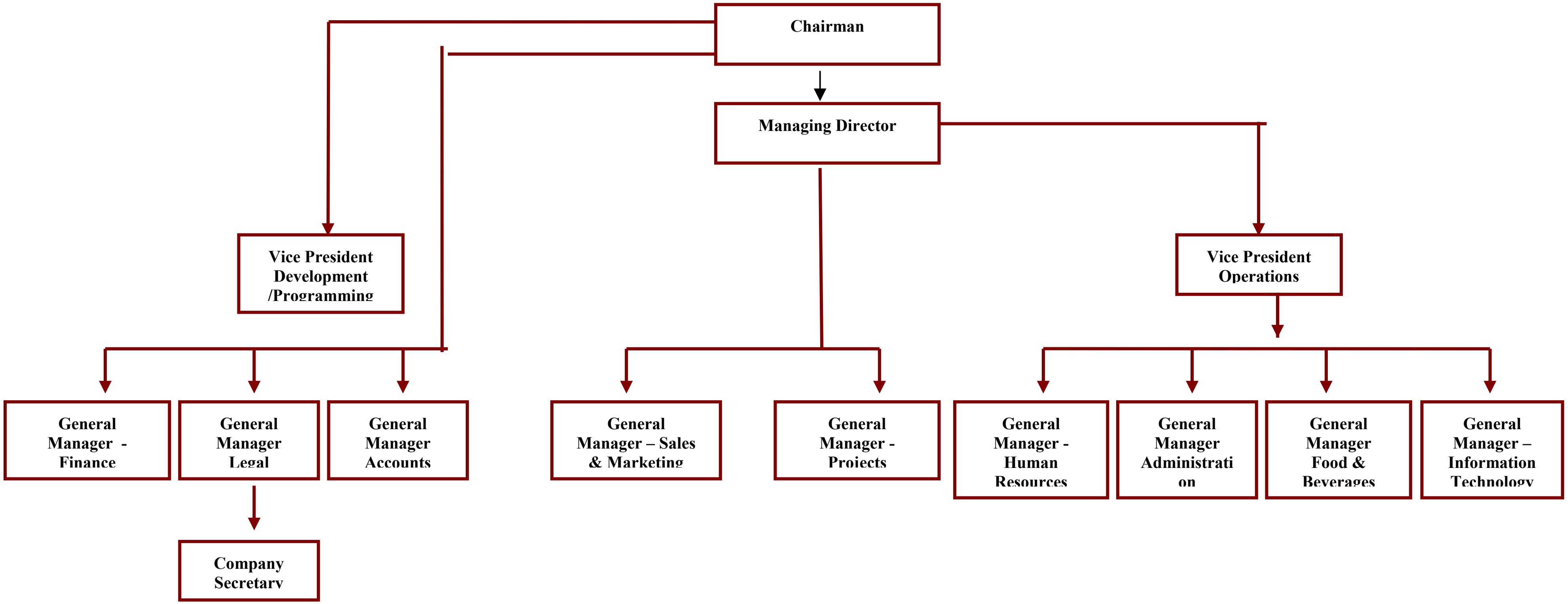
Our Directors are not interested in any property acquired or proposed to be acquired by the Company within two years of the date of the Draft Red Herring Prospectus.

Save as stated elsewhere in this Draft Red Herring Prospectus, no amount or benefit has been paid or given to the our Directors or officers since its incorporation nor is it intended to be paid or given to any Directors or Officers of our Company except normal remuneration and/or disbursement for services as Directors, officers or Employees of our Company.

Changes in our Board of Directors during the last three years

Name of Directors	Date of Appointment	Date of Cessation	Reason
Ms. Hiral H. Kanakia	May 1, 2006	August 31, 2006	Resignation from the Board of Directors
Mr. Pravin Ghatalia	August 25, 2006	N.A.	Appointment to the Board of Directors
Mr. Kranti Sinha	August 25, 2006	N.A.	Appointment to the Board of Directors

MANAGEMENT ORGANISATION STRUCTURE



Key Managerial Employees

The following are our key managerial employees, :

Mr. Sanjay Dalia, 45 years**,** holds a Bachelors Degree in Commerce. He has a career spanning twenty-six years and prior to joining our Company he was working with Satyam Cinemas. He is currently the Vice President-Programming and Development in our Company and is also responsible for the operation, management, expansion and development of our Company at the national level. Mr. Dalia had joined our erstwhile subsidiary Cineline Cinemas (India) Private Limited on December 6, 2001 and subsequently joined our Company on April 1, 2006, pursuant to the merger of Cineline Cinemas (India) Private Limited with us. The total compensation paid to Mr. Dalia for the period commencing from April 1, 2006 to August 31, 2006 was Rs. 224,740.

Mr. Mayur Parekh, 43 years, holds a Bachelors Degree in Commerce and a Post Graduate Diploma in Business Management. He has a career spanning twenty two years and prior to joining our Company he was working with Millennium Mumbai Broadcast Company Private Limited the company operating 94.6 F.M. Radio Station. He is currently the General Manager- Accounts and Finance in our Company and was instrumental in the implementation of the internal control systems and processes along with the recent consolidation and restructuring exercise carried out by our Company. Mr. Parekh had joined our erstwhile subsidiary Cineline Cinemas (India) Private Limited on April 2, 2005 and subsequently joined our Company on April 1, 2006 pursuant to the merger of Cineline Cinemas (India) Private Limited with us. The total compensation paid to Mr. Parekh for the period commencing from April 1, 2006 to August 31, 2006 was Rs. 158,335.

Mr. Amit Shah, 27 years**,** is a qualified Company Secretary and also holds a Bachelors Degree in Commerce and a Bachelors Degree in Law. He has a career spanning four years and prior to joining our Company he was working with Ford Credit Kotak Mahindra Limited. He is currently the Company Secretary in our Company. He joined us on January 23, 2006. The total compensation paid to MrShah for the period commencing from April 1, 2006 to August 31, 2006 was Rs. 140,740.

Mr Devang Sampat, 26 years**,** holds a Bachelors Degree in Commerce and a Post Graduate Diploma in Business Management. He has a career spanning seven years and prior to joining our Company he was working with Citibank. He is currently the General Manager-Marketing of our Company. He was instrumental in the successful re-launching of brand "Cinemax". He is closely involved with the development and expansion of the gaming entertainment business of our Company branded as "'*Giggles- The Gaming Zone™'*" all over India. Mr. Sampat had joined our erstwhile subsidiary Cineline Cinemas (India) Private Limited on October 10, 2001 and subsequently joined our Company on April 1, 2006, pursuant to the merger of Cineline Cinemas (India) Private Limited with us. The total compensation paid to Mr. Sampat for the period commencing from April 1, 2006 to August 31, 2006 was Rs. 179,820.

Mr. Yashesh Desai, 38 years**,** holds a Diploma in Chemical Engineering. Mr. Desai has a career spanning sixteen years and prior to joining our Company he was working with Kothari Chemicals. He is currently the General Manager-Administration of our Company He is closely involved in administration of all Theatres of our Company at all locations. Mr. Desai had joined our erstwhile subsidiary Cineline Cinemas (India) Private Limited on July 23, 2001 and subsequently joined our Company on April 1, 2006 pursuant to the merger of Cineline Cinemas (India) Private Limited with us. The total compensation paid to Mr. Desai for the period commencing from April 1, 2006 to August 31, 2006 was Rs. 179,820.

Mr. Bharat Soni, 40 years**,** holds a Diploma in Civil Engineering. He has a career spanning eighteen year. Prior to joining our Company he was employed with Kanakia Constructions Private Limited. He is the General Manager – Projects of our Company. He was instrumental in creating plush and beautiful interiors for the Theatres of our Company. He joined us on April 17, 2006. The total compensation paid to Mr. Soni for the period commencing from April 1, 2006 to August 31, 2006 was Rs. 125,000.

Mr. Paresh Bhansali, 54 years, hold a Bachelors Degree in General law and is a qualified Chartered Accountant. He has a career spanning 25 years. He is currently the General Manager-Legal and is responsible for all the legal and property related aspects of the Company. Mr. Bhansali joined us on September 1, 2006 on an honorarium basis and no compensation is payable to him.

Mr Silas Kapadia, 43 years, holds a Bachelors Degree in Commerce and a Diploma in Food Service Management (FSM). He has a career spanning 18 years and prior to joining the Company, he was working with Prasad Imax, Hyderabad. He is currently Vice President – Operations handling Administration, Human Resources, Food & Beverages Departments of our Company. He joined us on September 1 2006. The compensation payable to him is Rs.73, 407 per month for the fiscal 2007.

The persons whose names are mentioned above as Key Managerial Personnel are on the rolls of our Company as permanent Employees. Employees of our Subsidiaries have not been included in the above list. There is no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any person was selected as a member of senior management. None of the KMP has any relationship with our Promoters or our Directors.

Shareholding of the Key Managerial Employees

As on the date of this Draft Red Herring Prospectus, none of our key managerial personnel hold any Equity Shares of our Company.

Bonus or Profit Sharing Plan for our Key Managerial Employees

There is no bonus or profit sharing plan for our key managerial employees.

Interest of Key Managerial Personnel

None of our key managerial employees except as disclosed above, have any interest in our Company except to the extent of remuneration and reimbursement of expenses.

Changes in our Key Managerial Employees during the last three years

Sr. No	Name	Designation	Date of Change	Reason
1.	Mr. Amit Shah	Company Secretary	January 23, 2006	Appointment
2.	Mr. Bharat Soni	General Manager – Projects	April 17, 2006	Appointment
3.	Mr. Mayur Parekh	General Manager-Accounts and Finance	April 1, 2006	Joined our Company from Cineline Cinemas (India) Private Limited pursuant to its merger with us.
4.	Mr. Sanjay Dalia	Vice President-Operations and Development	April 1, 2006	Joined our Company from Cineline

Sr. No	Name	Designation	Date of Change	Reason
				Cinemas (India) Private Limited pursuant to its merger with us.
5.	Mr Devang Sampat	General Manager-Marketing	April 1, 2006	Joined our Company from Cineline Cinemas (India) Private Limited pursuant to its merger with us.
5.	Mr. Yashesh Desai	General Manager-Administration	April 1, 2006	Joined our Company from Cineline Cinemas (India) Private Limited pursuant to its merger with us.
6.	Mr. Paresh Bhansali	General Manager-Legal	September 1, 2006	Appointment
7.	Mr Silas Kapadia	Vice President – Operations	September 1, 2006	Appointment

Payment or benefit to the officers of our Company

Except statutory benefits upon termination of their employment in our Company or super annuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company.

OUR PROMOTERS AND GROUP COMPANIES

The Promoters of our Company comprises of the following two natural persons

1. Mr. Rasesh B. Kanakia;

2. Mr. Himanshu B. Kanakia

The details of our Promoters are as follows:

	**Mr. Rasesh B. Kanakia**, aged 45 years (Passport Number: F 4200007, Driving License Number: 0575633) a resident national Indian is our promoter. He began his career as a real estate consultant in the year 1984 and subsequently ventured into real estate development in the year 1986. It is under his leadership, the 'Kanakia Group' is a well-established name, not only in the field of real estate development, but also in the entertainment and hospitality industry. As the Chairman of our Company, he looks after critical functions of the management viz. finance, strategic management and public relations.
	**Mr. Himanshu B. Kanakia**, aged 42 years (Passport Number: F 4759408, Driving License Number: 50547) a resident national Indian is our promoter. He holds a Diploma in Civil Engineering. He began his career, as a Civil Engineer, in the year 1987. He has handled over fifty projects, developing approximately five million square feet, of residential, commercial complex as well as cinema theatre. He is actively involved with the operations, construction, systems and administration of our Company.

Interest of Promoters in our Company

Our Company has been promoted by Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia. For this purpose, Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia had subscribed to our Memorandum of Association and had subscribed to the initial issue of our Equity Shares. Save and except as stated above and as stated in the section titled "Our Promoters and Group Companies-Common Pursuits"" beginning on page 3 and the section titled "Financial Statements-Related Party Transactions" beginning on page 3 of this Draft Red Herring Prospectus, our Promoters have no other interest in our Company.

Payment of benefits to our Promoters during the last two years

Except as stated in the section titled "Financial Statements - Related Party Transactions" beginning on page 3 of this Draft Red Herring Prospectus, and remuneration paid to our Promoters, in their capacity as Directors, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Draft Red Herring Prospectus.

Other Confirmations

We confirm that the details of the permanent account numbers, bank account numbers and passport numbers of our individual Promoters have been submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus with the Stock Exchanges.

Further, our Promoters and Promoter group entities, including relatives of the Promoters have confirmed that they have not been detained as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

Relatives of the Promoter's forming part of the Promoter Group

1. Relatives of Mr. Rasesh B. Kanakia

S. No	Name of the Relative	Relationship with the Promoters	Number of Equity shares held as on the date of filing of the DRHP	Pre Issue shareholding percentage
1.	Ms. Rupal R. Kanakia	Spouse	250,140*	1.19%
2.	Mr. Babubhai Kanakia	Father	139,440	0.66%
3.	Ms. Hiral H. Kanakia	Brother's spouse	250,140**	1.19%
4.	Ms. Meena Muni	Sister	Nil	0.00%
5.	Mr. Hemant Muni	Sister's spouse	Nil	0.00%
6.	Ms. Neela Vora	Sister	Nil	0.00%
7.	Mr. Rohit Vora	Sister's spouse	Nil	0.00%
8.	Ms. Manisha Vora	Sister	Nil	0.00%
9.	Mr. Mayur Vora	Sister's spouse	Nil	0.00%
10.	Ms. Asha Shah	Sister	Nil	0.00%
11.	Mr. Hemant Shah	Sister's spouse	Nil	0.00%
12	Mr. Ashish Kanakia	Son	Nil	0.00%
13.	Ms. Niyati Kanakia	Daughter	Nil	0.00%
14.	Mr. Lalitkumar Siraj	Spouse's father	Nil	0.00%
15.	Ms. Rasilaben Siraj	Spouse's mother	Nil	0.00%
16.	Mr. Rajesh L. Siraj	Spouse's brother	Nil	0.00%

* from the aggregate of 250,140 Equity Shares, Ms. Rupal R. Kanakia holds 250,000 Equity Shares jointly with Mr. Rasesh B. Kanakia.

** from the aggregate of 250,140 Equity Shares , Ms. Hiral H. Kanakia holds 250,000 Equity Shares jointly with Mr. Himanshu B. Kanakia

2. Relatives of Mr. Himanshu B. Kanakia

S. No	Name of the Relative	Relationship with the Promoters	Number of Equity shares held as on the date of filing of the DRHP	Pre Issue shareholding percentage
1.	Ms. Hiral H. Kanakia	Spouse	250,140*	1.19%
3.	Mr. Babubhai Kanakia	Father	139,440	0.66%
4.	Ms. Rupal R. Kanakia	Brother's spouse	250,140**	1.19%
6.	Ms. Meena Muni	Sister	Nil	0.00%
7.	Ms. Hemant Muni	Sister's spouse	Nil	0.00%
8.	Ms. Neela Vora	Sister	Nil	0.00%
9.	Mr. Rohit Vora	Sister's spouse	Nil	0.00%
10.	Ms. Manisha Vora	Sister	Nil	0.00%
11.	Mr. Mayur Vora	Sister's spouse	Nil	0.00%
12.	Ms. Asha Shah	Sister	Nil	0.00%
13.	Mr. Hemant Shah	Sister's spouse	Nil	0.00%
14.	Mr. Vrutant Kanakia	Son	Nil	0.00%
15.	Ms. Vrusti Kanakia	Daughter	Nil	0.00%
16.	Mr. Iswarbhai Gandhi	Spouse's father	Nil	0.00%
17.	Ms. Deviyani Gandhi	Spouse's mother	Nil	0.00%
18.	Mr. Piyush Gandhi	Spouse's brother	Nil	0.00%

* from the aggregate of 250,140 Equity Shares, Ms. Rupal R. Kanakia holds 250,000 Equity Shares jointly with Mr. Rasesh B. Kanakia

** from the aggregate of 250,140 Equity Shares , Ms. Hiral H. Kanakia holds 250,000 Equity Shares jointly with Mr. Himanshu B. Kanakia

Promoter Group Companies

The following companies form part of the Promoter group:

1. **Kanakia Constructions Private Limited** ("KCPL")

KCPL was incorporated on November 5, 1992 to carry on the business of construction of buildings, warehouse and any type of residential or commercial structures. The registered office of the company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E), Mumbai 400 069.

Board of Directors

The board of directors of KCPL as on September 15, 2006 comprises of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.

Shareholding Pattern

The shareholding pattern of KCPL as on March 31, 2006 is as follows:

Sr. No.	Name of Shareholder	Number of shares	% of issued capital
1.	Rasesh B. Kanakia	25,800	8.60
2.	Himanshu B. Kanakia	25,800	8.60
3.	Rupal R. Kanakia	80,000	26.67
4.	Hiral H. Kanakia	80,000	26.67
5.	Babubhai Kanakia	400	0.14
6.	Kanakia Fin. & Investment Pvt. Ltd.	22,000	7.33
7.	Kanakia Gruhnirman Pvt. Ltd.	22,000	7.33
8.	Kanakia Housing Pvt Ltd.	22,000	7.33
9.	Vrusti Builders Pvt. Ltd.	22,000	7.33
	Total	**3,00,000**	**100.00**

Financial Performance

The unconsolidated financial results of KCPL for fiscal 2005, 2004 and 2003 are as follows.*

(Rs. in millions except per share data)

	As of March 31		
	2005	2004	2003
Total Income	46.693	582.518	691.540
Profit/loss after tax	5.118	70.300	37.982
Equity share capital	3.000	0.500	0.500
Reserves and Surplus	114.135	109.017	38.717
Earnings/loss per share (Rs.)	17.06	1406.00	759.65
Book Value Per share (Rs.)	390.45	2190.34	784.34

* From the audited financial statements

2. **Kanakia Properties Private Limited** ("KPPL")

KPPL was incorporated on November 25, 1994 to carry on the business of construction of buildings, warehouse and any type of residential or commercial structures. The registered office of the Company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E), Mumbai 400 069.

Board of Directors

The Board of Directors of KPPL as on September 15, 2006 comprises of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.

Shareholding Pattern

The shareholding pattern of KPPL as on March 31, 2006 is as follows:

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1	Rasesh B. Kanakia	21,500	8.60
2	Himanshu B. Kanakia	21,500	8.60
3	Rupal R. Kanakia	65,000	26.00
4	Hiral H. Kanakia	65,000	26.00
5	Babubhai Kanakia	1,000	0.40
6	Kanakia Fin. & Invst. Pvt. Ltd.	19,000	7.60
7	Kanakia Gruhnirman Pvt. Ltd.	19,000	7.60
8	Vrusti Builders Pvt. Ltd.	19,000	7.60
9	Kanakia Housing Pvt Ltd	19,000	7.60
	Total	**2,50,000**	**100.00**

Financial Performance

The unconsolidated financial results of KPPL for fiscal 2005, 2004 and 2003 are as follows. *

(Rs. in Millions except per share data)

	As of March 31		
	2005	2004	2003
Total Income	195.847	96.237	125.862
Profit/loss after tax	18.397	13.465	(14.064)
Equity share capital	2.500	0.410	0.410
Reserves and Surplus (P&L A/c.)	9.029	(9.368)	(22.833)
Earnings/loss per share (Rs.)	73.59	328.41	(343.03)
Book Value Per share (Rs.)	46.12	(218.48)	(546.90)

* From the audited financial statements

3. Kanakia Finance & Investments Private Limited ("KFIPL")

KFIPL was incorporated on February 4, 1994 to carry on the business of investment Company and for that purpose to purchase or acquire in any manner whatsoever any apartments, or accommodation for residential use. The registered office of the Company is at 349, Business Point, 5th Floor Western Express Highway, Andheri (E); Mumbai 400 069.

Board of Directors

The Board of Directors of KFIPL as on September 15, 2006 comprises of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.

Shareholding Pattern

The shareholding pattern of KFIPL as on March 31, 2006 is as follows:

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1	Rasesh B. Kanakia	100	1.00

2	Himanshu B. Kanakia	100	1.00
3	Rupal R. Kanakia	4,900	49.00
4	Hiral H. Kanakia	4,900	49.00
	Total	**10,000**	**100.00**

Financial Performance

KFIPL has not carried out any operations since the last three fiscal years.

The unconsolidated financial results of KFIPL for fiscal 2006, 2005 and 2004 are as follows.*

(Rs. in Millions except per share data)

	As of March 31		
	2006	2005	2004
Total Income	NIL	NIL	NIL
Profit/loss after tax	(0.008)	(0.005)	(0.006)
Equity share capital	0.100	0.100	0.100
Reserves and Surplus (P&L A/c.)	(0.082)	(0.073)	(0.068)
Earnings/loss per share (Rs.)	(0.80)	(0.50)	(0.60)
Book Value Per share (Rs.)	1.80	2.70	3.20

* From the audited financial statements

4. Kanakia Housing Private Limited ("KHPL")

KHPL was incorporated on June 21, 1995 to carry on the business of construction of buildings, factories, warehouses or any other type of residential or commercial structure. The registered office of the Company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E) Mumbai 400 069.

Board of Directors

The Board of Directors of KHPL as on September 15, 2006 comprises of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.

Shareholding Pattern

The shareholding pattern of KHPL as on March 31, 2006 is as follows:

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1	Rasesh B. Kanakia	100	0.25
2	Himanshu B. Kanakia	100	0.25
3	Rupal R. Kanakia	20,000	49.75
4	Hiral H. Kanakia	20,000	49.75
	Total	**40,200**	**100.00**

Financial Performance

KHPL has not carried out any operations since the last three fiscal years.

The unconsolidated financial results of KHPL for fiscal 2006, 2005 and 2004 are as follows.*

(Rs. in Millions except per share data)

	As of March 31		
	2006	2005	2004
Total Income	NIL	NIL	NIL
Profit/loss after tax	(0.008)	(0.005)	(0.006)
Equity share capital	0.402	0.402	0.402
Reserves and Surplus (P&L A/c.)	(0.073)	(0.065)	(0.059)
Earnings/loss per share (Rs.)	(0.20)	(0.12)	(0.15)
Book Value Per share (Rs.)	8.18	8.38	8.53

* From the audited financial statements

5. Kanakia Gruhnirman Private Limited ("KGPL")

KGPL was incorporated on June 21, 1995 to carry on the business of construction of buildings, factories and residential or commercial structure. The registered office of the Company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E) Mumbai 400 069.

Board of Directors

The Board of Directors of KGPL as on September 15, 2006 comprises of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.

Shareholding Pattern

The shareholding pattern of KGPL as on March 31, 2006 is as follows:

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1	Rasesh B. Kanakia	100	0.25
2	Himanshu B. Kanakia	100	0.25
3	Rupal R. Kanakia	20,000	49.75
4	Hiral H. Kanakia	20,000	49.75
	Total	**40,200**	**100.00**

Financial Performance

KGPL has not carried out any operations since the last three fiscal years.

The unconsolidated financial results of KGPL for fiscal 2006, 2005 and 2004 are as follows.*

(Rs. in Millions except per share data)

	As of March 31		
	2006	2005	2004
Total Income	NIL	NIL	NIL
Profit/loss after tax	(0.008)	(0.005)	(0.006)
Equity share capital	0.402	0.402	0.402
Reserves and Surplus (P&L A/c.)	(0.073)	(0.065)	(0.060)
Earnings/loss per share (Rs.)	(0.20)	(0.12)	(0.15)
Book Value Per share (Rs.)	8.18	8.38	8.51

* From the audited financial statements

6. Vrusti Builders Private Limited ("VBPL")

VBPL was incorporated on September 19, 1995 to carry on the business of construction of buildings, factories, or any type of residential or commercial structure. The registered office of the Company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E) Mumbai 400 069

Board of Directors

The Board of Directors of VBPL as on September 15, 2006 comprises of Mr Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.

Shareholding Pattern

The shareholding pattern of VBPL as on March 31, 2006 is as follows.

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1	Rasesh B. Kanakia	100	0.25
2	Himanshu B. Kanakia	100	0.25
3	Rupal R. Kanakia	20,000	49.75
4	Hiral H. Kanakia	20,000	49.75
	Total	**40,200**	**100.00**

Financial Performance

VBPL has not carried out any operations since the last three fiscal years.

The unconsolidated financial results of VBPL for fiscal 2006, 2005 and 2004 are as follows.*

(Rs. in Millions except per share data)

	As of March 31		
	2006	2005	2004
Total Income	NIL	NIL	NIL
Profit/loss after tax	NIL	(0.006)	(0.007)
Equity share capital	0.402	0.402	0.402
Reserves and Surplus (P & L A/c)	(0.081)	(0.081)	(0.075)
Earnings/loss per share (Rs.)	N.A.	(0.15)	(0.17)
Book Value Per share (Rs.)	7.99	7.99	8.13

* From the audited financial statements

7. Evergreen Homemakers Private Limited ("EHPL")

EHPL was incorporated on February 2, 1998 to carry on the business of construction of buildings, factories, or any type of residential or commercial structure. The registered office of the Company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E) Mumbai 400 069

Board of Directors

The Board of Directors of EHPL as on September 15, 2006 comprises of Mr Rasesh B. Kanakia and Mr Himanshu B. Kanakia.

Shareholding Pattern

The shareholding pattern of EHPL as on March 31, 2006 is as follows.

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1	Rasesh B. Kanakia	4,550	9.10
2	Himanshu B. Kanakia	4,550	9.10
3	Rupal R. Kanakia	11,350	22.70
4	Hiral H. Kanakia	11,350	22.70
5	Babubhai Kanakia	200	0.40
6	Kanakia Fin. & Invst. Pvt. Ltd.	4,500	9.00
7	Kanakia Gruhnirman Pvt. Ltd.	4,500	9.00
8	Kanakia Housing Pvt. Ltd.	4,500	9.00
9	Vrusti Builders Pvt. Ltd.	4,500	9.00
	Total	**50,000**	**100.00**

Financial Performance

The unconsolidated financial results of EHPL for fiscal 2005, 2004 and 2003 are as follows.*

(Rs. in Millions except per share data)

	As of March 31		
	2005	2004	2003
Total Income	39.439	77.918	5.259
Profit/loss after tax	0.170	1.711	0.399
Equity share capital	0.500	0.500	0.500
Reserves and Surplus (P&L A/c.)	1.541	1.371	(0.340)
Earnings/loss per share (Rs.)	3.4	34.22	7.98
Book Value Per share (Rs.)	40.82	37.42	3.20

* From the audited financial statements

8. Indicon Developers Private Limited ("IDPL")

IDPL was incorporated on December 5, 1994, to carry on the business of land, buildings, civil engineers, contractors, erectors or prefabricated concrete buildings The registered office of the Company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E) Mumbai 400 069.

Board of Directors

The Board of Directors of IDPL as on September 15, 2006 comprises of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.

Shareholding Pattern

The shareholding pattern of IDPL as on March 31, 2006 is as follows.

(Rs. in Millions except per share data)

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1	Kirit Kothari	10	0.10
2	Mahesh N. Shah	10	0.10
3	Bipin C. Doshi	10	0.10
4	Ranna Doshi	10	0.10
5	Avinash Parekh	10	0.10
6	Nehal Parekh	10	0.10
7	Prakash Sheth	10	0.10
8	Rasesh B. Kanakia	4,965	49.65
9	Himanshu B. Kanakia	4,965	49.65
	Total	**10,000**	**100.00**

Financial Performance

IDPL has not carried out any operations since the last three fiscal years.

The unconsolidated financial results of IDPL for fiscal 2005, 2004 and 2003 are as follows.*

(Rs in Millions except per share data)

	As of March 31		
	2005	2004	2003
Total Income	NIL	0.004	0.320
Profit/loss after tax	(0.004)	(0.001)	0.273
Equity share capital	0.100	0.100	0.081
Reserves and Surplus	2.528	2.532	2.958
Earnings/loss per share (Rs.)	(0.40)	(0.10)	33.70
Book Value Per share (Rs.)	262.80	263.20	375.19

* From the audited financial statements

9. **Kanakia Hospitality Private Limited** ("KHSPL")

KHSPL was incorporated on December 22, 2005 to acquire, take on lease or otherwise to carry on business of hotels, tourist hotels, guest houses, lodging and boarding houses, hotels restaurant. The registered office of the Company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E) Mumbai 400 069

Board of Directors

The Board of Directors of KHSPL as on September 15, 2006 comprises of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.

Shareholding Pattern

The shareholding pattern of KHSPL as on March 31, 2006 is as follows.

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1	Rasesh B. Kanakia	5,000	50.00
2	Himanshu B. Kanakia	5,000	50.00

Sr. No	Name of Shareholder	Number of shares	% of issued capital
	Total	**10,000**	**100.00**

Financial Performance

KHSPL was incorporated on December 22, 2005. Hence, no audited information on its financials is available.

10. Kanakia Medical Services Private Limited ("KMSPL")

KMSPL was incorporated on May 18, 2004 to carry on the business of establishing, constructing, organizing, managing, promoting and developing medical service centres, diagnostic centres, nursing homes, hospitals, medical colleges, blood banks, eye banks, kidney banks, maternity homes, child welfare and family planning centres. The registered office of the Company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E) Mumbai 400 069

Board of Directors

The Board of Directors of KMSPL as on September 15, 2006 of Ms Rupal R. Kanakia and Ms. Hiral H. Kanakia.

Shareholding Pattern

The shareholding pattern of KMSPL as on March 31, 2006 is as follows.

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1	Rupal R. Kanakia	5,000	50.00
2	Hiral H. Kanakia	5,000	50.00
	Total	**10,000**	**100.00**

Financial Performance

KFIPL has not carried out any operations since the past fiscal year.

The unconsolidated financial results of KMSPL for fiscal 2006 and 2005 are as follows.*

(Rs. in Millions except per share data)

	As of March 31	
	2006	2005
Total Income	NIL	NIL
Profit/loss after tax	NIL	NIL
Equity share capital	0.100	0.100
Reserves and Surplus	NIL	NIL
Earnings/loss per share (Rs.)	NIL	NIL
Book Value Per share (Rs.)	10.00	10.00

* From the audited financial statements

The Company was incorporated on May 18, 2004. Hence, no audited information on its financials for fiscal 2004 is available.

11. Supreme Real Estate Developers Private Limited ("SRDPL")

SRDPL was incorporated on June 28, 1994 to carry on the business of builders, developers, contractors, engineers, town planners, real estate dealers, property agents and dealers in construction materials. The registered office of the Company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E) Mumbai 400 069.

Board of Directors

The Board of Directors of SRDPL as on September 15, 2006 comprises of Mr. Virendrakumar Singh, Mr. Rasesh B. Kanakia, Mr. Himanshu B. Kanakia and Mr. Rajkumar Singh.

Shareholding Pattern

The shareholding pattern of SRDPL as on March 31, 2006 is as follows.

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1.	Virendrakumar Singh	146,100	25.00
2.	Rasesh B. Kanakia	146,100	25.00
3.	Himanshu B. Kanakia	146,100	25.00
4.	Rajkumar Singh	146,100	25.00
	Total	**5,84,400**	**100.00**

Financial Performance

The unconsolidated financial results of SRDPL for fiscal 2005, 2004 and 2003 are as follows.*

(Rs. in Millions except per share data)

	As of March 31		
	2005	2004	2003
Total Income	NIL	0.21	0.04
Profit/loss after tax	(0.05)	(5.73)	0.02
Equity share capital	5.84	5.84	5.84
Reserves and Surplus	(5.76)	(5.71)	0.02
Earnings/loss per share (Rs.)	(0.09)	(9.81)	0.03
Book Value Per share (Rs.)	0.14	0.23	10.02

* From the audited financial statements

12. R&H Amusement & Games Private Limited ("R&H")

R&H was incorporated on December 27, 2005 to carry on the business of providing amusement facility event management, pastime, entertainment through 3d games etc in shopping malls, Multiplexes and other entertainment places. The registered office of the Company is situated at 349, Business Point, 5th Floor, Western Express Highway, Andheri (E) Mumbai 400 069.

Board of Directors

The Board of Directors of R&H as on September 15, 2006 comprises of Ms Rupal R. Kanakia and Ms. Hiral H. Kanakia.

Shareholding Pattern

The shareholding pattern of R&H as on March 31, 2006 is as follows:

Sr. No	Name of Shareholder	Number of shares	% of issued capital
1	Rupal R. Kanakia	5,000	50.00
2	Hiral H. Kanakia	5,000	50.00
	Total	**10,000**	**100.00**

Financial Performance

The Company was incorporated on December 22, 2005. Hence, no audited information on its financials is available.

Promoter Group Entities

In addition to the Promoter group companies described above, the following Partnerships and Trusts also form part of the Promoter group.

Partnership Firms that are part of the Promoter Group

1. M/s. Babubhai Kanakia and Sons

M/s. Babubhai Kanakia and Sons, a partnership firm having it's principal office at 7-B, Kambli Wadi, Nehru Road, Vile Parle (E), Bombay 400 057 was set up to carry on the business of estate agents and dealer.

As on March 31, 2006 the partners are as follows

Sr. No	Name of the Parties	Interest
1.	Babubhai Kanakia	40%
2.	Rasesh B. Kanakia	30%
3.	Himanshu B. Kanakia	30%
	Total	**100%**

Financial Performance (un audited)

M/s. Babubhai Kanakia and Sons, has not carried out any operations since the last fiscal year.

(Rs. in Million)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	0.244	0.067	NIL
Profit Before Tax	(0.001)	(0.010)	(0.090)
Partners Capital Account	(0.172)	(0.620)	(0.665)

2. Elegant Builders

Elegant Builders, a partnership firm having its principal office at ACME Shopping Arcade, 2nd Floor, Sona Talkies Compound, Trikamdas Road, Kandivali (W) 400 067 was set up carry on the business of promoters and developers.

As of March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Rasesh B. Kanakia	50%
2.	Himanshu B Kanakia	50%
	Total	**100%**

Financial performance (un audited)

(Rs. in Millions)

	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005
Income	191.742	7.395	1.290
Profit Before Tax	3.566	(0.121)	(0.040)
Partners Capital Account	(104.580)	(108.065)	(110.658)

3. M/s. Elegant Constructions Company

M/s. Elegant Constructions Company, a partnership firm having it's principal office at Acme Commercial Arcade, 2nd Floor, Sona Talkies Compound, Kandivali (West), Bombay 400 067 was set up to carry on the business of constructions, developers, builders, investors and estate agents.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Babubhai Kanakia	30%
2.	Rasesh B. Kanakia	25%
3.	Himanshu B. Kanakia	25%
4.	B.M. Kanakia – H.U.F	20%
	Total	**100%**

Financial Performance (un audited)

M/s. Elegant Constructions Company has not carried out any operations since the last three fiscal years.

(Rs. in Millions)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	(0.003)	(0.002)	(0.001)
Profit Before Tax	(0.003)	(0.002)	(0.001)
Partners Capital Account	(2.115)	(2.116)	(2.117)

4. M/s Mont Blanc Builders

M/s Mont Blanc Builders, a partnership firm having it's principal office at Acme Commercial Complex, Trikamdas Road, Kandivali (West), Bombay 400 067 was set up to carry on the business of development of plot in Malad.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Himanshu B. Kanakia	25%
2.	Rupal R. Kanakia	25%
3.	Yamuna Land Developers Pvt. Ltd.	25%
4.	Rasesh B. Kanakia as Karta of and representing Mr. Rasesh B. Kanakia H.U.F	25%
	Total	**100%**

Financial Performance (un audited)

(Rs. in Millions)

	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005
Income	30.942	24.676	2.029
Profit Before Tax	3.059	0.222	0.077
Partners Capital Account	(18.350)	(18.618)	(18.053)

5. M/s Kanakia Associates

M/s Kanakia Associates, a partnership firm having its principal office at 9, 'Akansha Arcade'. 60, Trikamdas Road, Sona Talkies Compound, Kandivali (West), Bombay 400067 was set up to carry on the business of building contractors.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Babubhai Kanakia	40%
2.	Rasesh B. Kanakia	30%
3.	Himanshu B. Kanakia	30%
	Total	**100%**

Financial Performance (un audited)

M/s. Kanakia Associates has not been in operations since the last fiscal year.

(Rs. in Millions)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	20.304	(0.002)	(0.002)
Profit Before Tax	1.234	(0.002)	(0.002)
Partners Capital Account	1.149	1.616	1.124

6. M/s Kanakia Builders

M/s Kanakia Builders, a partnership firm having it's principal office at Acme Shopping Arcade, 2nd Floor, Sona Talkies Compound, Kandivali (West), Bombay 400 067 was set up to carry on the business of Construction, Developers, Builders, Investors and Estate Agents.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Babubhai Kanakia	40%
2.	Rasesh B. kanakia	15%
3.	Himanshu B. Kanakia	15%
4.	Babubhai Kanakia (Karta of and representing Babubhai Kanakia H.U.F)	15%
5.	Yamuna Land Developers Pvt. limited	15%
	Total	**100%**

Financial Performance (un audited)

(Rs. in Millions)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	(0.001)	(0.001)	(0.001)
Profit Before Tax	(0.001)	(0.001)	(0.001)
Partners Capital Account	(0.142)	(0.138)	(0.138)

7. M/s Kanakia Constructions

M/s Kanakia Constructions, a partnership firm having it's principal office at 7-B, Kambliwadi, Tejpal Road, Vile Parle (E), Bombay 400 057 was set up to carry on the business of construction, developers, builders, investors and estate agents.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Rasesh B. Kanakia	40%
2.	Himanshu B. Kanakia	40%
3.	Babubhai Kanakia (H.U.F)	20%
	Total	**100%**

Financial Performance (un audited)

M/s. Kanakia Construction has not been in operations since the last three fiscal years.

(Rs. in Millions)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	0.064	(0.035)	(0.021)
Profit Before Tax	0.032	(0.035)	(0.021)
Partners Capital Account	1.474	1.431	1.439

8. M/s Kanakia Management Services

M/s Kanakia Management Services, a partnership firm having it's principal office at Acme Shopping Arcade, 2nd Floor, Sona Talkies Compound, Kandivali (West), Bombay 400 067 was set up to carry on the business of providing office administrative and technical Services including hiring of furnished office premises.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Rasesh B. Kanakia	42.5%
2.	Himanshu B Kanakia	42.5%
3.	Babubhai Kanakia (HUF)	15.0%
	Total	**100%**

Financial Performance (un audited)

(Rs. in Millions)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	25.383	26.398	NIL.
Profit Before Tax	0.072	0.055	NIL
Partners Capital Account	17.749	13.896	6.381

9. M/s Kanakia Services

M/s Kanakia Services, a partnership firm having it's principal office at Acme Shopping Arcade, 2nd Floor, Sona Talkies Compound, Kandivali (West), Bombay 400 067 was set up to carry on the business of leasing, hiring and office services.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Rasesh B. Kanakia	32.5%
2.	Himanshu B. Kanakia	32.5%
3.	Babubhai Kanakia (HUF)	20.0%
4.	Shree Yamuna Land Development Pvt. Ltd.	15.0%
	Total	**100%**

Financial Performance (un audited)

M/s Kanakia Services has not carried out any operations since the last three fiscal years.

(Rs. in Millions)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	(0.001)	(0.002)	(0.001)
Profit Before Tax	(0.001)	(0.002)	(0.001)
Partners Capital Account	(2.249)	(2.251)	(2.252)

10. M/s Laxminarayan Enterprises

M/s Laxminarayan Enterprises a partnership firm having it's principal office at Acme Commercial Arcade, 2nd Floor, Sona Talkies Compound, Kandivali (West), Bombay 400 067 was set up to carry on the business of providing developing properties, buildings, constructions and estate agents.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Rasesh B. Kanakia	25%
2.	Himanshu B. Kanakia	25%

3.	M/s R.R. Patel Construction Pvt. Ltd	20%
4.	Rahul Narsibhai Patel	15%
5.	Kantilal Arjunbhai Patel (HUF)	15%
	Total	**100%**

Financial Performance (un audited)

(Rs. in Millions)

	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005
Income	21.700	12.500	21.025
Profit Before Tax	1.213	0.800	1.418
Partners Capital Account	(43.613)	(45.008)	(36.600)

11. M/s Mercury Developers

M/s Mercury Developers, a partnership firm having it's principal office at Acme Commercial Complex, Trikamdas Road, Kandivali (West), Bombay 400 067 was set up to carry on the business of development of properties in Malad.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	M/s Yamuna Land Developers Private Limited	25%
2.	Rasesh B. Kanakia	25%
3.	. Hiral H. Kanakia	25%
4.	Himanshu B. Kanakia	25%
	Total	**100%**

Financial Performance (un audited)

(Rs. in Millions)

	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005
Income	21.285	109.286	6.428
Profit Before Tax	(5.899)	(32.445)	(2.430)
Partners Capital Account	52.516	18.463	19.915

12. M/s. Evergreen Constructions

M/s. Evergreen Constructions, a partnership firm having it's principal office at Acme Commercial Arcade, 2nd Floor, Trikamdas Road, Sona Talkies Compound, Kandivali (West), Bombay 400 067 was set up to carry on the business of construction, developers, builders, investors and estate agents.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Himanshu B. Kanakia	35%
2.	Rasesh B. Kanakia	35%

3.	Babhubhai M. Kanakia	30%
	Total	**100%**

Financial Performance (un audited)

M/s Evergreen Constructions has not carried out any operations since the last three fiscal years.

(Rs. in Millions)

	Year ended March 31, 2004	**Year ended March 31, 2005**	**Year ended March 31, 2006**
Income	(0.001)	(0.001)	(0.590)
Profit Before Tax	(0.001)	(0.001)	(0.590)
Partners Capital Account	(5.209)	(6.083)	(5.438)

13. M/s Evergreen Homemakers

M/s Evergreen Homemakers, a partnership firm having it's principal office at 7-B Kambli Wadi, Tejpal Road, Nehru Market, Vile Parle (W), Mumbai 400 057 was set up to carry on the business of Building Contractor, Real Estate Broker and consultants.

As on March 31, 2006 the partners are as follows:

Sr. No	**Name of the Parties**	**Interest**
1.	Rasesh B. Kanakia	50%
2.	Himanshu B. Kanakia	50%
	Total	**100%**

Financial Performance (un audited)

(Rs. in Millions)

	Year ended March 31, 2004	**Year ended March 31, 2005**
Income	1.100	10.938
Profit Before Tax	0.058	0.198
Partners Capital Account	0.068	0.140

14. M/s Kanakia Developments

M/s Kanakia Developments, a partnership firm having it's principal office at Acme Commercial Arcade, 2nd Floor, Trikamdas Road, Kandivali (West), Bombay 400 067 was set up to carry on the business of construction, developers, builders, investors and estate agents.

As on March 31, 2006 the partners are as follows:

Sr. No	**Name of the Parties**	**Interest**
1.	Rasesh B. Kanakia	25%
2.	Himanshu B. Kanakia	25%
3.	Babubhai Kanakia	25%
4.	Conception J. Rumao	12.5%
5.	Vincent Ignatius Rumao	12.5%
	Total	**100%**

Financial Performance (un audited)

M/s Kanakia Developments has not carried out any operations since the last three fiscal years.

(Rs. in Millions)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	(0.001)	(0.001)	(0.001)
Profit Before Tax	(0.001)	(0.001)	(0.001)
Partners Capital Account	1.090	1.094	1.094

15. M/s Kanakia Exports

M/s Kanakia Exports, a partnership firm having it's principal office at Acme Commercial Arcade, 2nd Floor, Sona Talkies Compound, Kandivali (West), Bombay 400 067 was set up to carry on the business of exporters and dealers in readymade garments, diamonds, textile Items.

As on March 31, 2006 the partners are as follows

Sr. No	Name of the Parties	Interest
1.	Rasesh B. Kanakia	50%
2.	Himanshu B. Kanakia	50%
	Total	**100%**

Financial Performance (un audited)

M/s Kanakia Exports has not carried out any operations since the last three fiscal years.

(Rs. in Millions)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	(0.001)	(0.001)	(0.001)
Profit Before Tax	(0.001)	(0.001)	(0.001)
Partners Capital Account	0.007	0.007	0.007

16. M/s Cine Cafe Services

M/s Cine Cafe Services, a partnership firm having it's principal office at 7/B Kambli Wadi, Tejpal Road, Nehru Market, Vile Parle (E), Mumbai 400 057 was set up to carry on the business of catering services, management of cafeterias, canteens and fast food centres.

As on March 31, 2006 the partners are as follows

Sr. No	Name of the Parties	Interest
1.	Rasesh B Kanakia (HUF)	30%
2.	Himanshu B Kanakia (HUF)	30%
3.	. Rupal R. Kanakia	20%
4.	. Hiral H. Kanakia	20%
	Total	**100%**

Financial Performance (un audited)

(Rs. in Millions)

	Year ended March	Year ended March	Year ended March

	31, 2004	31, 2005	31, 2006
Income	19.06	20.61	26.47
Profit Before Tax	1.44	2.18	5.37
Partners Capital Account	(2.84)	(0.98)	4.15

17. M/s Cine Line Theatres

M/s Cine Line Theatres, is an "association of persons" having it's registered office at Acme Shopping Arcade, Sona Talkies Compound, Trikamdas Road, Kandivali (West), Bombay 400 067 was set up to carry on the business of exhibition of films.

As on March 31, 2006 the partners are as follows

Sr. No	Name of the Parties	Interest
1.	Kanakia Creators Pvt. Ltd.	50%
2.	Kanakia Shelters Pvt. Ltd.	50%
	Total	**100%**

Financial Performance (un audited)

M/s Cine Line Theatres has not carried out any operations since the last three fiscal years.

(Rs. in Millions)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	(0.001)	(0.002)	(0.001)
Profit Before Tax	(0.001)	(0.002)	(0.001)
Partners Capital Account	1.885	1.883	(0.001)

18. M/s Café Planet

M/s. Café Planet, a partnership firm having it's principal office at 7-B, Kambli Wadi, Nehru Road, Vile Parle (E), Bombay 400057 was set up to carry on the business of catering services and management of cafeterias.

As on March 31, 2006 the partners are as follows

Sr. No	Name of the Parties	Interest
1.	Rasesh B. Kanakia*	21.25%
2.	Himanshu B Kanakia*	21.25%
3.	Pranlal Kanji Doshi	22.50%
4.	Arun Manharlal Vora	10.00%
5.	Dinesh Pranlal Doshi	25.00%
	Total	**100.00%**

* as per the Partnership deed all the losses incurred by the firm shall only devolve upon Rasesh B. Kanakia and Himanshu B. Kanakia and not the others.

Financial Performance (un audited)
M/s Café Planet has not carried out any operations since the last three fiscal years.

(Rs. in Millions)

	Year ended March 31, 2004
Income	(0.0001)

	Year ended March 31, 2004
Profit Before Tax	(0.0001)
Partners Capital Account	0.04

19. Evergreen Financial Services

Evergreen Financial Services a partnership firm having its principal office at 349 Business Point, 5th Floor, Western Express Highway, Andheri – East, Mumbai 400 069 was set up carry on the business of dealers and investors in moveable and immoveable properties and financiers.

As of August 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	M/s Kanakia Construction Private Limited	9%
2.	M/s Kanakia Properties Private Limited	9%
3.	M/s Evergreen Homer Makers Private Ltd	9%
4.	Babubhai Kanakia	7%
5.	Rasesh B. Kanakia	15%
6.	Himanshu B. Kanakia	15%
7.	M/s R & H Amusement & Games Private Ltd	9%
8.	M/s Kanakia Finance & Investment Pvt. Ltd.	9%
9.	M/s Kanakia Housing Private Limited	9%
10.	M/s Kanakia Gruhnirman Private Limited	9%
	Total	**100%**

Financial performance (un audited)
The firm was incorporated in the fiscal year 2005-06. Hence, no audited information on its financials for fiscal 2005 and 2004 is available.

20. Kanakia & Samant Associates

M/s. Kanakia & Samant Associates, a partnership firm having it's principal office at Acme Commercial Arcade, 2nd Floor, Sona Talkies Compound, Kandivali (West), Mumbai 400 067 was set up to carry on the business of Constructions, Developers, Builders, Investors and Estate Agents.

As on March 31, 2006 the partners are as follows:

Sr. No	Name of the Parties	Interest
1.	Rasesh B. Kanakia	25%
2.	Himanshu B Kanakia	25%
3.	Jagdish Vishvanath Samant	25%
4.	Pramila Pandurang Samant	25%
	Total	**100%**

Financial Performance (un audited)

M/s. Kanakia & Samant Associates has not carried out any operations since the last three fiscal years.

(Rs. in Millions)

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Income	(0.00001)	(0.00001)	(0.00001)
Profit Before Tax	(0.00001)	(0.00001)	(0.00001)
Partners Capital Account	0.99	0.86	0.86

Note : Negative income in the above table/s reflect the NIL income & only expenditure incurred during the year.

Trusts that are part of the Promoter Group

1. Trivenibaa Madhavji Chatrabhunj Kanakia Charitable Trust

   The "Trvenibaa Madhavji Chatrabhunj Kanakia Charitable Trust" is a registered public trust under the provisions of the Bombay Public Trust Act, 1950, having its office at 7-B Kamblj Wadi, Nehru Market, Tejpal Road, Vile Parle, Mumbai - 400 057. The said trust was registered pursuant to a trust deed dated January 12, 1988 between Mr. Babubhai Madhavji Kanakia, the settlor, and Mr. Rasesh B. Kanakia, Mr. Himanshu B. Kanakia and Mr. Babubhai Madhavji Kanakia as the trustees. The trust deed lays down the objects of the trust, some of which are, to establish, maintain, grant monetary assistance to schools, colleges, industrial homes and institutions, to grant free boarding and lodging to poor and deserving students, scholarships to students, free distribution of food books, clothes, to conduct research in zoology and botany, grants for the promotion of language, donations to hospitals, dispensaries, grants during unforeseen calamities, support libraries, museums, reading rooms etc.

2. Babubhai Kanakia Foundation

   "Babhubhai Kanakia Foundation" is a public trust registered under the provisions of the Bombay Public Trust Act, 1950, having its office at Acme Shopping Arcade, Sona Talkies Compound, Trikamdas Road, Kadivali (West), Mumbai - 400 067. The said trust was registered on June 20, 1990 between Mr. Babubhai Madhavji Kanakia, the settlor and Mr Babubhai Madhavji Kanakia Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia as the trustees. The objects of the trust, as laid down in the trust deed are, opening and to grant monetary assistance to schools, colleges, industrial homes, establish support professorship, fellowship, lectureship in schools, colleges or other educational or technical institutions etc.

3. Ashish Benefit Trust

   "Ashish Benefit Trust" is a discretionary trust, which was created on August 1, 2006 between Mr. Lalitkumar G. Siraj as the settlor and Mr. Rasesh B. Kanakia and Ms. Rupal R. Kanakia as the trustees. The beneficiaries of the said trust are Mr. Ashish Rasesh Kanakia, Ms. Rupal Rasesh Kanakia and child or children of Mr. Ashish Rasesh Kanakia born from legitimate marriage.

4. Niyati Benefit Trust

   "Niyati Benefit Trust" is a discretionary trust, which was created on August 24, 2006 between Ms. Rasila L. Siraj as the settlor and Mr. Rasesh B. Kanakia and Ms. Rupal R. Kanakia as the trustees. The beneficiaries of the said trust are Ms. Niyati Rasesh Kanakia, Ms. Rupal R. Kanakia and child or children of Ms. Niyati Rasesh Kanakia born from legitimate marriage.

5. Vrushti Benefit Trust

"Vrushti Benefit Trust" is a discretionary trust, which was created on August 24, 2006 between Ms. Devyani I.Gandhi as the settlor and Mr. Himanshu B. Kanakia and Ms. Hiral H. Kanakia as the trustees. The beneficiaries of the said trust are Ms. Vrushti Himanshu Kanakia, Ms. Hiral H. Kanakia and child or children of Ms. Vrushti Rasesh Kanakia born from legitimate marriage.

6. Vrutant Benefit Trust

"Vrutant Benefit Trust" is a discretionary trust, which was created on August 24, 2006 between Ms. Ishvarlal S.Gandhi as the setllor and Mr. Himanshu B. Kanakia and Ms. Hiral H. Kanakia as the trustees. The beneficiaries of the said trust are Mr. Vrutant Himanshu Kanakia, Ms. Hiral H. Kanakia and child or children of Mr. Vrutant Rasesh Kanakia born from legitimate marriage.

Common Pursuits

There are no common pursuits between our Promoters and us, or any of the Promoter Group entities/companies, some of which are present in the real estate business except to the extent of mall development. However we intend to limit our presence in the mall development business to the extent of the projects currently undertaken by us, for more information on the related party transactions arising from such common pursuits see the section titled "Financial Statements Related Party Transactions" beginning on page 3 of this Draft Red Herring Prospectus.

There are no companies with which our Promoters have disassociated themselves in the last three years.

None of our Promoter Group companies/entities are presently listed on any stock exchange, or have made any public or rights issues in the preceding three years.

None of our Promoter Group companies/entities are a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 or are under winding up or have any BIFR proceedings initiated against them.

None of our Promoter Group companies/entities except as mentioned below have made a loss in the preceding year:

Companies forming part of the Promoter Group

1. Kanakia Finance & Investments Private Limited
2. Kanakia Housing Private Limited
3. Kanakia Gruhnirman Private Limited
4. Indicon Developers Private Limited
5. Supreme Real Estate Developers Private Limited

Partnership firms forming part of the Promoter Group

1. M/s. Babubhai Kanakia and Sons
2. Elegant Builders
3. M/s. Elegant Constructions Company
4. M/s Kanakia Associates
5. M/s Kanakia Builders
6. M/s Kanakia Constructions

7. M/s Kanakia Services
8. M/s Mercury Developers
9. M/s. Evergreen Constructions,
10. M/s Kanakia Developments
11. M/s Kanakia Exports
12. M/s Cine Line Theatres
13. M/s. Café Planet
14. M/s. Kanakia & Samant Associates

None of our Promoter Group companies/entities have been struck off as a defunct company by any registrar of companies in India.

There are no sales or purchases between our Company and any company/entities in the Promoter Group exceeding 10% of the sales or purchases of our Company, other than certain reimbursement of expenses in the year ended March 31, 2004 and the sale of realty stock in the quarter ended June 30, 2006. For details see sub section titled "Financial Statements-Annexure XVII" beginning on page 3 of this Draft Red Herring Prospectus.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see the section titled "Financial Statements Related Party Transactions" beginning on page 3 of this Draft Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of dividends on our equity shares will be recommended by our board of directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition.

We have not declared any dividends since inception.

Pursuant to the terms of some of our loan agreements, namely from Jammu and Kashmir Bank Limited, Bank of India and State Bank of India we cannot declare or pay any dividend to our shareholders during any financial year unless we have obtained their consent, which may be withheld in case we have defaulted on any of the terms and conditions of such loan agreements. For details see the section titled “Financial Indebtedness” beginning on page 3 of this Draft Red Herring Prospectus.

SECTION V - FINANCIAL STATEMENTS

AUDITORS' REPORT

The Board of Directors
Cinemax India Limited
349, Business Point
Western Express Highway
Andheri (East)
Mumbai 400 069

Re: Public issue of Cinemax India Limited

Dear Sirs,

1. We have examined the financial information of Cinemax India Limited (formerly known as Cinemax Cinemas (India) Private Limited) ('the Company') for the period May 22, 2002 to March 31, 2003 being the first financial period, for the financial years ended March 31, 2004, 2005 and 2006 and for the three months ended June 30, 2006 as attached to this report, stamped and initialled by us for identification and as approved by the Board of Directors of the Company, which has been prepared in accordance with:

   a) Paragraph B (1) of Part – II of Schedule II of the Companies Act, 1956, of India ('the Act') and amendments thereof;

   b) Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') issued by the Securities and Exchange Board of India (SEBI) on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and the amendments from time to time thereto, to the extent applicable;

   c) The instructions dated June 16, 2006 received from the Company, requesting us to carry out the assignment in connection with the Draft Red Herring Prospectus being issued by the Company for the initial public offering of equity shares.

2. We have examined the attached restated Summary of Assets and Liabilities **(Annexure I)** of the Company as at March 31, 2003, 2004, 2005, 2006 and three months ended June 30, 2006 and the restated Summary of Profit and Loss Account **(Annexure II)** for each of the years / periods ended on those dates, together referred to as 'Summary Statements' read with adjustments and regrouping as in our opinion are appropriate and more fully described in the notes appearing in **Annexure III and IV** and Notes to Summary Statements as set out in **Annexure V**. The accounts of the Company for these periods have been made up and approved by the Board of Directors. We have relied on the relevant accounts of the Company for the financial years ended on March 31, 2003, March 31, 2004 and March 31, 2005 audited and reported by A.J.Kanakia & Co., Chartered Accountants. The accounts of the Company for the year ended March 31, 2006 and for the three months ended June 30, 2006 have been audited and reported by us.

3. We have examined the attached restated Summary of Assets and Liabilities, Summary of Profit and Loss account and Summary of Significant Accounting Policies (together referred to as 'financial statements') of each of the subsidiaries, i.e., of Vista Entertainment Private Limited appearing in **Annexure XXI**, of Kanakia Creators Private Limited appearing in **Annexure XXII**, of Kanakia Shelters Private Limited appearing in **Annexure XXIII**, of Rupam Private Limited appearing in **Annexure XXIV**, of Hariyash Theatres Private Limited appearing in Annexure **XXV**, of Vrushti Theatres Private Limited appearing in **Annexure XXVI**, of Cineline Cinemas

(India) Private Limited appearing in **Annexure XXVII** and Cineline Multiplex Theatres (India) Private Limited appearing in **Annexure XXVIII** as at March 31, 2002, 2003, 2004, 2005, 2006 and for each of the years/periods ended on those dates, and of Vista Entertainment Private Limited as appearing in **Annexure XXI** , Nikmo Finance Private Limited as appearing in **Annexure XXIX** and Growel Entertainment Private Limited as appearing in **Annexure XXX** as at June 30, 2006 and for three months ended June 30, 2006. The accounts of these subsidiaries for these years/periods have been made up and approved by the Board of Directors of the respective subsidiaries. We have relied on the relevant accounts of these subsidiaries, except for Growel Entertainment Private Limited and Rupam Private Limited, for each of the years/periods audited and reported by A.J.Kanakia & Co., Chartered Accountants. In respect of Growel Entertainment Private Limited, the accounts for the period ended June 30, 2006 have been audited and reported by M. M. Nissim & Co., Chartered Accountants and for Rupam Private Limited, the accounts for the year ended March 31, 2002, 2003 and 2004 have been audited and reported by Kachalia & Co., Chartered Accountants and for the year ended March 31, 2005, 2006 and for the period ended June 30, 2006 have been audited and reported by A.J.Kanakia & Co., Chartered Accountants.

4. Based on our examination of these Summary Statements we report that:

   a) The restated assets and liabilities of the Company as at March 31, 2003, 2004, 2005, 2006 and three months ended June 30, 2006 are as set out in **Annexure I** to this report after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the notes on adjustments appearing in **Annexure III and IV** to this report.

   b) The restated profits/losses of the Company for the financial years ended March 31, 2003, 2004, 2005, 2006 and three months ended June 30, 2006 are as set out in **Annexure II** to this report. These profits have been arrived at after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the notes on adjustments appearing in **Annexure III and IV** to this report.

   c) The restated cash flows of the Company for the financial years ended March 31, 2003, 2004, 2005, 2006 and three months ended June 30, 2006 are as set out in **Annexure VI** to this report. These cash flows have been arrived at after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the notes on adjustments appearing in **Annexure III and IV** to this report.

5. Based on our examination of these Restated Summary Statements we confirm that:

   a. The accounting policies have been consistently applied by the Company and are consistent to those used in previous year except as disclosed in Annexure III.

   b. There are no extra ordinary items in the period covered by the Restated Summary Statement.

   c. There have been no material prior period items which required adjustments in the restated financial statements.

   d. There are no qualifications in the auditor's report in the period covered by the Restated Summary Statements except as disclosed in Annexure V.

6. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer Document:

   a) Accounting ratios as appearing in **Annexure VII** to this report.
   b) Capitalization statement as at June 30, 2006 as appearing in **Annexure VIII** to this report.

c) Statement of tax shelters as appearing in **Annexure IX** to this report.
d) Statement of Details of Secured loans as appearing in **Annexure X** to this report.
e) Statement of Details of Unsecured loans as appearing in **Annexure XI** to this report.
f) Statement of Details of Debtors as appearing in **Annexure XII** to this report.
g) Statement of Details of Loans & Advances as appearing in **Annexure XIII** to this report.
h) Statement of Details of Investments as appearing in **Annexure XIV** to this report.
i) Statement of Details of Other Income as appearing in **Annexure XV** to this report.
j) Statement of Details of Dividend as appearing in **Annexure XVI** to this report.
k) Statement of transactions with the Related parties as per **Annexure XVII.**
l) Statement of Contingent Liabilities as appearing in **Annexure XVIII** to this report.
m) Statement of Tax Benefits enclosed as **Annexure XIX** to this report.
n) Statement of Export Obligation as appearing in **Annexure XX** to this report.

7. We have also examined and reviewed the attached Proforma Combined Restated Statement of Assets and Liabilities as at March 31, 2005 and 2006, the attached Proforma Combined Profit and Loss Account for the year ended March 31, 2005 and 2006 and the related notes thereon (‘together referred to as proforma financial statements) as appearing in **Annexure XXXII,** compiled from the financial statements of the aforesaid subsidiary companies. Our limited review report on the said proforma financial statements has been attached in **Annexure XXXI.**

8. We have also examined and reviewed the attached Proforma Combined Restated Statement of Assets and Liabilities as at June 30, 2006, the attached Proforma Combined Profit and Loss Account for the three months period ended June 30, 2006 and the related notes thereon (‘together referred to as proforma financial statements) as appearing in **Annexure XXXIV**, compiled from the financial statements of the aforesaid subsidiary companies. Our limited review report on the said proforma financial statements has been attached in **Annexure XXXIII.**

9. In our opinion the above financial information of the Company and the Company’s subsidiaries read with significant accounting policies and notes attached to this report, after making adjustments and regrouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

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

For RSM & Co.
Chartered Accountants

Vilas Y. Rane
Partner
Membership No.: F-33220
Mumbai:
Dated: September 18, 2006

Annexure- I

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at March 31, 2006	As at June 30, 2006
FIXED ASSETS					
Gross Block	10.80	173.55	230.73	203.87	641.14
Less: Depreciation	-	2.31	11.08	20.50	90.05
Net Block	**10.80**	**171.24**	**219.65**	**183.37**	**551.09**
Capital Work In Progress	**-**	**60.45**	**34.05**	**125.54**	**11.85**
GOODWILL ON AMALGAMATION					**18.13**
INVESTMENTS	**6.80**	**6.80**	**16.9**	**60.08**	**18.22**
CURRENT ASSETS, LOANS AND ADVANCES					
Inventory	-	0.21	68.87	157.10	132.01
Sundry Debtors	-	0.30	-	31.76	52.36
Cash and Bank Balances	0.08	2.72	152.55	21.05	8.29
Loans and Advances	-	7.60	80.72	271.40	408.73
	0.08	**10.83**	**302.14**	**481.31**	**601.39**
Total (A)	**17.68**	**249.32**	**572.74**	**850.31**	**1200.68**
LIABILITIES AND PROVISIONS					
Secured Loans	-	61.38	224.37	375.51	544.08
Unsecured Loans	17.24	73.63	77.54	56.61	173.80
Current Liabilities	0.40	49.50	143.16	190.87	147.11
Provisions	-	-	8.49	31.08	43.67
Deferred Tax Liability (Net)	-	2.20	7.41	9.23	34.51
Total (B)	**17.64**	**186.71**	**460.97**	**663.30**	**943.17**
NET WORTH (A) – (B)	**0.04**	**62.61**	**111.77**	**187.01**	**257.51**
REPRESENTED BY					
Share Capital	0.10	60.00	60.00	60.00	151.70
Reserves & Surplus					
General Reserves	-	-	-	-	57.50
Profit & Loss Account	-	2.97	52.14	127.19	50.86
Less:					
Miscellaneous Expenditure	0.05	0.36	0.37	0.18	2.55
Debit Balance in Profit & Loss Account	0.01	**-**	**-**	**-**	
NET WORTH	**0.04**	**62.61**	**111.77**	**187.01**	**257.51**

Annexure - II

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	**For the year ended March 31, 2003**	**For the year ended March 31, 2004**	**For the year ended March 31, 2005**	**For the year ended March 31, 2006**	**For the quarter ended June 30, 2006**
INCOME					
Operating Income	-	26.49	151.82	423.73	182.69
Other Income	-	1.28	2.86	14.87	3.16
TOTAL	**-**	**27.77**	**154.68**	**438.60**	**185.85**
EXPENDITURE					
Operating Expenses	-	14.24	56.18	265.93	113.98
Employees Remuneration and Benefit	-	1.14	5.34	9.93	12.54
Administrative and Selling Expenses	0.01	3.72	17.89	29.61	21.51
Miscellaneous Expenses	-	-	-	-	-
Preliminary Expenses Written Off	-	0.09	0.09	-	-
Financial charges	-	1.10	3.53	24.49	9.99
Depreciation		8.45	24.67	9.42	7.74
Amortisation of Goodwill	-	-	-	-	0.95
TOTAL	**0.01**	**28.74**	**107.70**	**339.38**	**166.71**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**(0.01)**	**(0.97)**	**46.98**	**99.22**	**19.14**
Add/(Less): Taxes related to earlier years	-	-	-	-	-
Less: Prior period items	-	-	-	-	-
PROFIT BEFORE TAX	**(0.01)**	**(0.97)**	**46.98**	**99.22**	**19.14**
Provision For Income Tax (Include Wealth Tax)	-	-	8.49	22.21	3.02
Deferred Tax	-	-	-	9.23	2.18
Provision For Fringe Benefit Tax	-	-	-	0.14	0.27
PROFIT AFTER TAX	**(0.01)**	**(0.97)**	**38.49**	**67.64**	**13.67**
ADJUSTMENTS					
Impact of material adjustment for restatement in corresponding years (See Annexure III)	-	3.95	10.68	7.41	-
Adjusted Net Profit after tax	(0.01)	2.98	49.17	75.05	13.67
Balance brought forward from Previous year	-	(0.01)	2.97	52.14	127.20
Profit available for appropriation	-	2.97	52.14	127.19	140.87

Annexure - II

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006	For the quarter ended June 30, 2006
Less: Proposed Preference Dividend & Tax thereon	-	-	-	-	0.01
Less: Amount capitalized for bonus share issued	-	-	-	-	90.00
BALANCE CARRIED OVER TO BALANCE SHEET	**(0.01)**	**2.97**	**52.14**	**127.19**	**50.86**

Annexure –III

Notes on adjustments for restated financial statements

1. Change in accounting policies

   Depreciation

   The Company has changed the basis of charging depreciation on fixed assets during the year ended March 31, 2006. Previously, the Company was charging depreciation on fixed assets on written down value basis at the rates and in the manner prescribed under the Income-tax Act, 1961 which has now been changed to rates prescribed under Schedule XIV to the Companies Act, 1956 computed on straight line method basis. Consequent effect on account of such changes is given in the respective years.

2. Deferred tax adjustments

   The Company accounted for deferred tax adjustments for the first time during the year ended March 31, 2006 due to change in the accounting policy relating to depreciation (as explained in 1(a) above). As a result of this change, the accounts for the earlier years have been restated to effect this change. Accordingly, for the purpose of this statement, the deferred tax assets/liabilities have been recognized in the respective year of origination, considering the adjustment on account of change in accounting policy.

3. Prior period items

   There have been no material prior period items which required adjustments in the restated financial statements.

4. Revaluation reserve

   Since there has been no revaluation of fixed assets, no adjustments were required to be made in the restated financial statements.

STATEMENT OF IMPACT ON PROFIT AND LOSS DUE TO RESTATEMENTS AND OTHER MATERIAL ADJUSTMENTS MADE TO AUDITED FINANCIAL STATEMENTS.

Rupees in Millions

Particulars	For the year ended March 31				For the period ended June 30
	2003	2004	2005	2006	2006
Net Profit after tax as per audited Profit and Loss Account	(0.01)	(0.97)	38.49	67.64	13.67
Add / (Less) adjustment for					
Deferred Tax (Expenses) / Income	-	(2.20)	(5.21)	7.41	-
Impact of change in method of depreciation	-	6.15	15.89	-	-
Total Adjustment	-	3.95	10.68	7.41	-
Adjusted Net Profit after tax	(0.01)	2.98	49.17	75.05	13.67

Annexure – IV

Statement of qualification/observation in Auditors' Report

Financial year ended March 31, 2006

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According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Sales tax, Wealth Tax, Service tax, Custom duty, Excise duty, Cess and other statutory dues with the appropriate authorities during the year and there are no amounts outstanding as at the last day for a period of more than six months from the date they became payable except for income tax liability aggregating Rs. 89.31 lacs in respect of advance tax.

The above qualification/observation cannot be adjusted in the financial information prepared in accordance with Part II of Schedule II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

Annexure – V

Notes to Summary Statements

1 Significant accounting policies

a. Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

b. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c. Fixed assets and Depreciation

a) Fixed assets, both tangible and intangible, are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction. Interest on borrowings, to finance acquisition of fixed assets during construction period is capitalized.

b) Depreciation on fixed assets is provided on the straight-line method at the rates specified under Schedule XIV of the Companied Act, 1956.

c) Goodwill arising on account of the amalgamation is amortised over the period of 5 years.

d. Investments

Long-term investments are shown at cost. Provision for diminution in the value of investments is made to recognize a decline of a permanent nature. Current investments are carried at the lower of cost and fair value as at the balance sheet date.

e. Inventories

a) Stocks of foods and beverages are valued at the lower of cost or net realizable value.

b) Stocks from realty business are valued at the lower of cost or net realizable value.

c) Construction work-in-progress, including stock of materials, is carried at cost. Cost includes materials, cost of land, direct expenses, interest and attributable overheads. Cost of materials is arrived at on first-in-first-out basis.

f. Revenue recognition

a) Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Amount of Value added tax and service tax collected on generating operating revenue has been shown as a reduction from the operating revenue, except for revenue from sale of tickets of films which is inclusive of entertainment tax.

b) Revenue from sale of tickets of films is recognised as and when the film is exhibited.

c) Revenue in respect of realty development activities is recognized upon the transfer of significant risks and rewards to the buyer in terms of the underlying sale agreement/letter of allotment, provided it is not unreasonable to expect ultimate collection.

d) Revenue from sale of foods and beverages is recognised upon passage of title to customers, which coincides with their delivery and is net of refund, discounts and complimentary.

e) Advertisement revenue is recognised as and when advertisements are displayed at the cinema hall and are net of service tax.

f) Interest revenue is recognised on a time basis, taking into account the amount outstanding and the rates applicable.

g) Revenue from rent is recognised based upon the agreement, for the period the property has been let out.

g. Borrowing Costs

Borrowing costs incurred on constructing or acquiring a qualifying asset (including real estate projects) are capitalized as cost of that asset/projects until it is ready for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue and recognized as an expense in the Profit and Loss account.

h. Retirement benefits

Contribution to defined contribution schemes such as provident fund is charged to profit and loss account as incurred.

The provisions for present liability of future payments of gratuity and leave encashment have been made on actuarial valuation as per Revised Accounting Standard -15 issued by ICAI.

i. Miscellaneous Expenditure

Share issue expenditure is written off over the period of five years.

j. Taxes on income

Current tax is ascertained on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.Deferred tax is recognized on timing differences between accounting income and taxable income, which arise in an accounting period and are capable of reversal in later periods. Deferred tax assets are recognized when there is reasonable certainty of realization; in case of carry forward depreciation / business losses, deferred tax assets are recognized only where there is virtual certainty that the Company will have sufficient future taxable income against which the losses /depreciation can be set off. Deferred tax assets / liabilities are reviewed at each balance sheet date.

k. Assets taken on Lease (Hire Purchase)

Assets taken on finance lease (including on hire purchase) on or after 1st April 2001 are accounted in accordance with Accounting Standard 19 on Leases, issued by The Institute of Chartered Accountants of India (ICAI). Lease payments are apportioned between finance charges and reduction of outstanding liabilities.

l. Provisions, contingent liabilities and contingent assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosing in the notes.

Contingent assets are neither recognised nor disclosed in the financial statements.

2. Scheme of Amalgamation ('SOA') of Rupam Private Limited, Hariyash Theatres Private Limited, Kanakia Shelters Private Limited, Kanakia Creators Private Limited, Vrushti Theatres Private Limited, Cineline Multiplex Theatres (India) Private Limited (wholly owned subsidiaries) and Cineline Cinemas (India) Private Limited (together referred to as 'the amalgamating companies'), with Cinemax India Limited ('the Company').

   a) Pursuant to the Scheme of Amalgamation of the amalgamating companies with the Company, under the provisions of Section 391 to 394 of the Companies Act, 1956 which was approved by the shareholders of the amalgamating companies and the Company, and subsequently sanctioned by the Honorable High Court of Mumbai on April 28, 2006, the entire business undertaking along with assets and liabilities of the amalgamating companies were transferred to and vested in the Company with effect from April 1, 2006, being the 'Appointed Date'. The copy of the High Court order was filed with the Registrar of Companies, Maharashtra on May 18, 2006, being the 'Effective Date' on which date the SOA became effective and the amalgamating companies have been dissolved without being wound up.

   b) All the amalgamating companies were in the businesses of cinema exhibition. However, Hariyash Theatres Private Limited was also into the business of property development.

   c) As all the above mentioned amalgamating companies except for Cineline Cinemas (India) Private Limited were wholly owned by the Company, no shares were exchanged to effect the amalgamation. In respect of Cineline Cinemas (India) Private Limited, 71.64 % of the equity share capital was collectively held by the Company and its wholly owned subsidiaries, Upon the Scheme becoming effective, the remaining shareholders holding 14,180 equity shares of Rs.10 each constituting 28.36 % of the equity share capital were allotted 12 preference shares of Rs.10/- each in the Company for every equity shares held in Cineline Cinemas (India) Private Limited.

   d) The arrangement has been accounted for under the "purchase method" as prescribed by the SOA. Accordingly, all the assets and liabilities of the amalgamating companies have been transferred to and vested in the Company at their book values. Accordingly, the excess or shortfall of the net assets of the amalgamating companies and the face value of the preference share issued after adjusting the investments held by the Company in the amalgamating companies has been debited/credited to Goodwill/General reserve account respectively.

3. During the year, the Company has amalgamated the business of the amalgamating companies with itself pursuant to the SOA as explained in note no. 2 above.

   a) As per the Accounting Standards (AS) 14 "Accounting for Amalgamation", the said amalgamation in respect of wholly owned subsidiaries falls under 'the amalgamation in the nature of merger', and the accounting done under the 'pooling of interest method', wherein the assets, liabilities and other reserves of the wholly owned subsidiaries as on April 1, 2006 should have been recorded at their existing carrying amounts. The difference between the investments held by the Company and the share capital of the amalgamating companies should have been adjusted in reserves in the financial statements of the Company.

   b) Had the Company followed the accounting treatment in accordance with the requirements of the above said accounting standard in respect of all the amalgamating companies, the balance of general reserve of the Company would have been Rs. 35,112,412 as against the reported figure of Rs. 57,503,992, balance of profit and loss account would have been

Rs.55,561,143 as against the reported figure of Rs.50,858,394 balance of investment allowance reserve would have been Rs.14,000 as against the reported figure of Rs. Nil, balance of miscellaneous expenditure to the extent not written off would have been Rs. 2,724,389 as against the reported figure of Rs.2,559,375 and the balance of goodwill would have been Rs. 2,323,586 as against the reported figure of Rs. 19,084,134.

4. During the period, the Company has affected the Scheme of Amalgamation (referred in Note 2 above) in the books of account. Hitherto, the amalgamating companies were charging depreciation on fixed assets on written down value basis at the rate and in the manner prescribed under the Income-tax Act, 1961. During the period, the Company has provided depreciation on these assets at the rates prescribed under Schedule XIV to the Companies Act, 1956 for the purpose of computing depreciation on straight-line method basis to ensure consistency in accounting policies followed by the Company. The Company has, accordingly, recomputed depreciation on these assets at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956 from the date of addition of each of the assets. The resultant excess depreciation of Rs. 68,643,205 till the appointed date, i.e. April 1, 2006, has been written back and adjusted against the general reserve as prescribed by the SOA.

The resultant deferred tax adjustments – net liability till the appointed date, i.e. April 1, 2006, of Rs.23,105,303 on the above mentioned excess depreciation, arising due to the temporary differences between the book depreciation and tax depreciation of the fixed assets of the amalgamating companies have been adjusted against the general reserve of the Company.

5 The shareholders approved the issue of bonus shares in the proportion of 3 equity shares for every 2 existing equity shares, at the Annual General Meeting held on June 16, 2006. Accordingly a sum of Rs. 9 crores has been capitalized and transferred to Share Capital on allotment of fully paid up bonus shares to the holders of Equity shares on the record date of June 5, 2006.

6 **Bank Loans:**

a) Term loans taken from Jammu and Kashmir Bank are secured against :

i. Hypothecation of all moveable assets of the Company including machinery, equipment, accessories, furniture, fixtures and other moveable installed at the three multiplexes premises at Cinemax -Thane (Wonder), Cinemax -Thane (Eternity) and Cinemax - Mira Road (Prime).
ii. First charge over the multiplexes at Cinemax –Thane (Wonder) and Cinemax –Thane (Eternity). First charge by way of Cinemax – Mira Road (Prime) and extension of charge is on Cinemax - Nashik.
iii. An escrow arrangement for receiving the cash collection by the Bank for seven theatres. Assignment of cash flows of Theatres namely of Cinemax - Thane (Wonder), Cinemax - Mira Road (Prime), Cinemax -Thane (Eternity), Cinemax - Nashik ,Cinemax - Andheri (E), Cinemax - Goregoan, Cinemax - Sion and Cinemax - Kandivali (W) of the company
iv. Personal guarantees of Directors.
v. Hypothecation of all movables assets including furniture and fixture, machinery / equipments, fittings etc. installed at the three multiplexes namely Cinemax – Thane (Wonder), Cinemax – Mira Road (Prime) and Cinemax - Goregaon.

b) Loan taken from HDFC Bank is secured against:

i. The future licence fees receivables from Globus Stores Private Limited for premises on the ground and first floor of the “Eternity” Mall at Teen Haath Naka, Junction of LBS and Eastern Express Highway, Thane (W).
ii. FCNR deposits of the third parties.

c) Term loan & Cash credit from Bank of India is secured against plant and equipments, electrical, air conditioners and furniture and fixtures of Cinemax Indore being principal securities and against the office premises No.504,at 349 Business Point 5th floor Andheri (E) belonging to Kanakia Construction Private Limited, being collateral security.

d) Loan taken from others includes loan taken from Flawless Finvest Pvt Ltd which is secured against immoveable property of Cinemax - Kandivali (W).

e) Vehicle loans taken from various banks are secured against the vehicles taken on hire purchase and the personal guarantees of the directors.

Advance recoverable in cash or in kind includes claims of Rs.102 lacs (net of loss of assets and lump sum payment received from the insurance company) recoverable from the insurance company. Loss, if any, arising on the final settlement of claims will be accounted in the year of settlement.

7. Disclosure of Segment Reporting under Accounting Standard 17:

Amount in Rupees

	Theatre division	**Property development division**	**F. Total**
External Sales	128,452,119	57,059,717	185,511,836
Inter- segment sales	-	-	-
Total revenue	**128452,119**	**57,059,717**	**185,511,836**
Segment Results	**29,358,197**	**1,275,417 ***	**30,633,614**
Unallocated corporate expenses	-	-	1,509,158
Operating profit	-	-	**29,124,456**
Interest expenses	-	-	9,995,207
Interest income	-	-	-
Income tax	-	-	5,473,920
Net profit after tax	-	-	**13,655,329**
Other information			
Segment assets	603,634,225	331,981,174	935,615,399
Unallocable corporate assets	-	-	294,773,977
Total assets			**1,230,389,376**
Segment liabilities	91,543,609	64,369,532	155,913,141
Unallocable corporate liabilities	-	-	822,615,251
Total liabilities	-	-	**978,528,392**
Capital expenditure	8,203,000	-	8,203,000
Depreciation	7,738,854	-	7,738,854

* Net of expenditure of Rs.4,370,517 incurred during the current quarter, relating to sales made in earlier years.

The Company is organized into two main business segments viz. Theatre division comprising of multiplex theatres and other entertainment facilities and Property development division comprising of construction of malls for sale and or lease to third parties.

Since the Company's operations are carried out in India, the requirement regarding disclosure for geographical segment is not applicable.

8. Disclosure of Related Party under Accounting Standard 18:

In accordance with the requirements of Accounting Standard 18 i.e. "Related party Disclosures Issued by the Institute of Chartered Accountants of India, the details of related party transactions' are given below:

(a) List of related parties:

A. Nature of relationship	B. Name of related parties
Subsidiaries and fellow subsidiaries	1. Vista Entertainment Pvt Ltd. 2. Nikmo Finance Pvt Ltd. 3. Growel Entertainment Pvt Ltd.
Entities under common control or significant influence	1. Kanakia Constructions Pvt. Ltd. 2. Kanakia Properties Private Limited 3. Kanakia Finance And Investments Private Limited 4. Kanakia Housing Private Limited 5. Kanakia Gruhnirman Private Limited 6. Vrusti Builders Private Limited 7. Evergreen Home Makers Pvt. Ltd. 8. Indicon Developers Private Limited 9. Kanakia Hospitality Private Limited 10. Kanakia Medical Services Private Limited 11. Supreme Real Estate Developers Private Limited 12. Kanakia Medical Services Private Limited. 13. Gupta Infrastructure (I) Pvt Limited. 14. Evergreen Financial Services. 15. R & H Amusements & Games Private Limited.
Key Management Personnel	1. Rasesh B Kanakia 2. Himanshu B Kanakia 3. Hiral H.Kanakia (w.e.f. May 1, 2006)
Relatives of Key Management personnel	1. Mr. Babubhai Kanakia 2. Mrs. Rupal Kanakia

(b) Transactions with related parties:

Amount in Rupees

Nature of Transaction	**Subsidiaries and fellow subsidiaries**	**Entities under common control or significant Influence**	**Key management personnel**	**Relatives of key management personnel**
Advances given to Group companies	8,252,110	119,091,538	378,49,491	71,022,045
Advances received from Group companies	16,644,668	41,365,490	202,365,638	9,071,464

Expenses incurred and Recovered	-	-	53,702	790,516
Expenses reimbursed	207,155	-	-	-
Rent paid	-	1,325,000	-	-
Remuneration	-	-	1,000,000	-
Sale of Realty Stock		33,559,300		
Balances outstanding as on June 30,2006				
Debit Balance	58,014,390	88,051,950	-	63,280,197
Credit Balance	-	-	171,156,749	-
Investment	10,200,000	20,000	-	-

9. Earning per share:

Amount in Rupees

	Period ended June 30,2006	**Year ended March 31,2006**
Net profit after tax & Preference Dividend	13,661,442	89,678,580
Weighted average number of shares	7,483,516	6,000,000
Earning per share – Basic and diluted	1.82	14.95
Face value per share	10	10

10. The break-up of net deferred tax for the year ended June 30, 2006 is as under:

Amount in Rupees

Particulars	**As at June 30, 2006**	**As at March 31, 2006**
-		
Deferred tax liabilities on account of timing differences in: - Book and tax depreciation - Expenditure earlier disallowed now allowed	 34,682,496 471,240	 9,780,012 -
Total deferred tax liability (A)	35,153,736	9,780,012
Less : Deferred tax assets on account of timing differences in: - Expenditure disallowed	 640,270	 550,769
Total deferred tax assets (B)	640,270	550,769
Deferred tax liability (net) (A) – (B)	34,513,466	9,229,243
Less : Last year Deferred Tax Liability	9,229,243	-
Less : Adjusted against general reserve (Refer Note 4 to Schedule 20)	23,105,303	-
Deferred tax charge	2,178,920	9,229,243

11. The details of construction work in progress as at June 30 ,2006 are as follows:

Amount in Rupees

Particulars	**30.6.2006**	**31.3.2006**
Eternity	8,652,087	8,652,087
Theatre fit outs - Indore	Nil	213,261
Variety Mall (Nagpur)	66,516,139	58,401,084
Total	75,168,226	67,266,432

12. Leases

The Company has acquired assets on hire purchase, the fair value of which is Rs. 136.95 lacs (Previous Year Rs.29.45 Lacs). The Company has capitalized the assets at the fair value considering the hire purchase arrangements are in nature of Finance Lease as defined in Accounting Standard 19 on "Leases". Installment payments are apportioned between finance charge and deduction of Liabilities disclosed under Secured Loans. The details of installments payable in future are as follows:

	2006-07	**2005-06**
(i) **Minimum Lease, Rentals Payments**		
Not Later than one year	422,438	727,541
Later than one year and not later than five years	461,973	1,463,539
Total Minimum Lease, rentals Payments	**884,411**	**2,191,080**
(ii) **Present value of Minimum Lease, rentals Payments**		
Not Later than one year	2,800,983	584,175
Later than one year and not later than five years	4,356,590	1,248,862
Total Present value of Minimum Lease, rentals Payments	**7,157,573**	**1,833,037**
(iii) **Reconciliation of Minimum Lease, rentals payments and Present Value**		
Minimum Lease, rentals payable as per above (i)	8,041,984	2,191,080
Less: Finance Charges to be recognized in subsequent year	884,411	358,043
Present value of Minimum Lease, rentals Payments as per above (ii)	**7,157,573**	**1,833,037**

13. CIF value of import in respect of capital goods purchased during the year Rs. Nil (Previous Year Rs.4,838,514/-)

14. Expenditure in Foreign Currency with regards to foreign traveling Rs. NIL (Previous Year Rs.154,000/-).

15. Details of goods traded during the year

Amount in Rupees

Particulars	Opening stock	Stock taken over on scheme of Amalgamation	Purchases	Sales	Closing stock
Foods and beverages	391,254 (409,959)	121,786 (Nil)	6,922,591 (7,417,337)	2,17,46,699 (25,301,620)	1,192,910 (391,254)

As the turnover of the business is in respect of food and beverages, it is not possible to give quantity-wise details of the items of foods and beverages.

16. In respect of realty stock during the period.

Particulars	Opening stock		Stock taken over on pursuant to Scheme of Amalgamation		Repurchase		Sales		Closing Stock	
	Area (sq. ft.)	Amount	Area (sq.ft)	Amount	Area (sq.ft)	Amount (Rs.)	Area (sq. ft)	Amount (Rs.)	Area (sq. ft.)	Amount (Rs.)

a) Eternity Mall	46,733	89,446,962	-	-	660	1,775,000	25,128	55,651,300	22,265	43,504,653
b) Sona Shopping Center	-	-	5457.60	12,143,160	-	-	-	-	5457.60	12,143,160

17. The Company has changed its name subsequent to the period end from Cinemax Cinemas (India) Private Limited to Cinemax India Limited w.e.f July 27, 2006.

18. Based on the available information with the management, the Company does not owe any sum to a small scale industrial undertaking as defined in clause (j) to section 3 of the Industries (Development and Regulation) Act, 1951.

19. The current assets, loans and advances are stated at the value, which in the opinion of the Board, are realisable in the ordinary course of the business. Current liabilities and provisions are stated at the value payable in the ordinary course of the business.

20. Balances of sundry debtors, sundry creditors and loans and advances are subject to confirmation, reconciliation and consequential adjustment, if any.

21. Previous years figures have been regrouped/reclassified and recast and shown to the nearest rupees where necessary, to conform to current period's classification.

Annexure – VI

Statement of Cash Flow, As Restated

Rupees in Millions

Particulars	**For the year ended March 31**				**For the period ended June 30**
	2003	**2004**	**2005**	**2006**	**2006**
A. Cash Flow from Operating Activities					
Net Profit Before Prior Period items, extraordinary items and Tax	**(0.01)**	**5.18**	**62.89**	**99.21**	**19.14**
Depreciation	-	2.31	8.77	9.42	7.74
Interest Payments	-	1.10	3.53	24.49	9.99
Interest Received	-	(0.63)	(0.68)	(9.49)	(0.25)
Miscellaneous Expenditure to the Extent not written off		0.09	0.09	0.20	0.15
Amortisation of goodwill	-	-	-	-	0.95
Operating Profit before prior period items and Working Capital Changes	(0.01)	**8.05**	**74.60**	**123.83**	**37.72**
Adjustment for:	-				
Increase/(Decrease) in working capital					
Sundry Debtors	-	(0.30)	0.30	(31.76)	(7.63)
Loans & Advances	-	(6.96)	(72.38)	(170.44)	(26.99)
Inventories	-	(0.21)	(68.66)	(88.24)	37.36
Current Liabilities and provisions	0.40	49.09	93.65	47.95	(209.09)
Net Changes in Working capital	**0.40**	**41.62**	**(47.09)**	**(242.48)**	**(206.35)**
Direct Taxes Paid	-	(0.01)	(0.06)	(10.75)	(3.94)
Net Cash from Operating Activities	**0.39**	**49.66**	**27.45**	**(129.40)**	**(172.57)**
B. Cash Flow from Investing Activities					
Purchase of Fixed Assets (Including Capital Advances)	(10.80)	(223.20)	(30.78)	(64.63)	(22.37)
Interest Received		-	-	-	8.38
Purchase of Investments	(6.80)	-	(10.10)	(43.18)	0.40
Net Cash from Investing Activities	**(17.60)**	**(223.20)**	**(40.88)**	**(107.81)**	**(13.59)**
C. Cash Flow from Financing Activities					
Issue of Share Capital / Increase in Share Capital	0.10	59.90	-	-	-

Particulars	For the year ended March 31				For the period ended June 30
	2003	**2004**	**2005**	**2006**	**2006**
Share Issue / Pre-operative Expenses Incurred	(0.05)	(0.39)	(0.11)		(2.53)
Vehicle loan taken/ (repaid)	-	-	0.48	1.33	(0.71)
Unsecured loan taken/(repaid)	17.24	56.39	3.91	(20.93)	116.45
Term loans from bank taken/(repaid)	-	61.38	162.50	149.81	63.96
Interest Paid on Loans	-	(1.10)	(3.53)	(24.49)	(9.99)
Net Cash from Financing Activities	**17.29**	**176.18**	**163.25**	**105.72**	**167.18**
Net Increase in Cash and Cash Equivalent (A+B+C)	**0.08**	**2.64**	**149.82**	**(131.49)**	**(18.98)**
Cash and cash equivalents at the beginning of year	-	0.08	2.72	152.55	21.05
Cash and cash equivalents at the end of the year	0.08	2.72	152.55	21.05	2.07
Cash and cash equivalents taken over on amalgamation (Note 1below)	-	-	-	-	6.21
Net Increase/(Decrease) as disclosed above	**0.08**	**2.64**	**149.82**	**(131.49)**	**(18.98)**

Note:

1 Cash and cash equivalents includes Rs. 6,215,352 taken over on amalgamation of the subsidiary companies.

2 The amalgamation of the subsidiary companies with the Company is a non-cash transaction (Refer Note 3 to Annexure V).

3 Cash and cash equivalents as at period end includes Rs. 2,523,981 on account of fixed deposit and Rs. 425, 330 on account of margin deposit.

Annexure – VII

Accounting Ratios (on restated profit)

Rupees in Millions

Particulars	**As at March 31**				**As at June 30**
	2003	**2004**	**2005**	**2006**	**2006**
Adjusted Restated Net Profit after tax	(0.01)	2.97	49.17	75.05	13.67
Less: Proposed Dividend on Preference Share and Tax thereon	-	-	-	-	0.01
Adjusted Restated Net Profit after tax (A)	(0.01)	2.97	49.17	75.05	13.66
Net worth (B)	0.04	62.61	111.77	187.01	257.51
Total no. of equity shares outstanding during the year (C)	0.10	6.00	6.00	6.00	15.00
Weighted average No. of equity shares outstanding as on date (D)	0.01	1.94	6.00	6.00	7.48
Diluted No. of equity shares (E)	0.01	1.94	6.00	6.00	7.48
Earning per Equity Share					
Basic (Rs.) (F) = (A) / (D)	(1.00)	1.53	8.20	12.51	1.82
Diluted (Rs.) (G) = (A) / (E)	(1.00)	1.53	8.20	12.51	1.82
Formula					
Return on Net worth (%) (H) = (A) / (B)	(25.00)	4.74	43.99	40.13	5.30
Net Asset value per share (Rs.) (I) = (B) / (C)	0.40	10.44	18.63	31.17	17.17

Notes:

1. These ratios are computed on the basis of the standalone restated summary financial statements of the issuer company.

2. Earning per share calculation are done in accordance with Accounting Standard 20 'Earning Per Share' issued by the Institute.

3. Calculations of ratios post issue has not been considered.

1.The Ratios have been computed as below:

Earning per Equity Share (Rs.) Basic	Net Profit Attributable to Equity Shareholders / Weighted average no.of Equity Shares outstanding as on date
Diluted	Net Profit Attributable to Equity shareholders / Diluted no.of Equity Shares
Return on networth (%)	Net profit after tax (Restated) / Net Worth at the end of the year
Net Asset Value per share	Net Worth at the end of the year / Total no. of Equity shares outstanding as on date

2. Earnings per share is calculated after considering split and Bonus Shares as follows.

May 28th 2002 – 10,000 shares of Rs. 10/- each
December 5th 2003 – 5,990,000 shares of Rs.10/- each
June 16th 2006 -- 9,000,000 bonus shares of Rs. 10/- each

Annexure – VIII

Capitalization Statement

Rupees in Millions

Particulars	**Pre issue - As at June 30, 2006**	**Adjusted for post issue for an offer of Rs. Per share**
Debt		
Short term	173.80	
Long term	544.08	
Total Debt	**717.88**	
Shareholders' funds		
Share Capital	151.70	
Reserves and Surplus	108.36	
Less: Miscellaneous Expenditure to the extent not written off	2.55	
Total Shareholders' funds	**257.51**	
Total Capitalization	**975.39**	
Long Term Debt/Equity	**2.11 : 1**	

Notes:

As informed by the Management, short term debts are debts repayable within one year. Post Issue Share Capital and Reserves can be calculated only on conclusion of Book Building Process

The figures included above are as per the restated statement of Assets and liabilities and restated statement of profit and loss.

Annexure – IX

Statement of Tax Shelters

Rupees in Millions`

Particulars	As at March 31				As at June 30
	2003	**2004**	**2005**	**2006**	**2006**
Profit before Prior Period Adjustments, Extraordinary Items and Tax as Restated	**(0.01)**	**5.18**	**62.89**	**99.22**	**19.14**
Normal Tax Rate	36.75%	35.88%	36.59%	33.66%	33.66%
MAT Tax rate	7.88%	7.69%	7.84%	8.42%	8.42%
Tax Impact at Applicable Tax rate On Restated Profits	-	1.86	23.01	33.40	6.44
Adjustments					
Permanent differences					
Share Issue Expenses	-	-	-	-	0.13
PF & ESIC Contribution	-	-	0.03	-	
Penalty	-	-	0.01	-	
Donation	-	-	0.05	0.09	0.25
Deduction u/s 80IB	-	-	(23.21)	(31.59)	(7.43)
Set of b/f Loss	-	(0.01)	(0.97)	-	
Total (A)	**-**	**(0.01)**	**(24.09)**	**(31.50)**	**(7.05)**
Timing differences					
Difference between tax and book depreciation	-	(6.14)	(15.90)	(7.01)	(5.30)
Expenditure disallowed earlier now allowed	-	-	-	(0.32)	(1.40)
Expenditure disallowed as per clause 17 (f)	-	-	0.32	1.64	1.90
Total (B)	**-**	**(6.14)**	**(15.58)**	**(5.69)**	**(4.80)**
Net Adjustments (A) + (B)	**-**	**(6.15)**	**(39.67)**	**(37.19)**	**(11.85)**
Tax Saving thereon	-	(2.21)	(14.52)	(12.52)	(3.99)
Net Tax Payable (C)	-	(0.35)	8.50	20.88	2.45
Tax as per MAT (D)	-	0.40	4.93	8.35	1.61
Tax Payable (C) or (D) whichever is higher	-	0.40	8.50	20.88	2.45
MAT Credit	-	-	-	-	-
Total Tax	-	0.40	8.50	20.88	2.45
Add: Interest u/s 234	-	-	1.02	1.62	-
Total Tax	-	0.40	9.51	22.50	2.45
Tax Provision made in Books	-	-	8.49	22.20	2.90
Net Tax Payable	**-**	**0.40**	**1.02**	**0.30**	**(0.45)**

Annexure – X

DETAILS OF SECURED LOANS

Rupees in Millions

Particulars	Name of Bank / Institution	O/s as at June 30	Security	Interest	Repayment Schedule
Term Loan	Jammu & Kashmir Bank Ltd,	300.25	Hypothecation of all moveable assets of the Company including machinery, equipment, accessories, furniture, fixtures and other moveable installed at the three multiplexes premises at Cinemax -Thane (Wonder),Cinemax - Thane (Eternity) and Cinemax - Mira Road (Prime). First charge over the multiplexes at Cinemax –Thane (Wonder) and Cinemax –Thane (Eternity). First charge by way of Cinemax – Mira Road (Prime) and extension of charge is on Cinemax - Nashik. An escrow arrangement for receiving the cash collection by the Bank for seven theatres. Assignment of cash flows of Theatres namely of Cinemax - Thane (Wonder), Cinemax - Mira Road (Prime), Cinemax -Thane (Eternity), Cinemax - Nashik ,Cinemax - Andheri (E), Cinemax - Goregoan, Cinemax - Sion and Cinemax - Kandivali (W) of the company Personal guarantees of Directors.	8.50%	Repayable in equal quarterly installment of Rs. 28.22 Million

Particulars	Name of Bank / Institution	O/s as at June 30	Security	Interest	Repayment Schedule
			Hypothecation of all movables assets including furniture and fixture, machinery / equipments, fittings etc. installed at the three multiplexes namely Cinemax – Thane (Wonder), Cinemax – Mira Road (Prime) and Cinemax - Goregaon.		
Term Loan	HDFC Ltd	19.87	Secured against the future licence fees receivable from globus stores pvt ltd. For the premises of the Eternity Mall	10%	Repayable in equal monthly installment of Rs. 0.29 million.
Term Loan	HDFC Ltd	0.80	Secured against accessories at Indore site	13%	Repayable in equal monthly installment of Rs. 0.09 million.
Term Loan	Bank of India	7.02	Secured against plant and equipments, electrical, air conditioners and furniture and fixtures of Cinemax Indore being principal securities and against the office premises No.504,at 349 Business Point 5th floor Andheri (E) belonging to Kanakia Construction Private Limited, being collateral security	10.25%	Repayable in equal monthly installment of Rs. 0.83 million.
Other Loan	Flawless Finvest Private Limited	23.16	Secured against immoveable property of Cinemax - Kandivali (W)	12%	

Particulars	Name of Bank / Institution	O/s as at June 30	Security	Interest	Repayment Schedule
Cash Credit	Bank of India	50.01	Secured against plant and equipments, electrical, air conditioners and furniture and fixtures of Cinemax Indore being principal securities and against the office premises No.504,at 349 Business Point 5th floor Andheri (E) belonging to Kanakia Construction Private Limited, being collateral security	10.25%	Annual Renewal of Limit
Cash Credit	HDFC Bank Ltd	135.82	Secured against third party FCNR deposits.	Varies from 5% to 11.25%	Annual Renewal of Limit
Hire Purchase Loan (Vehicle Loan)	HDFC Bank Ltd, ICICI Bank Ltd, Kotak Mahindra, Citi Financial	7.15	Secured of vehicles finance	Interest ranging from 4.04% to 13.96% as per various agreement with various bank	Repayable in monthly Installment of Rs.0.27 million

Annexure – XI

Details of Unsecured Loans

Rupees in Millions

Particulars	**Rate of Interest**	**As at March 31**				**As at June 30**
		2003	**2004**	**2005**	**2006**	**2006**
SHORT TERM LOANS						
Promoters:						
Himanshu B. Kanakia	Nil	1.70	14.34	18.07	2.86	76.23
Rasesh B. Kanakia	Nil	12.51	26.00	18.67	3.84	90.38
Promoter Group :						
Babubhai Kanakia	Nil	-	33.29	40.80	-	
Hiral H. Kanakia	Nil	-	-	-	-	4.54
Cash / credit from a bank						
HDFC Bank Ltd	5.46%	-	-	-	49.91	-
Others	Nil	3.03	-	-	-	2.65
LONG TERM LOANS		-	-	-	-	-
Total		**17.24**	**73.63**	**77.54**	**56.61**	**173.80**

Annexure – XII

Statement of Sundry Debtors

Rupees in Millions

Particulars	**As at March 31**				**As at June 30**
	2003	**2004**	**2005**	**2006**	**2006**
Unsecured					
Debts Outstanding for a period exceeding six months	-	-	-	-	-
- Considered good	-	-	-	15.28	21.47
- Considered Doubtful	-	-	-	-	-
Other Debts					
- Considered good	-	0.30	-	16.47	30.89
Total	**-**	**0.30**	**-**	**31.75**	**52.36**

Annexure – XIII

Statement of Loans and Advances

Rupees in Millions

	Particulars	**As at March 31**				**As at June 30**
		2003	**2004**	**2005**	**2006**	**2006**
1	Advances recoverable in cash or in kind on for value to be received (Unsecured considered good)	-	6.83	49.50	98.37	186.79
2	Advance for land	-	-	29.74	90.08	111.69
3	Deposits	-	0.14	0.11	19.80	35.09
4	Advance tax	-	0.01	0.07	10.82	14.47
5	Interest accrued on investment	-	0.62	1.31	2.06	2.67
6	Balance in partnership firm-Current A/c (Evergreen Financial Services)	-	-	-	50.27	-
7	Advance to subsidiaries	-	-	-	-	58.02
	Total	**-**	**7.60**	**80.73**	**271.40**	**408.73**

Annexure – XIV

Statement of Investment

Rupees in Millions

Particulars	As at March 31				As at June 30
	2003	2004	2005	2006	2006
In subsidiary companies:					
18,020 equity share in Cineline Cinemas (India) Private Limited of Rs. 10 each fully paid up	-	-	-	0.78	-
3,000,000 equity shares in Cineline Multiplex Theatre (India) Private Limited of Rs.10 each fully paid up	-	-	-	30.08	-
4,000 shares in Hariyash Theatre Private Limited of Rs. 100 each fully paid up	-	-	-	2.92	-
43,000 equity shares in Kanakia Creators Private Limited of Rs.10 each fully paid up	-	-	-	1.29	-
43,000 equity shares in Kanakia Shelters Private Limited of Rs.10 each fully paid up	-	-	-	1.77	-
200 equity shares in Rupam Private Limited of Rs.500 each fully paid up	-	-	-	5.01	-
10,000 equity shares in Vrusti Theatre Private Limited of Rs.10 each fully paid up	-	-	-	0.82	-
101,100 equity shares in Vista Entertainment Private Limited of Rs.100 each fully paid up	-	-	10.10	10.10	10.10
10,000 equity shares in Growel Entertainment Private Limited of Rs. 10 each fully paid up	-	-	-	-	0.10
In Others					
2,000 equity shares in Gupta Infrastructure (I) Private Limited of Rs.10 each fully paid up	-	-	-	0.02	0.02
In Government Securities					
National Saving Certificate (deposited with Collector, thane)	6.80	6.80	6.80	6.80	8.01
In Partnership firm					
Evergreen Financial Services		-	-	0.50	-
TOTAL	**6.80**	**6.80**	**16.90**	**60.08**	**18.23**

Annexure – XV

Particulars of Other Income

Rupees in Millions

Particulars	**For the year ended March 31**				**For the quarter ended June 30**
	2003	**2004**	**2005**	**2006**	**2006**
Unrelated Income					
A. Recurring Income					
Interest from Investment	-	0.63	0.68	0.75	0.25
Rental Income	-	0.12	0.13	3.01	1.65
Miscellaneous Income	-	0.51	2.00	2.30	1.25
TOTAL (A)	**-**	**1.26**	**2.81**	**6.06**	**1.90**
B. Non Recurring Income					
Interest from advances	-	-	-	8.74	-
Miscellaneous Income	-	0.02	0.05	0.07	0.01
TOTAL (B)	**-**	**0.02**	**0.05**	**8.81**	**0.01**
Related Income	-	-	-	-	-
G. Total (A+B)	**-**	**1.28**	**2.86**	**14.87**	**3.16**

Annexure – XVI

Statement of Dividend Paid

Rupees in Millions

	For the year ended March 31				**For the quarter ended June 30**
	2003	**2004**	**2005**	**2006**	**2006**
Equity Share Capital					
Equity Shares – (Nos)	0.01	6.00	6.00	6.00	15.00
Face Value (Rs.)	10	10	10	10	10
Rate of dividend %	-	-	-	-	-
Amount of dividend	-	-	-	-	-
Tax on dividend	-	-	-	-	-
Preference Share Capital					
Preference Share – (Nos)	-	-	-	-	0.17
Face Value (Rs.)	-	-	-	-	10
Rate of dividend %	-	-	-	-	5%
Amount of dividend	-	-	-	-	0.01
Tax on dividend	-	-	-	-	-

Note:
No equity dividend has been declared by the company till date.

Annexure – XVII

Details of Related Party Transactions

List of related parties:

C. Nature of relationship	D. Name of related parties
Subsidiaries and fellow subsidiaries	1. Cineline Cinemas (India) Pvt. Ltd. 2. Cineline Multiplex Theatres (India) Pvt. Limited 3. Rupam Private Limited 4. Hariyash Theatres Private Limited 5. Vrusti Theatres Private Limited 6. Kanakia Shelters Private Limited 7. Kanakia Creators Private Limited 8. Vista Entertainment Private Limited 9. Nikmo Finance Pvt Ltd. 10. Growel Entertainment Pvt Ltd.
Entities under common control or significant influence	1. Kanakia Constructions Pvt. Ltd. 2. Kanakia Properties Private Limited 3. Kanakia Finance And Investments Private Limited 4. Kanakia Housing Private Limited 5. Kanakia Gruhnirman Private Limited 6. Vrusti Builders Private Limited 7. Evergreen Home Makers Pvt. Ltd. 8. Indicon Developers Private Limited 9. Kanakia Hospitality Private Limited 10. Kanakia Medical Services Private Limited 11. Supreme Real Estate Developers Private Limited 12. Nikmo Finance Private Limited 13. Kanakia Medical Services Private Limited 14. Gupta Infrastructure (I) Private Limited 15. Evergreen Financial Services 16. R & H Amusements & Games Private Limited
Key Management Personnel	1. Rasesh B Kanakia 2. Himanshu B Kanakia 3. Mrs. Hiral Kanakia (w.e.f. May 1, 2006)
Relatives of Key Management personnel	1. Mr. Babubhai Kanakia 2. Mrs. Rupal Kanakia

Annexure – XVII

Details of transactions with above parties:

Rupees in Millions

Particulars	**Year / period ending**				
	Mar-03	**Mar-04**	**Mar-05**	**Mar-06**	**Jun-06**
Key Management Personnel / Relatives of Key Management Personnel					
Loan given during the year	-	1.87	48.42	141.24	108.87
Loan taken during the year	14.21	28.72	54.92	69.85	211.44
Expenses incurred and Recovered	-	-	-	-	0.84
Remuneration incurred	-	-	-	-	1.00
Entities under common control or significant influence					
Advances given to Group companies		108.35	104.29	525.76	119.09
Advances received from Group companies	3.04	39.58	109.7	520.02	41.37
Investment made during the year	-	-	-	0.02	-
Expenses incurred and Recovered	-	-	-	0.8	-
Expenses reimbursed	-	93.94	10.84	4.35	-
Rent charged	-	-	-	1.40	1.32
Interest received	-	-	-	8.74	-
Administrative Service Charges	-	1.76	4.17	-	-
Sale of Realty Stock	-	-	-	-	33.56
Subsidiaries and fellow subsidiaries					
Advances given to Group companies	-	-	11.4	81.41	8.25
Advances received from Group companies	-	-	-	45.37	16.64
Investment made during the year	-	-	-	43.16	-
Expenses incurred and Recovered	-	-	-	0.95	-
Expenses reimbursed	-	-	-	0.33	0.21

Note:

Details of transactions given for the year ended March 03, 04 and 05 are as per the information provided by the management and relied upon by the auditors.

Annexure – XVIII

Statement of Contingent Liabilities

Rupees in Millions

	For the year Ended March 31					For the quarter Ended June 30
Particulars	**2002**	**2003**	**2004**	**2005**	**2006**	**2006**
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

Note: There are no contingent liabilities reported by the Company for the above periods.

Annexure – XIX

STATEMENT OF TAX BENEFITS

For details of “Statement of possible tax benefits available to the Company and to its shareholders” refer to page 3 beginning of the Draft Red Herring Prospectus

Annexure – XX

Statement of Export Obligations

Rupees in Millions

License No.	Date of License / Import	Items Imported	Export Obligation	Obligation Period
--------------------N O T A P P L I C A B L E --------------------------				

Annexure – XXI

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	As at March 31, 2005	As at March 31, 2006	As at June 30, 2006
FIXED ASSETS			
Gross Block	-	98.52	98.54
Less: Depreciation	-	5.01	7.23
Net Block	**-**	**93.51**	**91.31**
Capital Work In Progress	**7.48**	-	-
INVESTMENTS	**-**	**0.11**	**-**
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	-	1.47	1.89
Inventories	-	0.37	0.53
Cash and Bank Balances	0.14	0.56	5.25
Loans and Advances	22.45	25.98	28.50
	22.59	**28.38**	**36.17**
Total (A)	**30.07**	**122.00**	**127.48**
LIABILITIES AND PROVISIONS			
Secured Loans	-	62.63	59.00
Unsecured Loans	11.78	39.86	30.50
Current Liabilities	9.17	18.24	22.57
Provisions	-	0.21	3.63
Deferred Tax Liability (Net)	-	(2.92)	0.14
Total (B)	**20.95**	**118.02**	**115.84**
NET WORTH (A) – (B)	**9.12**	**3.98**	**11.64**
REPRESENTED BY			
Share Capital	10.10	10.10	10.10
Share Application money Pending Allotment			
Reserves & Surplus	-	-	1.69
Less:			
Miscellaneous Expenditure	0.98	0.16	0.15
Debit balance in Profit and loss account	-	5.96	-
NET WORTH	**9.12**	**3.98**	**11.64**

Annexure – XXI

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	**For the year ended March31 ,2005**	**For the year ended March 31, 2006**	**For the quarter ended June 30, 2006**
INCOME			
Operating Income	-	95.05	53.04
Other Income	-	0.28	0.20
TOTAL	**-**	**95.33**	**53.24**
EXPENDITURE			
Operating Expenses	-	56.93	20.03
Employees Remuneration and Benefit	-	3.22	1.44
Administrative and Selling Expenses	-	34.59	13.73
Preliminary Expenses Written Off	-	0.04	0.01
Financial charges	-	4.21	1.63
Depreciation	-	5.01	2.23
TOTAL	**-**	**104.00**	**39.07**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**-**	**(8.67)**	**14.17**
Add/(Less): Deferred Tax Income	-	-	(2.92)
Add(less): Taxes related to earlier years	-	-	-
Less: Prior period items	-	-	
PROFIT BEFORE TAX	**-**	**(8.67)**	**11.25**
Provision For Income Tax	-	-	3.44
Deferred Tax – charge/ (revenue)	-	2.92	0.14
Provision For Wealth Tax	-	-	-
Provision For Fringe Benefit Tax	-	0.21	0.02
PROFIT AFTER TAX	**-**	**(5.96)**	**7.65**
ADJUSTMENTS			
Impact of material adjustment for restatement in corresponding years (See Annexure III)	**-**	**-**	**-**
Adjusted Net profit	**-**	**(5.96)**	**7.65**
Balance brought forward from Previous Year			(5.96)
BALANCE CARRIED OVER TO BALANCE SHEET	**-**	**(5.96)**	**1.69**

Annexure – XXI

Notes attached to and forming part of accounts for the quarter ended June 30, 2006.

1. Significant Accounting Policies: -

   a. Basis of Accounting: -

      i. The Financial Statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the Historical Cost Convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by I.C.A.I. and the provision of the Companies Act, 1956.

   b. Fixed Assets & Depreciation: -

      i. Fixed Assets, both tangible & intangible, are stated at Cost of Acquisition less Accumulated Depreciation. Cost includes taxes, duties, freight and other incidental expenses related to acquisition. Interest on borrowings to finance acquisition of fixed assets during construction is capitalized.

      ii. Depreciation on Fixed Assets is provided on Straight Line Method at the rates specified under Schedule XIV of the Companies Act, 1956.

      iii. Depreciation on Assets Addition/Deduction during the quarter has been provided on the basis of No. Of Days from the date the said Assets are put to use.

   c. Revenue Recognition: -

      i. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Amount of value added tax and service tax collected on generating operating revenue has been shown as a reduction from the operating revenue, except for revenue from sale of tickets of films that is inclusive of tax.

      ii. Revenue from sale of tickets of films is recognized as and when the film is exhibited.

      iii. Advertisement revenue is recognized as and when advertisements are displayed at the cinema hall and are net of Service tax.

      iv. Revenue from sale of foods and beverages is recognized upon delivery to customers and is net of VAT.

   d. Miscellaneous Expenditure (to the extent not w/off)

      i. Preliminary Expenses have been amortized as per Section 35D of the Income Tax Act, 1961.

   e. Retirement Benefits

i. Contribution to defined contribution schemes such as provident fund and pension fund are charged to profit & loss account as incurred.

ii. The provision for present liability of future payments of gratuity has been made on actuarial valuation as per revised AS – 15 issued by I.C.A.I.

2. The Company has entered into a Business Conducting agreement dated 24.12.2004 with the owner of the Multiplex Theatre M/s. Unique Estates Development Company Ltd. whereby the owner have allotted Multiplex area to the Company to set up the business of Multiplex with a right to Conduct, Manage & Operate Multiplex Theatre for a period of 12 years.

3.

a. Value of imports calculated on C.I.F. basis by the company during the financial year – NIL

b. Expenditure in foreign currency during the financial year - NIL.

c. Amount remitted during the year in foreign currency on account of Dividend – NIL.

4. Previous year's figures have been regrouped, rearranged, reclassified & re-casted and shown to the nearest rupees where necessary to confirm to the current quarter's classification.

5. Sundry Loans & Advances includes Rs.13,44,000/- due from Companies/Firms in which one or more Directors are interested as Director/Partner – (Previous Year Rs. 31,715/-) Maximum Debit Balance due during the quarter Rs.21,00,000/- (Previous Year Rs. 1,31,715/-)

6. Sundry Debit Balances & Credit Balances are subject to confirmations.

7. Amount Payable to Auditors: -

	Current Quarter	Previous Year
As Audit Fees	NIL	44,896/-
As Professional Fees	NIL	90,724/-

8. Expenditure in respect of Employees who is in receipt of remuneration aggregating to

a) Not less than Rs. 2400000/-p.a. throughout the year – NIL.
b) Not less than Rs. 200000/- p.m. if employed for a part of the year – NIL.

9. Stocks of Foods & Beverages are valued at lower of cost or net realizable value.

10. Based on the available information with the management, the Company does not owe any sum to a small scale industrial undertaking as defined in clause (j) to section 3 of the Industries (Development and Regulation) Act, 1951.

11. The Current Assets, Loans & Advances are stated at the value, which in the opinion of the Board, are realizable in the ordinary course of the business. Current Liabilities & Provisions are stated at the value payable in the ordinary course of the business.

12. In accordance with the mandatory accounting standard on "Accounting for taxes on Income" (AS 22) issued by the I.C.A.I., the Company has provided for deferred tax. This change in the Accounting Policy has resulted in Net Deferred Tax debit of Rs. 1,38,989/- for the quarter and the net profit for the quarter is lower by the same amount.
The breakup of Net Deferred Tax is as under: -

Particulars	As at June 30, 2006
Opening Balance as on 01/04/2006 **Less: -** Write off of Deferred Tax Asset of earlier year due to Profit during the current year	29,17,353 29,17,353
Total Deferred Tax Assets	NIL
Less: - Deferred tax liabilities on account of timing differences in: - • Book and Income Tax Depreciation	1,38,989
Total Deferred Tax Liabilities	1,38,989
Deferred Tax Liabilities (Net)	1,38,989

a. The Accounting Standard 17 regarding Segment Reporting as issued by I.C.A.I which is applicable to enterprise, which is listed as well as unlisted enterprises having annual turnover exceeding Rs. 50 crores is not applicable to the company. However the company is only in the business of running of Multiplex theatre.

13. Term Loan taken from Canara Bank is secured against:

a) Hypothecation of Theatre Equipments, Plants, Machinery, Furniture, Fixtures & Interiors installed at Multiplex Theatre at "Infinity Mall" Andheri (West), Mumbai.

b) First Charge over the three residential Row House No. 10, 13 & 14 situated at Eternity Project, Teen Hath Naka, Thane (West) standing in the name of M/s. Kanakia Properties Pvt. Ltd., entities under common control or significant influence.

c) Personal Guarantee of Rasesh Kanakia & Himanshu Kanakia, Directors of Company.

d) Joint Corporate Guarantee given by M/s. Kanakia Construction Pvt. Ltd., & M/s. Kanakia Properties Pvt. Ltd., entities under common control or significant influence.

14. In accordance with the requirement of Accounting Standard 18 i.e. Related party Disclosures issued by the Institute of Chartered Accountants of India, the details of related party transaction are given below: -

a. List of related parties: -

Nature of relationship	Name of related parties
Holding Company	1. Cinemax Cinemas (India) Pvt. Ltd.
Entities under Common control or Significant Influence	1. Kanakia Construction Pvt. Ltd. 2. Kanakia Properties Pvt. Ltd. 3. Kanakia Finance and Investment Pvt. Ltd. 4. Kanakia Housing Pvt. Ltd. 5. Kanakia Gruhnirman Pvt. Ltd. 6. Vrusti Builders Pvt. Ltd. 7. Evergreen Homemakers Pvt. Ltd. 8. Indicon Developers Pvt. Ltd. 9. Kanakia Hospitality Pvt. Ltd. 10. Kanakia Medical Services Pvt. Ltd. 11. Supreme Real Estate Developers Pvt. Ltd.

Nature of relationship	Name of related parties
	12. Nikmo Finance Pvt. Ltd. 13. Gupta Infrastructure (I) Pvt. Ltd. 14. Evergreen Financial Services 15. R & H Amusement & Games Pvt. Ltd.
Key Management Personnel	1. Rasesh B. Kanakia 2. Himanshu B. Kanakia
Relatives of Key Management Personnel	1. Babubhai Kanakia 2. Rupal Kanakia 3. Hiral Kanakia

Notes attached to and forming part of accounts for the quarter ended June 30, 2006.

b. Transaction with related parties: -

Nature of Transaction	Holding Company	Entities under Common Control or Significant Influence	Key Management Personnel	Relatives of key Management Personnel
Balance as on April 1, 2006	3,79,07,056/-	15,70,000/-	2,85,000/-	95,000/-
Advances given	1,51,46,059/-	59,35,000/-	----	----
Advances received	64,88,190/-	25,81,000/-	8,65,000/-	----
Balance as on June 30, 2006				
Debit Balance	----	17,84,000/-	----	----
Credit Balance	2,92,49,187/-	----	11,50,000/-	95,000/-

15. Earning Per Share:

	Quarter ended June 30, 2006	Year ended March 31, 2006
Net Profit after Tax	76,54,685	(86,67,120)
Weighted Average Number of Shares	1,01,000	1,01,000
Earning Per Share-Basic & Diluted	Rs. 75.79	N.A.
Face Value Per Share	Rs. 100	Rs. 100

KANAKIA CREATORS PRIVATE LIMITED

Annexure – XXII

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at March 31, 2006
FIXED ASSETS					
Gross Block	18.93	20.78	20.78	20.78	20.79
Less: Depreciation	4.27	5.30	6.45	7.60	8.75
Net Block	**14.66**	**15.48**	**14.33**	**13.18**	**12.04**
Capital Work In Progress	-	-	-	-	-
INVESTMENTS	**1.01**	**1.04**	**1.04**	**1.49**	**0.04**
CURRENT ASSETS, LOANS AND ADVANCES					
Sundry Debtors	1.22	1.66	1.68	1.80	0.21
Cash and Bank Balances	0.10	0.18	0.09	0.08	0.08
Loans and Advances	1.90	0.98	1.61	3.11	3.84
	3.22	**2.82**	**3.38**	**4.99**	**4.13**
Total (A)	**18.89**	**19.34**	**18.75**	**19.66**	**16.21**
LIABILITIES AND PROVISIONS					
Secured Loans	-	-	-	-	-
Unsecured Loans	2.61	2.07	1.86	3.73	0.86
Current Liabilities	7.00	8.19	7.30	5.71	4.67
Provisions	0.48	-	0.13	0.34	0.45
Deferred Tax Liability (Net)	-	-	-	-	-
Total (B)	**10.09**	**10.26**	**9.29**	**9.78**	**5.98**
NET WORTH (A) – (B)	**8.80**	**9.08**	**9.46**	**9.88**	**10.23**
REPRESENTED BY					
Share Capital	0.43	0.43	0.43	0.43	0.43
Reserves & Surplus	8.37	8.65	9.03	9.45	9.80
Less:					
Miscellaneous Expenditure	-	-	-	-	-
Debit balance in Profit and loss account	-	-	-	-	-
NET WORTH	**8.80**	**9.08**	**9.46**	**9.88**	**10.23**

KANAKIA CREATORS PRIVATE LIMITED

Annexure – XXII

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
INCOME					
Operating Income	3.19	2.64	2.70	2.91	2.94
Other Income	0.40	0.40	0.28	0.02	-
TOTAL	**3.59**	**3.04**	**2.98**	**2.93**	**2.94**
EXPENDITURE					
Operating Expenses	0.72	0.73	0.73	0.77	0.81
Employees Remuneration and Benefit	-	-	-	-	-
Administrative and Selling Expenses	1.01	0.90	0.54	0.21	0.13
Provision for doubtful debts	-	-	-	-	-
Preliminary Expenses Written Off	-	-	-	-	-
Financial charges	-	-	-	-	-
Depreciation	1.46	1.35	1.26	1.02	0.65
TOTAL	**3.19**	**2.98**	**2.53**	**2.00**	**1.59**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**0.40**	**0.06**	**0.45**	**0.93**	**1.35**
Add/(Less): Taxes related to earlier years	-	(0.10)	(0.05)	(0.05)	(0.05)
Less: Prior period items	-	-	-	-	-
PROFIT BEFORE TAX	**0.40**	**(0.04)**	**0.40**	**0.88**	**1.30**
Less: Provision For Income Tax	0.15	-	0.13	0.33	0.45
Provision For Wealth Tax	-	-	-	-	-
PROFIT AFTER TAX	**0.25**	**(0.04)**	**0.27**	**0.55**	**0.85**
ADJUSTMENTS					
Impact of material adjustment for restatement in corresponding years (See Annexure III)	**0.45**	**0.32**	**0.11**	**(0.13)**	**(0.50)**
Adjusted Net profit	**0.70**	**0.28**	**0.38**	**0.42**	**0.35**
Balance brought forward from Previous Year	7.67	8.37	8.65	9.03	9.45

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
BALANCE CARRIED OVER TO BALANCE SHEET	**8.37**	**8.65**	**9.03**	**9.45**	**9.80**

Notes to the Summary Statement

1. Significant Accounting Policies: -

   a. Basis of Accounting: -

      i. The Account are prepared under the Historical Cost Convention.

   b. Fixed Assets & Depreciation: -

      i. Fixed Assets are stated at Cost of Acquisition less Accumulated Depreciation.
      ii. Depreciation on fixed assets is provided on Straight Line Method as per the rates specified under Schedule XIV of the Companies Act, 1956.
      iii. This is to comply with the accounting policy followed by Cinemax India Limited. Accordingly, the accounts have been re-stated to give effect of the change in depreciation policy

   c. Recognition of Income & Expenditure: -

      i. Income & Expenditure are generally accounted/ recognized on accrual basis, except in case of uncertainties.

   d. Miscellaneous Expenditure (to the extent not W/Off)

      i. Preliminary Expenses have been amortized as per Section 35D of the Income Tax Act, 1961.

Annexure – XXIII

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	**As at March 31, 2002**	**As at March 31, 2003**	**As at March 31, 2004**	**As at March 31, 2005**	**As at March 31, 2006**
FIXED ASSETS					
Gross Block	12.78	14.63	14.63	14.63	14.66
Less: Depreciation	2.46	3.06	3.77	4.49	5.20
Net Block	**10.32**	**11.57**	**10.86**	**10.14**	**9.46**
Capital Work In Progress	-	-	-	-	-
INVESTMENTS	**0.82**	**0.85**	**0.85**	**1.29**	**0.04**
CURRENT ASSETS, LOANS AND ADVANCES					
Sundry Debtors	1.19	2.44	2.58	2.00	2.49
Cash and Bank Balances	0.07	0.07	0.09	0.07	0.07
Loans and Advances	4.88	3.41	3.93	3.00	2.55
	6.14	**5.92**	**6.60**	**5.07**	**5.11**
Total (A)	**17.28**	**18.34**	**18.31**	**16.50**	**14.61**
LIABILITIES AND PROVISIONS					
Secured Loans	-	-	-	-	-
Unsecured Loans	3.05	3.79	4.32	2.75	0.66
Current Liabilities	7.17	7.00	6.07	4.93	4.32
Provisions	0.65	0.51	0.25	0.42	0.49
Deferred Tax Liability (Net)					
Total (B)	**10.87**	**11.30**	**10.64**	**8.10**	**5.47**
NET WORTH (A) – (B)	**6.41**	**7.04**	**7.67**	**8.40**	**9.14**
REPRESENTED BY					
Share Capital	0.43	0.43	0.43	0.43	0.43
Reserves & Surplus	5.98	6.61	7.24	7.97	8.71
Less:					
Miscellaneous Expenditure	-	-	-	-	-
Debit balance in Profit and loss account	-	-	-	-	-
NET WORTH	**6.41**	**7.04**	**7.67**	**8.40**	**9.14**

Annexure – XXIII

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
INCOME					
Operating Income	3.19	2.64	2.70	2.91	2.93
Other Income	0.40	0.41	0.28	-	-
TOTAL	**3.59**	**3.05**	**2.98**	**2.91**	**2.93**
EXPENDITURE					
Operating Expenses	0.72	0.73	0.73	0.76	0.81
Employees Remuneration and Benefit	-	-	-	-	-
Administrative and Selling Expenses	1.03	0.90	0.54	0.21	0.13
Provision for doubtful debts	-	-	-	-	-
Preliminary Expenses Written Off	-	-	-	-	-
Financial charges	-	-	-	-	-
Depreciation	0.88	0.90	0.93	0.78	0.54
TOTAL	**2.63**	**2.53**	**2.20**	**1.75**	**1.48**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**0.96**	**0.52**	**0.78**	**1.16**	**1.45**
Add(Less):Taxes related to earlier years	-	(0.02)	(0.12)	(0.07)	(0.05)
Less: Prior period items	-	-	-	-	-
PROFIT BEFORE TAX	**0.96**	**0.50**	**0.66**	**1.09**	**1.40**
Provision For Income Tax	0.35	0.17	0.25	0.42	0.49
Provision For Wealth Tax	-	-	-	-	-
PROFIT AFTER TAX	**0.61**	**0.33**	**0.41**	**0.67**	**0.91**
ADJUSTMENTS					
Impact of material adjustment for restatement in corresponding years (See Annexure III)	**0.30**	**0.30**	**0.22**	**0.06**	**(0.17)**
Adjusted Net profit	**0.91**	**0.63**	**0.63**	**0.73**	**0.74**

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
Balance brought forward from Previous Year	5.07	5.98	6.61	7.24	7.97
BALANCE CARRIED OVER TO BALANCE SHEET	**5.98**	**6.61**	**7.24**	**7.97**	**8.71**

Notes to the Summary Statement

Significant Accounting Policies: -

a. Basis of Accounting: -

i. The Account are prepared under the Historical Cost Convention.

b. Fixed Assets & Depreciation: -

i. Fixed Assets are stated at Cost of Acquisition less Accumulated Depreciation.

ii. Depreciation on fixed assets is provided on Straight Line Method as per the rates specified under Schedule XIV of the Companies Act, 1956.

This is to comply with the accounting policy followed by Cinemax India Limited. Accordingly, the accounts have been re-stated to give effect of the change in depreciation policy

c. Recognition of Income & Expenditure: -

i. Income & Expenditure are generally accounted/ recognized on accrual basis, except in case of uncertainties.

d. Miscellaneous Expenditure (to the extent not W/Off)

i. Preliminary Expenses have been amortized as per Section 35D of the Income Tax Act, 1961.

Annexure – XXIV

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at March 31, 2006
FIXED ASSETS					
Gross Block	65.40	92.58	92.80	96.65	102.81
Less: Depreciation	4.24	8.18	12.16	16.28	20.84
Net Block	**61.16**	**84.40**	**80.64**	**80.37**	**81.97**
Capital Work In Progress	**17.23**	-	-	-	-
INVESTMENTS	**-**	**-**	**-**	**0.45**	**0.04**
CURRENT ASSETS, LOANS AND ADVANCES					
Sundry Debtors	4.42	9.41	8.99	7.48	5.41
Cash and Bank Balances	0.38	0.18	0.24	0.27	0.22
Loans and Advances	2.62	1.76	2.31	13.12	1.65
	7.42	**11.35**	**11.54**	**20.87**	**7.28**
Total (A)	**85.81**	**95.75**	**92.18**	**101.69**	**89.29**
LIABILITIES AND PROVISIONS					
Secured Loans	0.86	0.53	0.18	-	-
Unsecured Loans	61.34	64.10	58.34	33.82	19.31
Current Liabilities	15.07	19.18	17.04	46.16	45.05
Provisions	0.46	0.46	0.46	0.57	0.57
Deferred Tax Liability (Net)	-	-	-	-	-
Total (B)	**77.73**	**84.27**	**76.02**	**80.55**	**64.93**
NET WORTH (A) – (B)	**8.08**	**11.48**	**16.16**	**21.14**	**24.36**
REPRESENTED BY					
Share Capital	0.10	0.10	0.10	0.10	0.10
Reserves & Surplus					
General Reserves	0.26	0.26	0.26	0.26	0.26
Profit & Loss Account	7.72	11.12	15.80	20.78	24.00
Less:					
Miscellaneous Expenditure	-	-	-	-	-
Debit balance in Profit and loss account	-	-	-	-	-
NET WORTH	**8.08**	**11.48**	**16.16**	**21.14**	**24.36**

Annexure – XXIV

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
INCOME					
Operating Income	41.33	9.47	10.90	13.58	15.60
Other Income	5.18	0.96	0.69	0.24	0.36
TOTAL	**46.51**	**10.43**	**11.59**	**13.82**	**15.96**
EXPENDITURE					
Operating Expenses	27.51	1.87	1.74	1.75	2.45
Employees Remuneration and Benefit	1.81	-	-	-	-
Administrative and Selling Expenses	4.20	1.22	1.06	1.96	2.55
Provision for doubtful debts	-	-	-	-	-
Preliminary Expenses Written Off	-	-	-	-	-
Financial charges	0.06	-	0.13	0.91	2.48
Depreciation	7.42	10.18	8.70	7.81	6.51
TOTAL	**41.00**	**13.27**	**11.63**	**12.43**	**13.99**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**5.51**	**(2.84)**	**(0.04)**	**1.39**	**1.97**
Add/(Less): Taxes related to earlier years	-	-	-	-	(0.13)
Less: Prior period items	-	-	-	-	-
PROFIT BEFORE TAX	**5.51**	**(2.84)**	**(0.04)**	**1.39**	**1.84**
Provision For Income Tax	0.46	-	-	0.10	0.57
Provision For Wealth Tax	-	-	-	-	-
Provision For Fringe Benefit Tax	-	-	-	-	-
PROFIT AFTER TAX	**5.05**	**(2.84)**	**(0.04)**	**1.29**	**1.28**
ADJUSTMENTS					
Impact of material adjustment for restatement in corresponding years (See Annexure III)	**4.79**	**6.24**	**4.72**	**3.69**	**1.94**
Balance brought forward from General Reserve	**-**	**-**	**-**	-	-
Balance brought forward from	(2.12)	7.72	11.12	15.80	20.78

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
Previous Year					
BALANCE CARRIED OVER TO BALANCE SET	**7.72**	**11.12**	**15.80**	**20.78**	**24.00**

Notes to the Summary Statements

1 Significant Accounting Policies: -

a Basis of Accounting: -

i The Account are prepared under the Historical Cost Convention.

b Fixed Assets & Depreciation: -

i Fixed Assets are stated at Cost of Acquisition less Accumulated Depreciation.

ii Depreciation on fixed assets is provided on Straight Line Method as per the rates specified under Schedule XIV of the Companies Act, 1956.

This is to comply with the accounting policy followed by Cinemax India Limited. Accordingly, the accounts have been re-stated to give effect of the change in depreciation policy

c Recognition of Income & Expenditure: -

i Income & Expenditure are generally accounted/ recognized on accrual basis, except in case of uncertainties.

Hariyash Theatres Private Limited

Annexure – XXV

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at March 31, 2006
FIXED ASSETS					
Gross Block	20.21	20.21	20.21	20.21	20.27
Less: Depreciation	3.91	4.86	5.80	6.74	7.69
Net Block	**16.30**	**15.35**	**14.41**	**13.47**	**12.58**
Capital Work In Progress					
INVESTMENTS	**0.30**	**-**	**-**	**0.44**	**0.04**
CURRENT ASSETS, LOANS AND ADVANCES					
Inventory	24.28	23.32	23.32	21.56	12.14
Sundry Debtors	4.55	5.09	5.38	4.33	2.54
Cash and Bank Balances	0.22	0.11	0.08	0.06	1.50
Loans and Advances	6.67	9.35	28.03	12.14	10.34
	35.72	**37.87**	**56.81**	**38.09**	**26.52**
Total (A)	**52.32**	**53.22**	**71.22**	**52.00**	**39.14**
LIABILITIES AND PROVISIONS					
Secured Loans	-	-	23.05	23.00	22.98
Unsecured Loans	29.98	29.73	24.11	7.02	11.23
Current Liabilities	15.49	16.09	15.76	15.22	7.76
Provisions	0.22	0.23	0.45	0.45	-
Deferred Tax Liability (Net)					
Total (B)	**45.69**	**46.05**	**63.37**	**45.69**	**41.97**
NET WORTH (A) – (B)	**6.63**	**7.17**	**7.85**	**6.31**	**(2.83)**
REPRESENTED BY					
Share Capital	0.40	0.40	0.40	0.40	0.40
Share Application money Pending Allotment					
Reserves & Surplus	6.23	6.77	7.45	5.91	-
Less:					
Miscellaneous Expenditure	-	-	-	-	-
Debit balance in Profit and loss account	-	-	-	-	(3.23)
NET WORTH	**6.63**	**7.17**	**7.85**	**6.31**	**(2.83)**

Annexure – XXV

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
INCOME					
Operating Income	3.91	4.07	3.54	5.02	5.18
Other Income	0.64	0.71	0.77	0.21	0.19
TOTAL	**4.55**	**4.78**	**4.31**	**5.23**	**5.37**
EXPENDITURE					
Operating Expenses	2.19	1.96	0.96	2.72	10.43
Employees Remuneration and Benefit	-	-	-	-	-
Administrative and Selling Expenses	1.02	1.32	1.51	3.11	0.16
Provision for doubtful debts	-	-	-	-	-
Preliminary Expenses Written Off	-	-	-	-	-
Financial charges	-	-	-	-	2.76
Depreciation	1.57	1.31	1.11	0.94	0.73
TOTAL	**4.78**	**4.59**	**3.58**	**6.77**	**14.08**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**(0.23)**	**0.19**	**0.73**	**(1.54)**	**(8.71)**
Add/(Less): Taxes related to earlier years	-	-	-	-	(0.21)
Less: Prior period items	-	-	-	-	-
PROFIT BEFORE TAX	**(0.23)**	**0.19**	**0.73**	**(1.54)**	**(8.92)**
Provision For Income Tax	-	0.01	0.22	-	-
Provision For Wealth Tax	-	-	-	-	-
Provision For Fringe Benefit Tax	-	-	-	-	-
PROFIT AFTER TAX	**(0.23)**	**0.18**	**0.51**	**(1.54)**	**(8.92)**
ADJUSTMENTS					
Impact of material adjustment for restatement in corresponding years (See Annexure III)	**0.63**	**0.36**	**0.17**	**-**	**(0.22)**
Adjusted Net profit	**0.40**	**0.54**	**0.68**	**(1.54)**	**(9.14)**

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
Balance brought forward from Previous Year	5.83	6.23	6.78	7.45	5.91
BALANCE CARRIED OVER TO BALANCE SHEET	**6.23**	**6.77**	**7.45**	**5.91**	**(3.23)**

Notes to the Summary Statement

1 Significant Accounting Policies: -

a Basis of Accounting: -

i The Account are prepared under the Historical Cost Convention.

b Fixed Assets & Depreciation: -

i Fixed Assets are stated at Cost of Acquisition less Accumulated Depreciation.

ii Depreciation on fixed assets is provided on Straight Line Method as per the rates specified under Schedule XIV of the Companies Act, 1956.

This is to comply with the accounting policy followed by Cinemax India Limited. Accordingly, the accounts have been re-stated to give effect of the change in depreciation policy

c Recognition of Income & Expenditure: -

i Income & Expenditure are generally accounted / recognized on accrual basis, except in case of uncertainties.

Vrusti Theatres Private Limited

Annexure – XXVI

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	**As at March 31, 2002**	**As at March 31, 2003**	**As at March 31, 2004**	**As at March 31, 2005**	**As at March 31, 2006**
FIXED ASSETS					
Gross Block	22.71	22.74	22.75	21.92	21.92
Less: Depreciation	3.47	4.48	5.49	6.21	7.14
Net Block	**19.24**	**18.26**	**17.26**	**15.71**	**14.78**
Capital Work In Progress					
INVESTMENTS	**-**	**-**	**-**	**0.45**	**0.04**
CURRENT ASSETS, LOANS AND ADVANCES					
Sundry Debtors	1.65	2.88	3.34	2.66	1.62
Cash and Bank Balances	0.64	0.71	0.41	0.27	0.19
Loans and Advances	0.38	0.31	0.07	1.30	1.20
	2.67	**3.90**	**3.82**	**4.23**	**3.01**
Total (A)	**21.91**	**22.16**	**21.08**	**20.39**	**17.83**
LIABILITIES AND PROVISIONS					
Secured Loans	0.51	0.29	0.07	-	-
Unsecured Loans	3.38	4.68	3.78	3.16	1.88
Current Liabilities	9.55	8.11	7.47	6.22	4.66
Provisions	0.56	0.40	0.26	0.82	0.45
Deferred Tax Liability (Net)					
Total (B)	**14.00**	**13.48**	**11.58**	**10.20**	**6.99**
NET WORTH (A) - (B)	**7.91**	**8.68**	**9.50**	**10.19**	**10.84**
REPRESENTED BY					
Share Capital	0.10	0.10	0.10	0.10	0.10
Reserves & Surplus	7.83	8.60	9.42	10.11	10.76
Less:					
Miscellaneous Expenditure	0.02	0.02	0.02	0.02	0.02
Debit balance in Profit and loss account	-	-	-	-	-
NET WORTH	**7.91**	**8.68**	**9.50**	**10.19**	**10.84**

Annexure – XXVI

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	**For the year ended March 31, 2002**	**For the year ended March 31, 2003**	**For the year ended March 31, 2004**	**For the year ended March 31, 2005**	**For the year ended March 31, 2006**
INCOME					
Operating Income	12.92	4.16	4.34	4.39	3.70
Other Income	0.31	0.51	0.19	-	-
TOTAL	**13.23**	**4.67**	**4.53**	**4.39**	**3.70**
EXPENDITURE					
Operating Expenses	7.82	1.04	1.16	1.16	1.13
Employees Remuneration and Benefit	-	-	0.18	0.18	0.18
Administrative and Selling Expenses	3.41	1.53	1.02	0.66	0.21
Provision for doubtful debts	-	-	-	-	-
Preliminary Expenses Written Off	-	-	0.03	-	-
Financial charges	0.02	0.07	-	0.01	-
Depreciation	1.86	1.57	1.34	1.05	0.82
TOTAL	**13.11**	**4.21**	**3.73**	**3.06**	**2.34**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**0.12**	**0.46**	**0.80**	**1.33**	**1.36**
Add/(Less): Taxes related to earlier years	-	(0.11)	(0.04)	-	(0.14)
Less: Prior period items	-	-	-	-	-
PROFIT BEFORE TAX	**0.12**	**0.35**	**0.76**	**1.33**	**1.22**
Provision For Income Tax	0.04	0.14	0.26	0.56	0.46
Provision For Wealth Tax	-	-	-	-	-
Provision For Fringe Benefit Tax	-	-	-	-	-
PROFIT AFTER TAX	**0.08**	**0.21**	**0.50**	**0.77**	**0.76**
ADJUSTMENTS					
Impact of material adjustment for restatement in corresponding years (See Annexure III)	**0.88**	**0.56**	**0.32**	**(0.08)**	**(0.11)**
Adjusted Net profit	**0.96**	**0.77**	**0.82**	**0.69**	**0.65**
Balance brought forward from Previous Year	6.87	7.83	8.60	9.42	10.11

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
BALANCE CARRIED OVER TO BALANCE SHEET	**7.83**	**8.60**	**9.42**	**10.11**	**10.76**

Notes to the Summary Statement

1 Significant Accounting Policies: -

a Basis of Accounting: -

i The Accounts are prepared under the Historical Cost Convention.

b Fixed Assets & Depreciation: -

i Fixed Assets are stated at Cost of Acquisition less Accumulated Depreciation.

ii Depreciation on fixed assets is provided on Straight Line Method as per the rates specified under Schedule XIV of the Companies Act, 1956.

This is to comply with the accounting policy followed by Cinemax India Limited. Accordingly, the accounts have been re-stated to give effect of the change in depreciation policy

c Recognition of Income & Expenditure: -

i Income & Expenditure are generally accounted/ recognized on accrual basis, except in case of uncertainties.

d Miscellaneous Expenditure (to the extent not W/Off)

i Preliminary Expenses have been amortized as per Section 35D of the Income Tax Act, 1961.

Annexure – XXVII

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at March 31, 2006
FIXED ASSETS					
Gross Block	0.78	1.62	3.92	7.98	23.21
Less: Depreciation	0.05	0.17	0.51	1.19	2.98
Net Block	**0.73**	**1.45**	**3.41**	**6.79**	**20.23**
Capital Work In Progress	-	-	-	-	-
INVESTMENTS	**-**	**-**	**-**	**-**	**-**
CURRENT ASSETS, LOANS AND ADVANCES					
Sundry Debtors	-	-	-	0.02	-
Cash and Bank Balances	1.05	0.91	0.19	0.27	1.94
Loans and Advances	13.28	27.18	70.53	85.61	93.42
	14.33	**28.09**	**70.72**	**85.90**	**95.36**
Total (A)	**15.06**	**29.54**	**74.13**	**92.69**	**115.59**
LIABILITIES AND PROVISIONS					
Secured Loans	0.29	0.46	0.46	2.11	6.05
Unsecured Loans	3.01	5.02	9.02	5.92	13.11
Current Liabilities	10.15	21.26	58.42	75.43	89.26
Provisions	0.31	0.65	1.35	2.39	2.74
Deferred Tax Liability (Net)					
Total (B)	**13.76**	**27.39**	**69.25**	**85.85**	**111.16**
NET WORTH (A) – (B)	**1.30**	**2.15**	**4.88**	**6.84**	**4.43**
REPRESENTED BY					
Share Capital	0.20	0.20	0.20	0.50	0.50
Reserves & Surplus	1.12	1.97	4.69	6.35	3.94
Less:					
Miscellaneous Expenditure	0.02	0.02	0.01	0.01	0.01
Debit balance in Profit and loss account	-	-	-	-	-
NET WORTH	**1.30**	**2.15**	**4.88**	**6.84**	**4.43**

Cineline Cinemas India Private Limited

Annexure – XXVII

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	**For the year ended March 31, 2002**	**For the year ended March 31, 2003**	**For the year ended March 31, 2004**	**For the year ended March 31, 2005**	**For the year ended March 31, 2006**
INCOME					
Operating Income	64.25	119.17	123.39	131.53	141.43
Other Income	0.75	2.21	3.08	5.04	6.34
TOTAL	**65.00**	**121.38**	**126.47**	**136.57**	**147.77**
EXPENDITURE					
Operating Expenses	52.02	97.17	101.54	100.75	107.13
Employees Remuneration and Benefit	2.24	5.55	6.74	10.57	13.99
Administrative and Selling Expenses	9.53	17.29	14.36	18.37	23.12
Provision for doubtful debts	-	-	-	-	-
Preliminary Expenses Written Off	-	-	-	-	-
Financial charges	0.02	0.06	0.07	2.19	3.80
Depreciation	0.18	0.32	1.27	1.55	3.72
TOTAL	**63.99**	**120.39**	**123.98**	**133.43**	**151.76**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**1.01**	**0.99**	**2.49**	**3.14**	**(3.99)**
Add/(Less): Taxes related to earlier years	-	-	-	(1.01)	-
Less: Prior period items	-	-	-	-	-
PROFIT BEFORE TAX	**1.01**	**0.99**	**2.49**	**2.13**	**(3.99)**
Provision For Income Tax	0.20	0.34	0.70	1.34	0.08
Provision For Wealth Tax	-	-	-	-	-
Provision For Fringe Benefit Tax	-	-	-	-	0.27
PROFIT AFTER TAX	**0.81**	**0.65**	**1.79**	**0.79**	**(4.34)**
ADJUSTMENTS					
Impact of material adjustment for restatement in corresponding years (See Annexure III)	**0.13**	**0.20**	**0.93**	**0.87**	**1.93**
Adjusted Net profit	**0.94**	**0.85**	**2.72**	**1.66**	**(2.41)**

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
Balance brought forward from Previous Year	0.18	1.12	1.97	4.69	6.35
BALANCE CARRIED OVER TO BALANCE SHEET	**1.12**	**1.97**	**4.69**	**6.35**	**3.94**

Notes to the Summary Statement

Significant Accounting Policies: -

a. Basis of Accounting: -

i. The Financial Statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the Historical Cost Convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by I.C.A.I. and the provision of the Companies Act, 1956.

ii. The company runs four Cinema Theatres situated at Goregaon West, Andheri East, Kandivali West and Sion East, the ownership of which belongs to other Companies. The Company has entered in to an agreement with Theatre Owner Companies to whom show income is paid on the basis of net collection which is accounted on mercantile basis & debited to show expenses account.

b. Fixed Assets & Depreciation: -

i. Fixed Assets, both tangible & intangible, are stated at Cost of Acquisition less Accumulated Depreciation. Cost includes taxes, duties, freight and other incidental expenses related to acquisition. Interest on borrowings to finance acquisition of fixed assets during construction is capitalized.

ii. Depreciation on fixed assets is provided on Straight Line Method as per the rates specified under Schedule XIV of the Companies Act, 1956.

This is to comply with the accounting policy followed by Cinemax India Limited. Accordingly, the accounts have been re-stated to give effect of the change in depreciation policy

c. Revenue Recognition: -

i. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Amount of value added tax and service tax collected on generating operating revenue has been shown as a reduction from the operating revenue.

ii. Revenue from sale of tickets of films is recognized as and when the film is exhibited.

iii. Advertisement revenue is recognized as and when advertisements are displayed at the cinema hall and are net of Service tax.

d. <u>Retirement benefits: -</u>

i. Contribution to defined contribution schemes such as Provident Fund & Pension Fund are charged to Profit & Loss Account as incurred.

ii. Liability on account of future payments of gratuity has not been provided for.

e. <u>Miscellaneous Expenditure (to the extent not w/off)</u>

i. Preliminary Expenses have been amortized as per Section 35D of the Income Tax Act, 1961.

Cineline Multiplex Theatres India Private Limited

Annexure XXVIII

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at March 31, 2006
FIXED ASSETS					
Gross Block	-	-	-	97.40	97.55
Less: Depreciation	-	-	-	4.46	9.23
Net Block	**-**	**-**	**-**	**92.94**	**88.32**
Capital Work In Progress	-	-	**69.15**	-	-
INVESTMENTS	**-**	**1.20**	**1.20**	**1.20**	**1.20**
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	-	-	-	0.15	0.12
Sundry Debtors	-	-	-	0.05	0.69
Cash and Bank Balances	-	-	0.51	1.26	2.21
Loans and Advances	0.37	5.22	6.88	1.94	1.83
	0.37	**5.22**	**7.39**	**3.40**	**4.85**
Total (A)	**0.37**	**6.42**	**77.74**	**97.54**	**94.37**
LIABILITIES AND PROVISIONS					
Secured Loans	-	-	36.39	40.74	26.37
Unsecured Loans	-	6.06	1.23	17.92	3.61
Current Liabilities	0.02	0.02	12.52	3.23	11.51
Provisions	-	-	-	-	2.97
Deferred Tax Liability (Net)					
Total (B)	**0.02**	**6.08**	**50.14**	**61.89**	**44.46**
NET WORTH (A)-(B)	**0.35**	**0.34**	**27.60**	**35.65**	**49.91**
REPRESENTED BY					
Share Capital	0.40	0.40	30.00	30.00	30.00
Reserves & Surplus				5.87	20.06
Less:					
Miscellaneous Expenditure	-	-	2.26	0.22	0.15
Debit balance in Profit and loss account	(0.05)	(0.06)	(0.14)	-	-
NET WORTH	**0.35**	**0.34**	**27.60**	**35.65**	**49.91**

Cineline Multiplex Theatres India Private Limited

Annexure XXVIII

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	**For the year ended March 31, 2002**	**For the year ended March 31, 2003**	**For the year ended March 31, 2004**	**For the year ended March 31, 2005**	**For the year ended March 31, 2006**
INCOME					
Operating Income	-	-	-	42.01	50.65
Other Income	-	-	0.11	0.23	0.40
TOTAL	**-**	**-**	**0.11**	**42.24**	**51.05**
EXPENDITURE					
Operating Expenses	-	-	-	20.99	18.81
Employees Remuneration and Benefit	-	-	-	2.04	2.28
Administrative and Selling Expenses	0.01	0.01	0.12	5.39	5.10
Provision for doubtful debts	-	-	-	-	-
Preliminary Expenses Written Off	-	-	0.07	0.07	0.07
Financial charges	-	-	-	3.28	2.86
Depreciation	-	-	-	14.12	9.37
TOTAL	**(0.01)**	**0.01**	**0.19**	**45.89**	**38.49**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**(0.01)**	**(0.01)**	**(0.08)**	**(3.65)**	**12.56**
Add/(Less): Taxes related to earlier years	-	-	-	-	-
Less: Prior period items	-	-	-	-	-
PROFIT BEFORE TAX	**(0.01)**	**(0.01)**	**(0.08)**	**(3.65)**	**12.56**
Provision For Income Tax	-	-	-	-	2.96
Provision For Wealth Tax	-	-	-	-	-
Provision For Fringe Benefit Tax	-	-	-	-	0.01
PROFIT AFTER TAX	**(0.01)**	**(0.01)**	**(0.08)**	**(3.65)**	**9.59**
ADJUSTMENTS					
Impact of material adjustment for restatement in corresponding years (See Annexure III)	**-**	**-**	**-**	**9.66**	**4.60**
Adjusted Net profit	**-**	**-**	**-**	**6.01**	**14.19**
Balance brought forward from	(0.04)	(0.05)	(0.06)	(0.14)	5.87

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2006
Previous Year					
BALANCE CARRIED OVER TO BALANCE SHEET	**(0.05)**	**(0.06)**	**(0.14)**	**5.87**	**20.06**

Notes to the Summary Statement

1. Significant Accounting Policies: -

   a. Basis of Accounting: -

      i. The Financial Statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the Historical Cost Convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by I.C.A.I. and the provision of the Companies Act, 1956.

   b. Fixed Assets & Depreciation: -

      i. Fixed Assets, both tangible & intangible, are stated at Cost of Acquisition less Accumulated Depreciation. Cost includes taxes, duties, freight and other incidental expenses related to acquisition. Interest on borrowings to finance acquisition of fixed assets during construction is capitalized.

      ii. Depreciation on fixed assets is provided on Straight Line Method as per the rates specified under Schedule XIV of the Companies Act, 1956.

      This is to comply with the accounting policy followed by Cinemax India Limited. Accordingly, the accounts have been re-stated to give effect of the change in depreciation policy

   c. Revenue Recognition: -

      i. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Amount of value added tax and service tax collected on generating operating revenue has been shown as a reduction from the operating revenue.

      ii. Revenue from sale of tickets of films is recognized as and when the film is exhibited.

      iii. Advertisement revenue is recognized as and when advertisements are displayed at the cinema hall and are net of Service tax.

iv. Revenue from sale of foods and beverages is recognized upon delivery to customers and is net of VAT.

d. Miscellaneous Expenditure (to the extent not w/off)

i. Preliminary Expenses have been amortized as per Section 35D of the Income Tax Act, 1961.

e. Retirement Benefits

i. Contribution to defined contribution schemes such as provident fund and pension fund are charged to profit & loss account as incurred.

ii. Liability on account of future payments of gratuity has not been provided for.

Nikmo Finance Private Limited

Annexure XXIX

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	As at June 30, 2006
FIXED ASSETS	
Gross Block	68.71
Less: Depreciation	2.58
Net Block	**66.13**
Capital Work In Progress	-
INVESTMENTS	**-**
CURRENT ASSETS, LOANS AND ADVANCES	
Sundry Debtors	0.30
Inventories	0.23
Cash and Bank Balances	2.37
Loans and Advances	9.58
Deferred Tax Assets	2.44
	14.92
Total (A)	**81.05**
LIABILITIES AND PROVISIONS	
Secured Loans	32.10
Unsecured Loans	37.68
Current Liabilities	16.82
Provisions	0.10
Deferred Tax Liability (Net)	-
Total (B)	**86.70**
NET WORTH (A) – (B)	**(5.65)**
REPRESENTED BY	
Share Capital	0.10
Share Application money Pending Allotment	-
Reserves & Surplus	**-**
Less:	
Miscellaneous Expenditure	1.30
Debit balance in Profit and loss account	4.45
	-
NET WORTH	**(5.65)**

Nikmo Finance Private Limited

Annexure XXIX

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	**For the quarter ended June 30, 2006**
INCOME	
Operating Income	20.65
Other Income	0.06
TOTAL	**20.71**
EXPENDITURE	
Operating Expenses	11.74
Employees Remuneration and Benefit	0.44
Administrative and Selling Expenses	6.60
Provision for doubtful debts	-
Preliminary Expenses Written Off	0.01
Financial charges	0.89
Depreciation	1.46
TOTAL	**21.14**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**(0.43)**
Add/(Less): Deferred Tax Income	-
Add(less): Taxes related to earlier years	-
Less: Prior period items	-
PROFIT BEFORE TAX	**(0.43)**
Provision For Income Tax	-
Deferred Tax – charge/ (revenue)	0.27
Provision For Wealth Tax	-
Provision For Fringe Benefit Tax	-
PROFIT AFTER TAX	**(0.16)**
ADJUSTMENTS	
Impact of material adjustment for restatement in corresponding years (See Annexure III)	**-**
Adjusted Net profit	**(0.16)**

Particulars	For the quarter ended June 30, 2006
Balance brought forward from Previous Year	(4.29)
BALANCE CARRIED OVER TO BALANCE SHEET	**(4.45)**

Notes attached to and forming part of Accounts for the quarter ended June 30, 2006.

1. Significant Accounting Policies: -

   a. Basis of Accounting: -

      i The Financial Statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the Historical Cost Convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by I.C.A.I. and the provision of the Companies Act, 1956.

   b. Fixed Assets & Depreciation: -

      i Fixed Assets, both tangible & intangible, are stated at Cost of Acquisition less Accumulated Depreciation. Cost includes taxes, duties, freight and other incidental expenses related to acquisition. Interest on borrowings to finance acquisition of fixed assets during construction is capitalized.

      ii Depreciation on Fixed Assets is provided on Straight Line Method at the rates specified under Schedule XIV of the Companies Act, 1956.

      iii Depreciation on Assets Addition/Deduction during the quarter has been provided on the basis of No. Of Days from the date the said Assets are put to use.

   c. Revenue Recognition: -

      i Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Amount of value added tax collected on generating operating revenue has been shown as a reduction from the operating revenue, except for revenue from sale of tickets of films that is inclusive of tax.

      ii Revenue from sale of tickets of films is recognized as and when the film is exhibited.

      iii Advertisement revenue is recognized as and when advertisements are displayed at the cinema hall and are net of Service Tax.

      iv Revenue from sale of foods and beverages is recognized upon delivery to customers and is net of VAT.

   d. Miscellaneous Expenditure (to the extent not w/off)

      i Preliminary Expenses have been amortized as per Section 35D of the Income Tax Act, 1961.

ii Miscellaneous Expenses (Stamping & Registration Charges paid on conducting agreement) has been amortized from 1st April, 2006 over a period of 120 months.

e. Retirement Benefits

i Contribution to defined contribution schemes such as provident fund and pension fund are charged to profit & loss account as incurred.

ii The provision for present liability of future payments of gratuity has been made on actuarial valuation as per revised AS – 15 issued by I.C.A.I.

2. The Company has entered into a Business Conducting agreement dated 30.09.2004 with the owner of the Multiplex Theatre M/s. Grauer & Weil India Limited whereby the owner have allotted Multiplex area to the Company to set up the business of Multiplex with a right to Conduct, Manage & Operate Multiplex Theatre for a period of 10 years.

3.

a. Value of imports calculated on C.I.F. basis by the company during the financial year – NIL

b. Expenditure in foreign currency during the financial year - NIL.

c. Amount remitted during the year in foreign currency on account of Dividend – NIL.

4. Previous year's figures have been regrouped, rearranged, reclassified & re-casted and shown to the nearest rupees where necessary to confirm to the current quarter's classification.

5. Sundry Loans & Advances includes Rs. NIL due from Companies/Firms in which one or more Directors are interested as Director/Partner – (Previous Year Rs. 15,70,000/-) Maximum Debit Balance due during the quarter Rs.15,70,000/- (Previous Year Rs. 15,70,000/-)

6. Balances of Sundry Debtors, Sundry Creditors and Loans & Advances are subject to confirmations, reconciliation & consequential adjustment, if any.

7. Stocks of Foods & Beverages are valued at lower of cost or net realizable value.

8. Based on the available information with the management, the Company does not owe any sum to a small scale industrial undertaking as defined in clause (j) to section 3 of the Industries (Development and Regulation) Act, 1951.

9. The Current Assets, Loans & Advances are stated at the value, which in the opinion of the Board, are realizable in the ordinary course of the business. Current Liabilities & Provisions are stated at the value payable in the ordinary course of the business.

10. Amount Payable to Auditors: -

	Current Quarter	Previous Year
As Audit Fees	NIL	28,060/-
As Professional Fees	NIL	18,816/-

11. Expenditure in respect of Employees who is in receipt of remuneration aggregating to

a. Not less than Rs. 2400000/-p.a. throughout the year – NIL.

b. Not less than Rs. 200000/- p.m. if employed for a part of the year – NIL.

12. In accordance with the mandatory accounting standard on "Accounting for taxes on Income" (AS 22) issued by the I.C.A.I., the Company has provided for deferred tax. This change in the Accounting Policy has resulted in Net Deferred Tax credit of Rs. 2,71,922/- for the quarter and the net loss for the quarter is lower by the same amount.

The breakup of Net Deferred Tax is as under: -

Particulars	**As at June 30, 2006**
Opening Balance as on 01/04/2006 **Add:-** Deferred tax assets on account of : - • Net Loss as per Income Tax	21,70,366 4,67,335
Total Deferred Tax Assets	26,37,701
Less: - Deferred tax liabilities on account of timing differences in: - • Book and Income Tax Depreciation	 1,95,413
Total Deferred Tax Liabilities	1,95,413
Deferred Tax Assets (Net)	24,42,288

a. The Accounting Standard 17 regarding Segment Reporting as issued by I.C.A.I which is applicable to enterprise, which is listed as well as unlisted enterprises having annual turnover exceeding Rs. 50 crores is not applicable to the company. However the company is only in the business of running of Multiplex theatre.

13. Term Loan taken from Canara Bank is secured against:

a) Hypothecation of Theatre Equipments, Plants, Machinery, Furniture, Fixtures & Interiors installed at Multiplex Theatre at "Growell Plaza", Kandivali (East), Mumbai.

e) First Charge over the Office Premises at 501, Business Point, 5th Floor, W.E. Highway Andheri (E), Mumbai – 69 owned by M/s. Kanakia Construction Pvt. Ltd., entities under common control or significant influence.

f) Personal Guarantee of Rasesh Kanakia & Himanshu Kanakia, Directors of Company.

g) Corporate Guarantee given by M/s. Kanakia Construction Pvt. Ltd., entities under common control or significant influence.

14. In accordance with the requirement of Accounting Standard 18 i.e. Related party Disclosures issued by the Institute of Chartered Accountants of India, the details of related party transaction are given below: -

a. List of related parties: -

Nature of relationship	Name of related parties
Holding Company	1. Cinemax Cinemas (India) Pvt. Ltd. through Growel Entertainment Pvt. Ltd.
Entities under Common control or Significant Influence	1. Vista Entertainment Pvt. Ltd 2. Kanakia Construction Pvt. Ltd. 3. Kanakia Properties Pvt. Ltd. 4. Kanakia Finance and Investment Pvt. Ltd. 5. Kanakia Housing Pvt. Ltd. 6. Kanakia Gruhnirman Pvt. Ltd. 7. Vrusti Builders Pvt. Ltd. 8. Evergreen Homemakers Pvt. Ltd. 9. Indicon Developers Pvt. Ltd. 10. Kanakia Hospitality Pvt. Ltd. 11. Kanakia Medical Services Pvt. Ltd. 12. Supreme Real Estate Developers Pvt. Ltd. 13. Gupta Infrastructure (I) Pvt. Ltd. 14. Evergreen Financial Services 15. R & H Amusement & Games Pvt. Ltd.
Key Management Personnel	1. Rasesh B. Kanakia 2. Himanshu B. Kanakia
Relatives of Key Management Personnel	1. Babubhai Kanakia 2. Rupal Kanakia 3. Hiral Kanakia

b. Transaction with related parties: -

Nature of Transaction	Holding Company	Entities under Common Control or Significant Influence	Key Management Personnel	Relatives of key Management Personnel
Balance as on April 1, 2006	2,94,70,967/-	(15,70,000/-)	4,95,000/-	45,000/-
Advances given	17,13,155/-	21,21,000/-	----	----
Advances received	10,00,000/-	89,25,000/-	30,35,000/-	----
Balance as on June 30, 2006				
Debit Balance	----	----	----	----
Credit Balance	2,87,57,812/-	52,34,000/-	35,30,000/-	45,000/-

15. Earning Per Share:

	Quarter ended June 30, 2006	Year ended March 31, 2006
Net Profit after Tax	(1,66,564)	(64,47,909)
Weighted Average Number of Shares	10,020	10,020
Earning Per Share-Basic & Diluted		

	N.A.	N.A.
Face Value Per Share	Rs. 10	Rs. 10

Growel Entertainment Private Limited

Annexure XXX

Summary of Assets and Liabilities, As Restated

Rupees in Millions

Particulars	**As at June 30, 2006**
FIXED ASSETS	
Gross Block	-
Less: Depreciation	-
Net Block	**-**
Capital Work In Progress	-
INVESTMENTS	**0.04**
CURRENT ASSETS, LOANS AND ADVANCES	
Sundry Debtors	-
Inventories	-
Cash and Bank Balances	0.01
Loans and Advances	-
	0.01
Total (A)	**0.05**
LIABILITIES AND PROVISIONS	
Secured Loans	-
Unsecured Loans	-
Current Liabilities	-
Provisions	-
Deferred Tax Liability (Net)	-
Total (B)	**-**
NET WORTH (A) – (B)	**0.05**
REPRESENTED BY	
Share Capital	0.10
Share Application money Pending Allotment	-
Reserves & Surplus	-
Less:	
Miscellaneous Expenditure	0.05
Debit balance in Profit and loss account	-
NET WORTH	**0.05**

Growel Entertainment Private Limited

Annexure XXX

Summary of Profit and Loss Account, As Restated

Rupees in Millions

Particulars	**For the quarter ended June 30, 2006**
INCOME	
Operating Income	-
Other Income	-
TOTAL	**-**
EXPENDITURE	
Operating Expenses	-
Employees Remuneration and Benefit	-
Administrative and Selling Expenses	-
Provision for doubtful debts	-
Preliminary Expenses Written Off	-
Financial charges	-
Depreciation	-
TOTAL	**-**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**-**
Add/(Less): Deferred Tax Income	-
Add(less): Taxes related to earlier years	-
Less: Prior period items	-
PROFIT BEFORE TAX	**-**
Provision For Income Tax	-
Deferred Tax – charge/ (revenue)	-
Provision For Wealth Tax	-
Provision For Fringe Benefit Tax	-
PROFIT AFTER TAX	**-**
ADJUSTMENTS	
Impact of material adjustment for restatement in corresponding years (See Annexure III)	**-**
Adjusted Net profit	**-**
Balance brought forward from Previous Year	

Particulars	For the quarter ended June 30, 2006
BALANCE CARRIED OVER TO BALANCE SHEET	**-**

Notes attached to and forming part of Accounts for the Quarter ended June 30, 2006.

1. Significant Accounting Policies: -

    a. Basis of Accounting: -

        i. The Financial Statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the Historical Cost Convention on the accrual basis of accounting and comply with the mandatory accounting standards and statements issued by I.C.A.I. and the provision of the Companies Act, 1956.

Annexure XXXI

Limited Review Report on
Proforma Combined Financial Statements

To the Board of Directors of
Cinemax India Limited
(Formerly known as Cinemax Cinemas (India) Private Limited)

1. We have reviewed the accompanying proforma combined financial statements ('proforma financial statements') of Cinemax India Limited (formerly known as Cinemax Cinemas (India) Private Limited)('the Company') for the two years ended March 31, 2006. These proforma financial statements comprise of proforma combined balance sheet as on March 31, 2005 and 2006 and the proforma combined profit and loss account for the two years ended March 31, 2006 and the related notes thereon. The proforma financial statements include effect of consolidation based on an assumption that all the companies in the Group which are in the business of film exhibition are the subsidiaries of the Company from April 1, 2004. The proforma adjustments reflecting the said transactions are described in Note 1 to **Annexure 'XXXII'**.

2. The pro forma adjustments have been applied by the management to the historical amounts in the attached standalone historical financial statements of the Company attached to the proforma financial statements. These historical financial statements are derived from the historical audited financial statements for the two years ended March 31, 2006. The proforma adjustments are based on management's assumptions and principles of consolidation as described in Note 1 (g) to **Annexure 'XXXII'**.

3. The management of the Company is responsible for preparation and presentation of proforma financial statements of the Company. This includes:

    - Identifying components viz. the entities to be consolidated, and including the financial information of the components in the proforma financial statements;

    - Issuing instructions to the management of resulting subsidiaries specifying the Company's requirements relating to financial information of the components to be included in the proforma financial statements;

    - Obtaining accurate and complete financial information from components;

    - Use of appropriate consolidation procedures; and

    - Making appropriate consolidation adjustments.

4. We did not audit the financial statements of resultant subsidiaries, viz. Vista Entertainment Private Limited, Kanakia Creators Private Limited, Kanakia Shelters Private Limited, Rupam Private Limited, Hariyash Theatres Private Limited, Vrushti Theatres Private Limited, Cineline Cinemas (India) Private Limited and Cineline Multiplex Theatres (India) Private Limited for the two years ended March 31, 2006, whose financial statements were audited by other auditors and we have relied upon these audited financial statements duly restated for the purpose of consolidation and performing limited review. These restated financial statements reflect total assets of Rs. 477.70 million as at March 31, 2006, Rs. 399.26 million as at March 31, 2005, total revenue of Rs. 307.19 million for the year ended March 31, 2006, Rs. 190.80 million for the year ended March 31, 2005. Further, we did not audit the financial statements of the

Company for the year ended March 31, 2005, whose financial statements were audited by other auditors and we have relied upon these audited financial statements duly restated for the purpose of consolidation and performing limited review. These restated financial statements reflect total assets of Rs. 551.81 million as at March 31, 2005 and total revenue of Rs. 154.69 million for the year ended March 31, 2005. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.

5. A limited review of proforma financial statements consists principally of applying analytical procedures for financial data and making inquiries of company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is the expression of opinion on management's assumptions, the proforma adjustments and the application of those adjustments to historical financial information. Accordingly, we do not express such an opinion.

6. The objective of the proforma financial statements is to show what the significant effects on the historical financial statements might have been, had the transaction occurred at an earlier date. However, proforma financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained, had the above mentioned transaction actually occurred earlier.

7. Based on limited review carried out by us of the proforma financial statements, nothing came to our attention that causes us to believe that management's assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction described in Note 1 to **Annexure 'XXXII'**, and that the related proforma adjustments do not give appropriate effect to those assumptions in the proforma financial statements for the year ended March 31, 2005 and March 31, 2006.

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

For RSM & Co.
Chartered Accountants

Vilas Y. Rane
Partner
Membership No.: F-33220

Mumbai:
Dated: September 18, 2006

Annexure XXXII

Proforma Combined Balance Sheet, As Restated

Rupees in Millions

Particulars	**As at March 31, 2005**	**As at March 31, 2006**
FIXED ASSETS		
Gross Block	510.31	603.60
Less: Depreciation	58.04	87.32
Net Block	**452.27**	**516.28**
Capital Work In Progress	**41.53**	**125.54**
GOODWILL ON COMBINATION	**0.20**	**0.20**
INVESTMENTS	**11.94**	**8.53**
DEFERRED TAX ASSETS (NET)	**-**	**2.92**
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	90.58	169.74
Sundry Debtors	12.35	37.85
Cash and Bank Balances	154.95	27.94
Loans and Advances	186.08	336.17
H.	**443.96**	**571.70**
Total (A)	**949.90**	**1225.17**
LIABILITIES AND PROVISIONS		
Secured Loans	290.21	493.54
Unsecured Loans	152.24	107.55
Current Liabilities	277.33	331.54
Provisions	13.47	38.98
Deferred Tax Liability (Net)	7.42	9.23
Total (B)	**740.67**	**980.84**
NET WORTH (A) – (B)	**209.23**	**244.33**
REPRESENTED BY		
Share Capital	60.00	60.00
Capital Reserves	85.08	42.41
Reserves & Surplus	65.18	141.97
Interest of Other Shareholder in Group	0.14	0.14
Less: Miscellaneous Expenditure	**1.17**	**0.19**
NET WORTH	**209.23**	**244.33**

Annexure XXXII

Proforma Combined Profit and Loss account, As Restated

Rupees in Millions

Particulars	For the year ended March 31, 2005	For the year ended March 31, 2006
INCOME		
Operating Income	336.89	723.34
Other Income	8.60	22.44
TOTAL	**345.49**	**745.78**
EXPENDITURE		
Operating Expenses	167.68	446.56
Employees Remuneration and Benefits	18.14	29.60
Administrative and Selling Expenses	48.02	95.62
Provision for doubtful debts	-	-
Preliminary Expenses Written Off	0.09	-
Financial charges	9.92	40.59
Depreciation	21.84	29.27
TOTAL	**265.69**	**641.65**
PROFIT BEFORE PRIOR PERIOD ADJUSTMENTS, EXTRAORDINARY ITEMS AND TAX	**79.80**	**104.13**
Add/Less: Taxes related to earlier years		
Less: Prior period items		
PROFIT BEFORE TAX	**79.80**	**104.13**
Provision For Income Tax	12.38	27.81
Deferred Tax Expenses / (Income)	5.21	(1.11)
Provision For Wealth Tax	-	-
Provision For Fringe Benefit Tax	-	0.64
PROFIT AFTER TAX	**62.21**	**76.79**
Add: Profit /(Loss) brought forward from previous year	**2.97**	**65.18**
BALANCE CARRIED OVER TO BALANCE SHEET	**65.18**	**141.97**

Annexure XXXIII

Schedules forming part of Proforma Combined Balance Sheet and Profit and Loss Account for the two years ended March 31, 2006

Notes on Accounts

1. **Principles and assumptions used for proforma combined financial statements and proforma adjustments**

   a) The proforma combined financial statements have been prepared substantially applying the principles laid in the Accounting Standard (AS) 21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India as considered appropriate for the purposes of these proforma combined Balance Sheet, and Profit and Loss Account, together referred to in as 'proforma financial statements'. However, the proforma financial statements do not include disclosures relating to combined cash flow statement.

   b) Following are the companies whose restated accounts have been considered for the proforma financial statements.

   Cinemax India Limited ('the Company' or 'the holding company') shareholding in the following companies ('resultant subsidiaries) as on March 31, 2005 and March 31, 2006 are as under:

Name of the subsidiary companies	*March 31, 2005*		*March 31, 2006*	
	No. of shares	*% of holding*	*No. of shares*	*% of holding*
Vista Entertainment Private Limited	101,000	100.00	101,000	100.00
Kanakia Creators Private Limited	-	-	43,000	100.00
Kanakia Shelters Private Limited	-	-	43,000	100.00
Rupam Private Limited	-	-	200	100.00
Hariyash Theatres Private Limited	-	-	4,000	100.00
Vrushti Theatres Private Limited	-	-	10,000	100.00
Cineline Cinemas (India) Private Limited *	-	-	18,020	36.04
Cineline Multiplex Theatres (India) Private Limited	-	-	3,000,000	100.00

* The wholly owned subsidiary companies of the Company hold 35.60% of shares in this company, aggregating to 71.64% along with the shares held by the Company for the year ended March 31, 2006.

c) The shareholding of Cineline Cinemas (India) Private Limited (subsidiary) as on March 31, 2005 and March 31, 2006 are as under:

Name of the shareholders	***March 31, 2005***		***March 31, 2006***	
	No. of shares	***% of holding***	***No. of shares***	***% of holding***
Kanakia Creators Private Limited	3,550	7.10	3,550	7.10
Kanakia Shelters Private Limited	3,550	7.10	3,550	7.10
Rupam Private Limited	3,600	7.20	3,600	7.20
Hariyash Theatres Private Limited	3,550	7.10	3,550	7.10
Vrushti Theatres Private Limited	3,550	7.10	3,550	7.10
Cinemax India Limited	-	-	18,020	36.04
Kanakia Finance and Investment Private Limited	3,545	7.09	3,545	7.09
Kanakia Gruhnirman Private Limited	3,545	7.09	3,545	7.09
Kanakia Housing Private Limited	3,545	7.09	3,545	7.09
Vrushti Builders Private Limited	3,545	7.09	3,545	7.09
Rasesh B. Kanakia	4,500	9.00	-	-
Himanshu B. Kanakia	4,500	9.00	-	-
Rupal R. Kanakia	4,410	8.82	-	-
Hiral H. Kanakia	4,410	8.82	-	-
Babubhai Kanakia	200	0.40	-	-
Total	**50,000**	**100.00**	**50,000**	**100.00**

For the purpose of combination, the companies stated in Note 1 (b) above, which are in the business of film exhibition are considered as part of the Group. Although all the subsidiary companies, other than Vista Entertainment Private Limited, became subsidiaries of the Company during December 2005; for the purposes of combination, it has been assumed that all the above said companies in the Group have become subsidiary of the Company w.e.f. April 1, 2004.

d) Basis of preparation of proforma financial statements

The proforma financial statements are prepared under the historical cost convention, on accrual basis of accounting and in conformity with the accounting principles generally accepted in India.

The preparation of proforma financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of proforma financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to accounting estimates is recognized in the current and future periods.

e) Principles of proforma financial statements

The proforma financial statements relate to the Company and its subsidiaries. The proforma financial statements have been prepared in accordance with the principles and procedures required for the preparation and presentation of financial statements as laid down under the accounting standards issued by the Institute of Chartered Accountants of India. The restated audited financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like assets, liabilities, income and expenses after fully eliminating intra-group balances and transactions and resulting unrealized gain/losses. The Group accounts for investments by equity method of accounting where it is able to exercise significant influence over the operating and financial policies of the investee.

The proforma financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

f) The proforma financial statements is prepared by consolidating in the stand alone financial statements of the Company, the:

   i) Financial statements of Vista Entertainment Private Limited based on investment criteria and the financial statements of Kanakia Creators Private Limited, Kanakia Shelters Private Limited, Rupam Private Limited, Hariyash Theatres Private Limited, Vrushti Theatres Private Limited, Cineline Cinemas (India) Private Limited and Cineline Multiplex Theatres (India) Private Limited based on the criteria of control for the year ended March 31, 2005, although the Company acquired the shares in December 2005.

   ii) Financial statements of all the above companies based on the investment criteria for the year ended March 31, 2006.

g) Accounting assumptions made for restated proforma financial statements:

   i) It has been assumed that all the companies mentioned in Note 1(b) above have become subsidiaries as on April 1, 2004.

   ii) The accounts of the above said companies have been restated to comply with the uniform accounting policy of the holding company relating to the accounting of depreciation.

   iii) The difference between the cost of investment made by the Company in Vista Entertainment Private Limited during the year ended March 31, 2005 and the net worth in this company as calculated as on April 1, 2004 have been accounted as Goodwill. In respect of other companies where no investments have been made in these companies during the year ended March 31, 2005, the cost of investments has been considered as Nil and accordingly, the difference is accounted as Capital Reserve.

   iv) The cost of investments made by the Company in these companies during the year ended March 31, 2006 have been adjusted against the opening Capital Reserve, as worked out in point (iii) above.

   v) The investments aggregating to Rs. 141,800 (representing 14,180 shares) in Cineline Cinemas (India) Private Limited made by the directors, relatives of directors and the other companies in which the directors hold substantial interest have been considered as the Group investments and not treated as minority interest. This has been disclosed as 'Interest of other shareholders in Group' in the financial statements.

2. Entities used for proforma combination

The entities considered in the consolidated financial statements are:

Name of the entity

Resulting subsidiaries and their downstream subsidiaries (for the year ended March 31, 2005 and 2006):

Vista Entertainment Private Limited
Kanakia Creators Private Limited
Kanakia Shelters Private Limited
Rupam Private Limited
Hariyash Theatres Private Limited
Vrushti Theatres Private Limited
Cineline Cinemas (India) Private Limited
Cineline Multiplex Theatres (India) Private Limited

3. Summary of significant accounting policies

a) Fixed assets and Depreciation

Fixed assets, both tangible and intangible, are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction. Interest on borrowings, to finance acquisition of fixed assets during construction period is capitalized.

Depreciation on fixed assets is provided on the straight line method at the rates specified under Schedule XIV of the Companied Act, 1956.

b) Investments

Long-term investments are shown at cost. Provision for diminution in the value of investments is made to recognize a decline of a permanent nature. Current investments are carried at the lower of cost and fair value as at the balance sheet date.

c) Inventories

Stocks of foods and beverages are valued at the lower of cost or net realizable value.

Stocks from realty business are valued at the lower of cost or net realizable value.

Construction work-in-progress, including stock of materials, is carried at cost. Cost includes materials, cost of land, direct expenses, interest and attributable overheads. Cost of materials is arrived at on first-in-first-out basis.

d) Revenue recognition

i) Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Amount of Value added tax and service tax collected on generating operating revenue has been shown as a reduction from the operating revenue.

ii) Revenue from sale of tickets of films is recognised as and when the film is exhibited and is inclusive of entertainment tax.

iii) Revenue in respect of realty development activities is recognized upon the transfer of significant risks and rewards to the buyer in terms of the underlying sale agreement/letter of allotment, provided it is not unreasonable to expect ultimate collection.

iv) Revenue from sale of foods and beverages is recognised upon passage of title to customers, which coincides with their delivery and is net of refund, discounts, complimentary and VAT.

v) Advertisement revenue is recognised as and when advertisements are displayed at the cinema hall and are net of service tax.

vi) Interest revenue is recognised on a time basis, taking into account the amount outstanding and the rates applicable.

vii) Revenue from rent is recognised based upon the agreement, for the period the property has been let out.

e) Borrowing Costs

Borrowing costs incurred on constructing or acquiring a qualifying asset (including real estate projects) are capitalized as cost of that asset/projects until it is ready for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue and recognized as an expense in the Profit and Loss account.

f) Retirement benefits

Contribution to defined contribution schemes such as provident fund and pension fund are charged to profit and loss account as incurred.

The provision for present liability of future payments of gratuity has been made on actuarial valuation.

g) Miscellaneous Expenditure

Miscellaneous expenditure such as share issue expenses are written off over the period of five years.

h) Taxes on income

Current tax is ascertained on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognized on timing differences between accounting income and taxable income, which arise in an accounting period and are capable of reversal in later periods. Deferred tax assets are recognized when there is reasonable certainty of realization; in case of carry forward depreciation / business losses, deferred tax assets are recognized only where there is virtual certainty that the Company will have sufficient future taxable income against which the losses /depreciation can be set off. Deferred tax assets / liabilities are reviewed at each balance sheet date.

i) Assets taken on Lease (Hire Purchase)

Assets taken on finance lease (including on hire purchase) on or after 1st April 2001 are accounted in accordance with Accounting Standard 19 on Leases, issued by The Institute of Chartered Accountants of India (ICAI). Lease payments are apportioned between finance charges and reduction of outstanding liabilities.

j) Provisions, contingent liabilities and contingent assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosing in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

Annexure XXXIII

Limited Review Report on
Proforma Combined Financial Statements

To the Board of Directors of
Cinemax India Limited
(Formerly known as Cinemax Cinemas (India) Private Limited)

1. We have reviewed the accompanying proforma combined financial statements ('proforma financial statements') of Cinemax India Limited (formerly known as Cinemax Cinemas (India) Private Limited)('the Company') for the quarter ended June 30, 2006. These proforma financial statements comprise of proforma combined balance sheet as on June 30, 2006 and the proforma combined profit and loss account for the quarter ended June 30, 2006 and the related notes thereon. The proforma financial statements include effect of consolidation based on an assumption that all the companies in the Group which are in the business of film exhibition are the subsidiaries of the Company. The proforma adjustments reflecting the said transactions are described in Note 1 to **Annexure XXXIV**.

2. The proforma adjustments have been applied by the management to the historical amounts in the attached standalone historical financial statements of the Company attached to the proforma financial statements. These historical financial statements are derived from the historical audited financial statements for the quarter ended June 30, 2006. The proforma adjustments are based on management's assumptions and principles of consolidation as described in Note 1 (vi) to **Annexure XXXIV**.

3. The management of the Company is responsible for preparation and presentation of proforma financial statements of the Company. This includes:

   - Identifying components viz. the entities to be consolidated, and including the financial information of the components in the proforma financial statements;

   - Issuing instructions to the management of resulting subsidiaries specifying the Company's requirements relating to financial information of the components to be included in the proforma financial statements;

   - Obtaining accurate and complete financial information from components;

   - Use of appropriate consolidation procedures; and

   - Making appropriate consolidation adjustments.

4. We did not audit the financial statements of the subsidiaries and the resultant subsidiaries, viz. Vista Entertainment Private Limited, Growel Entertainment Private Limited and Nikmo Finance Private Limited for the quarter ended June 30, 2006, whose financial statements were audited by other auditors and we have relied upon these audited financial statements for the purpose of consolidation and performing limited review. These restated financial statements reflect total assets of Rs. 208.37 million as at June 30, 2006 and total revenue of Rs. 73.96 million for the period ended June 30, 2006. These financial statements and other financial information have been

audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.

5. A limited review of proforma financial statements consists principally of applying analytical procedures for financial data and making inquiries of company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is the expression of opinion on management's assumptions, the proforma adjustments and the application of those adjustments to historical financial information. Accordingly, we do not express such an opinion.

6. The objective of the proforma financial statements is to show what the significant effects on the historical financial statements might have been, had the transaction occurred at an earlier date. However, proforma financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained, had the above mentioned transaction actually occurred earlier.

7. Based on limited review carried out by us of the proforma financial statements, nothing came to our attention that causes us to believe that management's assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction described in Note 1 to **Annexure XXXIV**, and that the related proforma adjustments do not give appropriate effect to those assumptions in the proforma financial statements for the period ended June 30, 2006.

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

For RSM & Co.
Chartered Accountants

Vilas Y. Rane
Partner
Membership No.: F-33220

Mumbai:
Dated: September 18, 2006

Annexure XXXIV

Proforma Combined Balance Sheet

Rupees in Millions

Particulars	As at June 30, 2006
FIXED ASSETS	
Gross Block	808.39
Less: Depreciation	99.87
Net Block	**708.52**
Capital Work In Progress	**11.85**
GOODWILL ON AMALGAMATION	**18.13**
GOODWILL ON COMBINATION	**4.61**
INVESTMENTS	**8.02**
CURRENT ASSETS, LOANS AND ADVANCES	
Inventories	132.77
Sundry Debtors	54.55
Cash and Bank Balances	15.92
Loans and Advances	389.90
I.	**593.14**
Total (A)	**1344.27**
LIABILITIES AND PROVISIONS	
Secured Loans	635.19
Unsecured Loans	182.62
Current Liabilities	186.50
Provisions	47.40
Deferred Tax Liability (Net)	34.65
Total (B)	**1086.36**
NET WORTH (A) – (B)	**257.91**
REPRESENTED BY	
Share Capital	151.70
General Reserves	57.50
Profit & Loss	52.44
Less: Miscellaneous Expenditure	3.73
NET WORTH	**257.91**

Annexure XXXIV

Proforma Combined Profit and Loss Account

Rupees in millions

Particulars	**For the period ended June 30, 2006**
INCOME	
Operating Income	256.38
Other Income	3.43
TOTAL	**259.81**
EXPENDITURE	
Operating Expenses	145.75
Employees Remuneration and Benefits	14.41
Administrative and Selling Expenses	41.82
Interest	12.51
Depreciation	11.43
Amortization of goodwill	0.95
TOTAL	**226.87**
PROFIT BEFORE TAX	**32.94**
Provision For Income Tax (including wealth tax)	6.47
Deferred Tax Expenses / (Income)	4.96
Provision For Fringe Benefit Tax	0.30
PROFIT AFTER TAX	**21.21**
Add: Profit /(Loss) brought forward from previous year	**121.24**
Balance available for appropriation	**142.45**
Less: Proposed Preference Dividend & Tax thereon	**0.01**
Less: Amount utilized for bonus shares issued	**90.00**
BALANCE CARRIED OVER TO BALANCE SHEET	**52.44**

Schedules forming part of Proforma Combined Balance Sheet and Profit and Loss Account for the period ended June 30, 2006

Notes on Accounts

1. Principles and assumptions used for proforma combined financial statements and proforma adjustments

i.) The proforma financial statements have been prepared substantially applying the principles laid in the Accounting Standard (AS) 21 Consolidated Financial Statements issued by the Institute of Chartered Accountants of India as considered appropriate for the purposes of these proforma combined Balance Sheet and, Profit and Loss Account, together referred to in as 'proforma financial statements'. The proforma financial statements for the period ended June 30, 2006 does not include disclosures relating to combined cash flow statement.

ii.) Following are the companies whose accounts have been considered for the proforma financial statements.

Cinemax India Limited ('the Company' or 'the holding company') shareholding in the following companies ('subsidiaries') as on June 30, 2006:

Name of the subsidiary companies	*June 30, 2006*	
	No. of shares	*% of holding*
Vista Entertainment Private Limited	101,000	100
Growel Entertainment Private Limited	10,000	100
Nikmo Finance Private Limited *	10,020	100

* The shares of Nikmo Finance Private Limited are wholly held by Growel Entertainment Private Limited which is the wholly owned subsidiary of the Company.

For the purpose of combination, the companies stated in Note 1(ii) above, which are in the business of film exhibition, are considered as part of the Group.

iii.) Basis of preparation of proforma financial statements

The proforma financial statements are prepared under the historical cost convention, on accrual basis of accounting and in conformity with the accounting principles generally accepted in India.

The preparation of proforma financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of proforma financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Any revision to accounting estimates is recognized in the current and future periods.

iv.) Principles of proforma financial statements

The proforma financial statements relate to the Company and its subsidiaries. The proforma financial statements have been prepared in accordance with the principles and procedures required for the preparation and presentation of financial statements as laid down under the accounting standards issued by the Institute of Chartered Accountants of India. The audited financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like assets, liabilities, income and expenses after fully eliminating intra-group balances and transactions and resulting unrealized gain/losses. The Group accounts for investments by equity method of accounting where it is able to exercise significant influence over the operating and financial policies of the investee.

The proforma financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

Where the cost of the investment is higher than the net worth of the subsidiary at the time of acquisition the resulting difference is treated as Goodwill. Similarly where the cost of the investment is lower than the net worth of the subsidiary at the time of acquisition the resulting difference is treated as Capital Reserve.

v.) The proforma financial statements are prepared by consolidating in the stand alone financial statements of the Company, the:

i) Financial statements of Vista Entertainment Private Limited, Growel Entertainment Private Limited and Nikmo Finance Private Limited.
ii) Financial statements of all the above companies based on the investment criteria for the period ended June 30, 2006.

vi.) Accounting assumptions made for restated proforma financial statements:

i.) It has been assumed that Vista Entertainment Private Limited has become subsidiary as on April 1, 2004.

ii.) The difference between the cost of investment made by the Company in Vista Entertainment Private Limited during the year ended March 31, 2005 and the net worth in this company as calculated as on April 1, 2004 have been accounted as Goodwill. In respect of other companies where investments have been made during the period ended June 30, 2006, the difference between the cost of investments and the net worth of these subsidiary companies has been accounted as Goodwill or Capital Reserve as the case may be.

2. Entities used for proforma combination

The entities considered in the consolidated financial statements are:

Name of the entity

Resulting subsidiaries and their downstream subsidiaries (for the period ended June 30, 2006):

Vista Entertainment Private Limited
Growel Entertainment Private Limited
Nikmo Finance Private Limited

3. Scheme of Amalgamation

Scheme of Amalgamation ('SOA') of Rupam Private Limited, Hariyash Theatres Private Limited, Kanakia Shelters Private Limited, Kanakia Creators Private Limited, Vrushti Theatres Private Limited, Cineline Multiplex Theatres (India) Private Limited (wholly owned subsidiaries) and Cineline Cinemas (India) Private Limited (together referred to as 'the amalgamating companies'), with Cinemax India Limited ('the Company').

a) Pursuant to the Scheme of Amalgamation of the amalgamating companies with the Company, under the provisions of Section 391 to 394 of the Companies Act, 1956 which was approved by the shareholders of the amalgamating companies and the Company, and subsequently sanctioned by the Honorable High Court of Mumbai on April 28, 2006, the entire business undertaking along with assets and liabilities of the amalgamating companies were transferred to and vested in the Company with effect from April 1, 2006, being the 'Appointed Date'. The copy of the High Court order was filed with the Registrar of Companies, Maharashtra on May 18, 2006, being the 'Effective Date' on which date the SOA became effective and the amalgamating companies have been dissolved without being wound up.

b) All the amalgamating companies were in the businesses of cinema exhibition. However, Hariyash Theatres Private Limited was also into the business of property development.

c) As all the above mentioned amalgamating companies except for Cineline Cinemas (India) Private Limited were wholly owned by the Company, no shares were exchanged to effect the amalgamation. In respect of Cineline Cinemas (India) Private Limited, 71.64 % of the equity share capital was collectively held by the Company and its wholly owned subsidiaries, Upon the Scheme becoming effective, the remaining shareholders holding 14,180 equity shares of Rs.10 each constituting 28.36 % of the equity share capital were allotted 12 preference shares of Rs.10/- each in the Company for every equity shares held in Cineline Cinemas (India) Private Limited.

d) The arrangement has been accounted for under the "purchase method" as prescribed by the SOA. Accordingly, all the assets and liabilities of the amalgamating companies have been transferred to and vested in the Company at their book values. Accordingly, the excess or shortfall of the net assets of the amalgamating companies and the face value of the preference share issued after adjusting the investments held by the Company in the amalgamating companies has been debited / credited to Goodwill/General reserve account respectively.

4. Summary of significant accounting policies

a. Fixed assets and Depreciation

Fixed assets, both tangible and intangible, are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction. Interest on borrowings, to finance acquisition of fixed assets during construction period is capitalized.

Depreciation on fixed assets is provided on the straight line method at the rates specified under Schedule XIV of the Companied Act, 1956.

Goodwill arising on account of the amalgamation is amortised over the period of 5 years.

ii.) Investments

Long-term investments are shown at cost. Provision for diminution in the value of investments is made to recognize a decline of a permanent nature. Current investments are carried at the lower of cost and fair value as at the balance sheet date.

iii.) Inventories

Stocks of foods and beverages are valued at the lower of cost or net realizable value.

Stocks from realty business are valued at the lower of cost or net realizable value.

Construction work-in-progress, including stock of materials, is carried at cost. Cost includes materials, cost of land, direct expenses, interest and attributable overheads. Cost of materials is arrived at on first-in-first-out basis.

iv.) Revenue recognition

i.) Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Amount of Value added tax and service tax collected on generating operating revenue has been shown as a reduction from the operating revenue.

ii.) Revenue from sale of tickets of films is recognised as and when the film is exhibited and is inclusive of entertainment tax.

iii.) Revenue in respect of realty development activities is recognized upon the transfer of significant risks and rewards to the buyer in terms of the underlying sale agreement/letter of allotment, provided it is not unreasonable to expect ultimate collection.

iv.) Revenue from sale of foods and beverages is recognised upon passage of title to customers, which coincides with their delivery and is net of refund, discounts, complimentary and VAT.

v.) Advertisement revenue is recognised as and when advertisements are displayed at the cinema hall and are net of service tax.

vi.) Interest revenue is recognised on a time basis, taking into account the amount outstanding and the rates applicable.

vii.) Revenue from rent is recognised based upon the agreement, for the period the property has been let out.

viii.) Borrowing Costs

v.) Borrowing costs incurred on constructing or acquiring a qualifying asset (including real estate projects) are capitalized as cost of that asset/projects until it is ready for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue and recognized as an expense in the Profit and Loss account.

vi.) Retirement benefits

Contribution to defined contribution schemes such as provident fund and pension fund are charged to profit and loss account as incurred.

The provision for present liability of future payments of gratuity and leave encashment has been made on actuarial valuation as per Revised Accounting Standard -15 issued by ICAI. In case of Vista Entertainment Private Limited and Nikmo Finance Private Limited, the company does not have a policy of leave encashment; hence no provisions have been made for the leave encashment.

vii.) Miscellaneous Expenditure

Share issue expenditure is written off over the period of five years.

viii.) Taxes on income

Current tax is ascertained on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognized on timing differences between accounting income and taxable income, which arise in an accounting period and are capable of reversal in later periods. Deferred tax assets are recognized when there is reasonable certainty of realization; in case of carry forward depreciation / business losses, deferred tax assets are recognized only where there is virtual certainty that the Company will have sufficient future taxable income against which the losses /depreciation can be set off. Deferred tax assets / liabilities are reviewed at each balance sheet date.

ix.) Assets taken on Lease (Hire Purchase)

Assets taken on finance lease (including on hire purchase) on or after 1st April 2001 are accounted in accordance with Accounting Standard 19 on Leases, issued by The Institute of Chartered Accountants of India (ICAI). Lease payments are apportioned between finance charges and reduction of outstanding liabilities.

x.) Provisions, contingent liabilities and contingent assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosing in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our unconsolidated audited restated financial statements for the fiscal years ended March 31, 2004, 2005 and 2006 including the Schedules, Annexure and Notes thereto and the Reports thereon which appear in the section titled "Financial Statements" beginning on page 3 of this Draft Red Herring Prospectus.

The aforesaid financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines as described in the Auditor's report of M/s RSM & Co., Chartered Accountants dated September 18, 2006 in the section titled "Financial Statements" beginning on page 3 of this Draft Red Herring Prospectus .

OVERVIEW

We are an emerging family entertainment centre focussed primarily on Exhibition and Gaming business with limited interests in mall development.

We are one of the largest Exhibition theatre chains in India operating 10 properties with 33 screens and 9,316 seats. We are a dominant player in Mumbai, which is home to the Hindi Film industry ('Bollywood') and accounts for approximately 15% of all-India Bollywood box-office collections. We own/control about 30 screens in Mumbai and Thane. We are also one of the largest owners of multiplex properties in India with 23 screens spread over 120,653 sq ft area, thus providing us lifetime access to the properties.

Our brand 'Cinemax' is one of the most recognizable film exhibition brands in the areas where we operate. Across our various Theatres we had 1.37 million patrons in Q1FY07 and 3.78 million patrons in FY06.

We are part of the Kanakia Group, which has a track record of over 20 years in real estate development. The group has developed over 5 million sq. ft. of Residential and Commercial real estate. As a result of a recent corporate restructuring, we presently own/ control all the movie exhibition businesses of the Kanakia Group. Our promoters experience in real estate helps us in identifying strategic locations at economical rates, and rapid and timely execution of projects with tight control on costs and quality.

Exhibition

Our exhibition chain is a combination of high-end multiplexes and budget retrofit single-screens. We believe in providing customer satisfaction through process enhancements and constant innovation in our services and facilities such as high comfort recliner seating arrangements in '*The Red Lounge*^{TM}', massage chairs, etc.

We opened our first multiple screen theatre at Sion, Mumbai in October 2000 and today, we believe, we are amongst the leading cinema exhibition companies in the country with 6 multiplexes, 2 multiple screen theatres and 2 single screen theatres aggregating 33 screens and 9,316 seats. Details of our facilities as on date are given below:

Location	Model	Type	Year	Screens	No. of seats
Goregaon	Owned	Multiple screen	December 1997	2	698
Kandivali	Owned	Single screen	February 1998	1	287
Andheri (East)	Owned	Single screen	August 1998	1	362
Sion*	Owned/Leased	Multiple Screen	October2000	5	827
Thane-Wondermall	Owned	Multiplex	December 2003	4	1,136
Mira Road	Owned	Multiplex	May 2004	3	1,018
Versova**	Leased	Multiplex	September 2005	6	1,671
Kandivili (East)**	Leased	Multiplex	April 2006	4	1,259
Thane - Eternity Mall	Owned	Multiplex	May 2006	4	1,056
Nashik	Owned	Multiplex	May 2004	3	1,002
Total				**33**	**9,316**

* * Out of the five screens present in the Multiplex, we own three screens and remaining two are operated by us pursuant to lease arrangements.
***: Business conducted through fully owned subsidiaries pursuant to business conducting agreements. For more details, refer to the section titled '"History and Certain Corporate Matters"' beginning on page 3 of this Draft Red Herring Prospectus.*

Having established ourselves in Mumbai, Thane and Nashik with 9,316 seats housed in 33 screens across 10 properties, we plan to expand our operations on a pan India basis across 28 locations in 11 states by the end of FY 2009. With our proposed expansion plan we intend to enhance our capacity aggregating to over 25,700 seats housed in 102 screens across 28 properties by the end of FY 2009. For details of the properties in respect of which we have entered into arrangements with third parties, see sub section titled, 'Our Business-Future Expansion Plans' on page 3 of this Draft Red Herring Prospectus.

Gaming
Our Gaming business which is currently operational under the brand name – '*Giggles- The Gaming Zone*TM*'* at Eternity Mall, Thane. It is spread over 13,000 sq ft of area and offers around 50 state-of – the –art games. We intend to open seven new gaming zones at different locations where our Multiplexes are present in India by fiscal 2009.

Mall Development
We have also developed over 200,000 sq feet of mall area at Eternity mall, Thane with anchor tenants -Cinemax, Giggles, Globus, Planet M, Metro, Bon Bon Shoes, My Dollar Store and Archies Gallery .Our mall devlopment business is limited to the development of Nagpur mall and development of the balance FSI available at Eternity Mall phase 2, Thane. We are currently, developing a mall at Nagpur with over 100,000 sq ft of area and 30,000 sq. ft. of area at Eternity mall, Thane (phase 2) which are expected to be operational by FY07 and FY—08 respectively. Except the above mentioned projects, currently we do not have any proposed mall development plans.

Factors affecting our financial results

Our business is subject to various risks and uncertainties, including those discussed in the section titled "Risk Factors" beginning on page iii of this Draft Red Herring Prospectus. Some of the important factors that have affected and we expect will continue to affect, our results of operations, financial condition and cash flows are discussed below

REVENUES

Operating revenues have been classified separately for our Exhibition and Mall Development Business as follows:

Exhibition business

- Box office revenues/Ticket Revenues – These revenues are generated from sales of ticket at theatre and are a factor of the number of patrons and the average ticket price. Pricing of a ticket depends on various factors such as location of the theatre/multiplex, duration of the exhibition (no. of weeks the movie runs on a screen) show timing, seating arrangement, whether the day is a weekday or weekend and movie popularity.
- Food & Beverages (F&B) Revenues – These revenues are generated from sale of food and beverages at our food counters. Profit margins for F&B revenues are relatively higher as compared to box office revenues.
  - Revenue share from concessionaires: We have allowed various entities (concessionaires) to use a part of our lobby space for certain F&B business thereby enabling higher utilization of space and varied offerings to our patrons.
- Advertising Revenues – These revenues are generated from on-screen advertising, displays inside the multiplex/theatre, promotional kiosks, etc.

Mall Development business

- Sale of commercial space: We sell space on outright basis wherein the entire sale value would become our revenue.
- Lease Rentals – Lease rentals are annuity income, which accrue to us for space leased out to retail players. Lease agreements typically have a tenure of 3 years.
- Parking Charges – We develop a separate parking facility at our malls and charge the visitors for the same. The amount charged for parking facility varies for different malls.
- Advertising Revenue – These revenues are generated from signage within and outside the mall.

Growth in Box office revenue and F&B revenue

Our total income is primarily affected by the number of patrons that visit our cinemas, our occupancy rate, our average ticket price, and our F&B revenue per patron. The following table sets forth certain key financial, operating and statistical information for our business:

Particulars	**Quarter ended June 30, 2006***	**Year ended March 31, 2006**	**% Growth**	**Year ended March 31, 2005**	**Year ended March 31, 2004(10)**
Number of multiplexes	4	2	-	2	1
Number of Single Screens	4	-	-	-	-
Number of screens	23	7	-	7	4
Number of seats	6386	2154	-	2154	1136
Number of patrons (million)	0.94	1.22	(8.96)	1.34	0.24
Total number of screenings	8986	12,569	6.30	11,824	2,145
No. of operating days per multiplex	84	365	-	350	116
No. of shows per day per multiplex(1)	4.65	4.92	-	4.83	4.62

Particulars	Quarter ended June 30, 2006*	Year ended March 31, 2006	% Growth	Year ended March 31, 2005	Year ended March 31, 2004(10)
Number of session seats(2)(million)	8.11	13.66	5.97	12.89	2.44
Box office revenue (3) (Rs. in million)	97.82	137.75	11.70	123.32	21.56
Box office revenue per patron(4) (Rs.) *(a)*	104.06	112.91	22.69	92.03	89.83
F&B Revenue (5) (Rs. in million)	21.75	25.30	(0.43)	25.41	4.44
F&B Revenue per Patron (6) (Rs.) *(b)*	23.14	20.74	9.39	18.96	18.50
Advertising & Rental Revenue (Rs. in million) (7)	6.11	7.95	171.33	2.93	0.61
Advertising & Rental revenue per patron (Rs.) (8) *(c)*	6.50	6.52	197.72	2.19	2.54
Other operating exhibition revenue (Rs. in million)	1.58	0.41	41.38	0.29	-
Total revenue (Rs. in million)	127.26	171.42	12.81	151.95	26.61
Total revenue per patron (Rs.) *(a+b+c)*	133.70	140.17	23.85	113.18	110.87
Multiplex Area (Sq. ft.)	120,653	43,821	-	43,821	25,346
Revenue per Sq. ft. (9) (Rs.)	1,061	3,896	12.83	3,453	1,064

**** - There is no comparable prior period audit conducted and hence these numbers cannot be compared with any prior period.***

Note: The financial results presented herein are on a unconsolidated basis for our company and does not include the results of operations of theaters in our erstwhile subsidiaries which have become a part of the Company on account of the merger process, for details refer Material Developments after March 31, 2006 mentioned herein below.

1. Number of shows per day is the Total number of screenings divided by the no. of operating days in the financial year per multiplex and by number of multiplex screens.
2. Number of session seats is the total number of seats multiplied by the number of screenings during the period.
3. Box office revenue is our income from sales of tickets of films including state entertainment taxes paid.
4. Box office revenue per patron is box office revenue divided by the total number of patrons.
5. F&B revenue is our income from sale of food and beverage including sales taxes/VAT.
6. F&B revenue per patron is revenue from sales of food and beverages including sales taxes/VAT divided by the number of patrons.
7. Advertising & Rental revenue is the revenue from hoardings and in-theatre advertising.
8. Advertising & Rental revenue per screening is the Advertising and Rental revenue divided by the number of patrons.

9. Revenue per sq. ft is the Total revenue divided by the multiplex area.
10. In FY2004, we opened our first multiplex, viz. Wonder Mall which was operational for just over 3 months. Subsequently, in FY2005, we opened our Mira Road multiplex which was operational for just under 11 months. Hence, the significant growth in all the metrics as stated in the table above in FY2005 is attributable to opening of the Mira Road multiplex and the full year operations of Wonder Mall multiplex in the said financial year. Following is a discussion on the metrics for FY2006 vis-à-vis FY2005:

Number of patrons

The number of patrons has marginally declined in FY2006, which is primarily due to decline in audience at our Mira Road multiplex due to increased competition.

Box office revenue

Box office revenue has increased from Rs. 123.32 million in FY2005 to Rs. 112.91 million in FY2006 registering a growth of 11.70%. Despite the decline in the number of patrons, our box office revenue per patron (Average ticket price) has increased to Rs. 113 in FY2006 at a growth of 22.69%. This has been primarily achieved due to tactical pricing of movie tickets depending upon various factors. It's been our endeavour to constantly improve the quality of services and the overall movie experience provided by us.

F&B revenue per patron

F&B revenue per patron has increased to Rs. 20.74 in FY2006 from Rs. 18.96 in FY2005, representing a growth of 9.39 %.

Advertising and Rental revenue

The significant increase in advertising and rental revenue in FY2006, wherein a growth rate of 171.33% was registered, was due to our focused marketing efforts, which have resulted in an increase in displays and hoardings and setting up of new kiosks in the multiplex. Since Wonder Mall multiplex was the first multiplex within the city of Thane, we had a first mover advantage which attracted premium advertisers such as Nokia, Reliance, ITC, Sahara, etc.

Revenue from Mall Development

	Year ended March 31, 2006
Total Retail saleable space constructed (Sq. ft.)*	156,138
Sale of Retail space (Sq. ft.)	109,405
Sale value/Project Income (Rs. in Million)	252.58
Average sale value (Rs./ Sq. ft.)	2,309
Total retail space leased (Sq. ft.)	13,640
Total lease income (Rs. in Million)#	2.74
Average lease value per month (Rs./ Sq. ft.)	34.09

* The total retail space constructed is 204,279 sq. ft. of which we have retained 48,141 sq. ft. for our multiplex operations.

#: The lease income is for a period of 5 months and 28 days.

COSTS

Exhibition Business

Film rental costs (Distributor's share)

Film rental costs are variable in nature and fluctuate with our box office revenues. Film rental costs can also vary based on the duration for which the movie is exhibited. Generally, a film that runs for a longer period results in lower film rental costs as a percentage of revenues.

Entertainment tax
We apply for entertainment tax exemption on commencement of operations of the multiplex. The approval is generally received within 3-4 months of the application. In the interim, we pay entertainment tax on our revenues.

The entertainment tax rates vary from state to state. For details on state entertainment tax rates and the availability of exemptions and reductions thereto, please see the section titled "Regulations & Policies in India" beginning on page 3 of this Draft Red Herring Prospectus.

Cost of F&B supplies
F&B supplies expense is variable in nature and fluctuates with our F&B revenues. We classify our F&B supplies into perishable and non perishable products. Perishable supplies are primarily made in-house and balance is sourced from external vendors who are paid on the basis of units sold. We hold non perishable products in stock and account for expenditure based on units sold. We negotiate prices for F&B supplies directly with F&B vendors and manufacturers to obtain bulk rates.

Advertising costs
Advertising costs mainly comprise daily movie schedules advertised in newspapers. We have arrangements with leading newspapers for bulk space buying; we also have co-branding arrangements wherein we reduce advertising costs and add to our revenues. We also incur expenditure on outdoor advertising and other promotions.

Salaries and wages
Salaries and wages are primarily fixed in nature.

Other expenses
Our other expenses primarily include utilities and other administrative overheads.

The following table sets out our key expenses for the financial years FY2006, FY2005 and FY2004

Rs. in Million

Particulars	**Quarter ended June 30, 2006**		**FY 2006**		**FY 2005**		**FY 2004**	
	Amount	% to total Operating costs	Amount	% to total Operating costs	Amount	% to total Operating costs	Amount	% to total Operating costs
Operating costs								
Distributors share (Rental costs)	29.36	36.67	39.10	48.93	34.52	49.41	5.99	34.52
Distributors share as % to exhibition revenue	**23.07%**		**22.81%**	**-**	**22.72%**	**-**	**22.51%**	**-**
Entertainment tax	14.32	17.89	0.19	0.23	4.93	7.06	5.08	29.28
Cost of F&B supplies	6.24	7.79	7.44	9.31	8.00	11.45	1.48	8.53
Advertising costs	3.60	4.50	6.68	8.36	3.35	4.80	1.38	7.95
Salaries and wages	12.54	15.66	9.93	12.43	5.34	7.64	1.14	6.57

Particulars	**Quarter ended June 30, 2006**		**FY 2006**		**FY 2005**		**FY 2004**	
	Amount	% to total Operating costs	Amount	% to total Operating costs	Amount	% to total Operating costs	Amount	% to total Operating costs
Power and fuel	8.24	10.29	9.17	11.48	7.88	11.28	1.37	7.90
Repairs and Maintenance	4.83	6.03	6.77	8.47	4.98	7.13	0.58	3.35
Other expenses including Repairs & Maintenance	0.93	1.16	0.63	0.79	0.86	1.23	0.33	1.90
Total operating costs	**80.06**		**79.91**		**69.86**		**17.35**	
Total Operating Costs per Sq. Ft	**664**		**1,824**		**1,594**		**685**	

**** - There is no comparable prior period audit conducted and hence these numbers cannot be compared with any prior period.***

In FY2004, we had only one operational multiplex, viz. Wonder Mall at Thane. This multiplex was operational for just over 3 months during FY2004 during which we had applied for entertainment tax exemption; which was received in February 2004. Further, we opened our Mira Road multiplex in May 2004 for which we received entertainment tax exemption in September 2004. Consequently, we had to pay entertainment tax for our operations during FY2004 and FY2005, which has dropped in FY2006. The distributors share as a % to exhibition revenues has remained constant in the range of 22 - 23%, and has also increased in line with our exhibition revenues. As we compete with other large movie exhibition companies, we have had to increase our advertising budgets and also our manpower in order to maintain the desired service levels to attract and retain our target audience. This has led to an increase in the advertising and manpower (salaries) costs between the periods FY 2005 and FY 2006. Although we received the entertainment tax benefit in FY2005, we continue to pay a minor surcharge on our exhibition revenues.

Mall Development Business

Project costs
Project cost represents the development cost which is expensed off in respect of properties sold.

Establishment costs
Establishment costs comprise of the expenditure towards general maintenance and administrative expenses.

The following table sets out our key expenses as a percentage of our total Mall Development revenue for the financial year FY2006. We commenced our Mall Development activity in FY2005, and the entire construction cost was carried forward to FY2006 as inventory, consequently, no revenues or costs were recognized during the said financial year.

Rs. in Million

Particulars	FY2006
Gross Mall Development Revenue	255.32
Operating costs	
Project cost	195.44
Project cost per sq. ft. (Rs. / Sq. ft)	1,252
Establishment cost	13.96
Total operating costs	**209.40**

Profitability Parameters
Rs. in Million

EBIDTA margin was lower in FY2004 at 34.54% as our multiplex operation was in its initial stage and had not stabilized. However EBIDTA margins of our exhibition business have been stable in FY2005 and FY2006 at about 54%.

Rs. in Million

Particulars	FY2006	FY2005	FY2004
Exhibition Business – EBITDA	91.51	82.09	9.26
Exhibition Business – EBITDA margin (%)	20.86	53.07	33.34
Exhibition Business – Growth in EBITDA (%)	11.48	786.50	-
EBITDA per Sq. Ft. (Rs.)	2088.27	1873.30	365.34
Mall Development Business – EBITDA	45.92	-	-
Mall Development Business – EBITDA margin %	10.47	-	-

EBIDTA margin was lower in FY2004 at 33.34% as our multiplex operation was in its initial stage and had not stabilized. However EBIDTA margins of our exhibition business have been stable in FY2005 and FY2006 at about 36..96%.

Rs. in Million

Particulars	FY2006	FY2005	FY2004
Total EBITDA	133.32	75.27	8.66
Overall EBITDA margin (%)	30.40%	48.66%	31.18%
% Growth	77.12	769.17	-
Net profit	75.06	49.18	2.98
% Growth	52.62	1550.33	
Net profit margins (%)	17.11	31.79	10.73

After our initial foray into the Mall Development Business, we realized that some factors such as longer gestation period, higher interest costs and lower margins resulted in a downward impact on our overall business margins. Hence, we have strategically decided to not venture into any fresh Mall Development business, other than as described in the section titled "Our Business" on page 3.

Liquidity and Capital Resources

Cash and Working Capital

Summary of Cash flows & Working Capital Requirements

Rs. in Million

Rs. in Million

Particulars	FY 2006	FY 2005	FY 2004
Cash flows from:			
Operating activities	(129.40)	27.45	49.66
Investing activities	(107.81)	(40.88)	(223.20)
Financing activities	105.72	163.25	176.18
Net increase (decrease) in cash	**(131.49)**	**149.82**	**2.64**
Cash at beginning of year	152.54	2.72	0.08
Cash at end of period	**21.05**	**152.54**	**2.72**

We have invested a significant amount of our operating cash flow in FY2006 from the Exhibition business into the Mall Development business which has a longer gestation period. In FY2006, we have also invested in our subsidiaries most of which have merged into us w.e.f. April 1, 2006.

Working Capital

Rs. in Million

Particulars	FY 2006	FY 2005	FY 2004
Current Ratio	2.17 : 1	1.99 : 1	0.22 : 1
Net Working Capital	259.38	150.50	(38.67)

We are in line with the industry norms of low working capital requirements for our Exhibition business. We commenced construction of Eternity Mall towards the end of FY2004. This has led to higher funds being deployed towards working capital (towards creation of inventory in the mall development) leading to a higher current ratio and net working capital in FY2005 and FY2006.

Long Term Debt

Rs. in Million

Particulars	FY 2006	FY 2005	FY 2004
Secured Debt	375.51	224.37	61.38
% increase	67.36	265.54	-
Financial expenses	24.49	3.53	1.10
% increase	593.77	220.91	-

As stated above, we commenced construction activities for our Mall Development in end FY2004, which was initially funded by internal accruals and borrowed funds. The increase in secured debt in FY2005 and FY2006 as seen above is for funding our Mall Development business. The increase in secured debt has also resulted in a corresponding increase in our financial expenses which have increased from Rs. 1.10 million in FY2004 to Rs. 3.53 million in FY2005 and to Rs. 24.49 million in FY2006.

Adverse Events

There have been no adverse events affecting the operations of our Company occurring within one year prior to the date of filing of this Draft Red Herring Prospectus with SEBI except for a fire accident at Eternity Mall during construction period which resulted in the delay of commencement of our multiplex.

Defaults

We have not defaulted in meeting any statutory dues, institutional dues or bank dues except as disclosed on page no. 3 in the section titled "Outstanding Litigation" in this Draft Red Herring Prospectus. We have never accepted fixed deposits from the public and we have not issued debentures since inception.

Details of any encumbrances over the property of our company and guarantees given by our company to any other party:

There are no encumbrances over the property of our Company except as disclosed in the section titled "Financial Indebtedness" beginning on page no. 3 of this Draft Red Herring Prospectus.

Operating Results

Set forth below is a table showing our major revenues and expenditure items, EBITDA, profit before tax and profit after tax for fiscal 2006, fiscal 2005 and fiscal 2004 and their respective percentage of our total income for the corresponding periods, respectively.

Rs. In Million

Particulars	**Quarter ended June 30, 2006**		**FY 2006***		**FY 2005**		**FY 2004**	
	Amount	**% of revenue**	**Amount**	**% of revenue**	**Amount**	**% of revenue**	**Amount**	**% of revenue**
Exhibition Revenue								
Box office	97.82	52.63	137.75	31.41	123.32	79.72	21.56	77.63
Food & Beverages	21.75	11.70	25.30	5.77	25.41	16.43	4.44	15.99
Advertising & rental revenue	6.11	3.29	7.95	1.81	2.93	1.89	0.61	2.20
Other operating revenues	1.58	0.85	0.41	0.09	0.29	0.19	-	-
Total Exhibition revenue	127.26	68.47	**171.42**	39.08	**151.95**	98.23	**26.61**	95.82
Mall Development Revenue								
Sale value/ Project Income	55.65	29.94	252.58	57.59	-	-	-	-
Rental income	1.43	0.77	2.74	0.62	-	-	-	-
Total Mall Development revenue	57.08	30.71	255.32	58.21	-	-	-	-
Other Income	1.51	0.82	11.86	2.71	2.74	1.77	1.16	4.18
% Growth			332.85	-	136.07	-	-	-
Total Income	**185.85**	**100.00**	**438.60**	**100.00**	**154.69**	**100.00**	**27.77**	**100.00**
% Growth			183.53	-	457.04	-	-	-
Expenditure								
Operating costs –	80.06	43.08	79.91	18.22	69.86	45.16	17.35	62.48

exhibition business								
Operating costs – Mall Development business	54.89	29.53	209.40	47.74	-	-	-	-
General and administrative expenses	12.93	6.96	15.97	3.64	9.56	6.18	1.76	6.34
EBITDA	**37.97**	**20.43**	**133.32**	**30.40**	**75.27**	**48.66**	**8.66**	**31.18**
Financial Expenses	10.00	5.38	24.49	5.58	3.53	2.28	1.10	3.96
Depreciation	7.74	4.16	9.41	2.15	8.77	5.67	2.30	8.28
Preliminary expenses	0.15	0.08	0.20	0.05	0.08	0.05	0.08	0.29
Amortisation of Goodwill	0.95	0.51	-	-	-	-	-	-
Profit Before Tax	**19.13**	**10.29**	**99.22**	**22.62**	**62.89**	**40.65**	**5.18**	**18.65**
Taxation	5.47	2.94	24.16	5.51	13.71	8.86	2.20	7.92
Profit After Tax	**13.66**	**7.35**	**75.06**	**17.11**	**49.18**	**31.79**	**2.98**	**10.73**

Comparison of Performance and Analysis of Developments for the financial year ended March 31, 2006 vis-à-vis Financial year ended March 31, 2005

Major Events during the year

For details of major events during FY06, refer the heading titled "Material Developments after March 31, 2006" in this section on page no. 3 of this Draft Red Herring Prospectus.

Gross Revenues

Gross revenues increased from Rs. 154.69 million in fiscal 2005 to 438.60 million in fiscal 2006 registering a growth rate 183.53%.

Other Income

Other income has increased from Rs. 2.74 million in fiscal 2005 to Rs. 11.86 million in fiscal 2006 which reflects a growth of 332.85%.

Expenditure

Operating costs – Exhibition business

Operating costs for our Exhibition business have increased from Rs. 69.86 million in fiscal 2005 to Rs. 79.91 million in fiscal 2006.

Operating costs – Mall Development business

Operating costs for our Mall Development business stood at Rs. 209.40 million in fiscal 2006.

General and Administrative expenses

General and Administrative expenses have increased from Rs. 9.56 million in fiscal 2005 to Rs. 15.97 million in fiscal 2006.

Finance charges

Finance charges have increased from Rs. 3.53 million in fiscal 2005 to Rs. 24.49 million in fiscal 2006.

Depreciation

Depreciation has increased from Rs. 8.77 million in fiscal 2005 to Rs. 9.41 million in fiscal 2006.
Profit after tax

Profit before tax has increased from Rs. 49.18 million in fiscal 2005 to Rs. 79.06 million in fiscal 2006.

Comparison of Performance and Analysis of Developments for Financial year ended March 31, 2005 vis-à-vis Financial Year ended March 31, 2004

Major Events during the year

Some of the key developments in Fiscal 2005 were:
During the year, we commenced operations of our Mira Road multiplex. We also undertook a branding exercise where all our theatres were renamed under the "Cinemax" brand.

Gross Revenues

Gross revenues increased from Rs. 27.77 million in fiscal 2004 to 154.69 million in fiscal 2005 registering a growth rate 456.95%.

Other Income

Other income has increased from Rs. 1.16 million in fiscal 2004 to Rs. 2.74 million in fiscal 2005 which reflects a growth of 136.07%.

Expenditure

Operating costs – Exhibition business
Operating costs for our Exhibition business have increased from Rs. 17.35 million in fiscal 2004 to Rs. 69.86 million in fiscal 2005.

General and Administrative expenses
General and Administrative expenses have increased from Rs. 1.76 million in fiscal 2004 to Rs. 9.56 million in fiscal 2005.

Finance charges

Finance charges have increased from Rs. 1.10 million in fiscal 2004 to Rs. 3.53 million in fiscal 2005.

Depreciation

Depreciation has increased from Rs. 2.30 million in fiscal 2004 to Rs. 8.77 million in fiscal 2005.

Profit after tax

Profit before tax has increased from Rs. 2.98 million in fiscal 2004 to Rs. 49.18 million in fiscal 2005.

Significant Accounting Policies

a) Fixed assets and Depreciation

Fixed assets, both tangible and intangible, are stated at cost of acquisition/construction. Cost includes taxes, duties, freight and other incidental expenses related to acquisition/construction. Interest on borrowings, to finance acquisition of fixed assets during construction period is capitalized.

Depreciation on fixed assets is provided on the straight line method at the rates specified under Schedule XIV of the Companied Act, 1956.

b) Investments

Long-term investments are shown at cost. Provision for diminution in the value of investments is made to recognize a decline of a permanent nature. Current investments are carried at the lower of cost and fair value as at the balance sheet date.

c) Inventories

Stocks of foods and beverages are valued at the lower of cost or net realizable value.

Stocks from realty business are valued at the lower of cost or net realizable value.

Construction work-in-progress, including stock of materials, is carried at cost. Cost includes materials, cost of land, direct expenses, interest and attributable overheads. Cost of materials is arrived at on first-in-first-out basis.

d) Revenue recognition

i) Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Amount of Value added tax and service tax collected on generating operating revenue has been shown as a reduction from the operating revenue.

ii) Revenue from sale of tickets of films is recognised as and when the film is exhibited.

iii) Revenue in respect of realty development activities is recognized upon the transfer of significant risks and rewards to the buyer in terms of the underlying sale agreement/letter of allotment, provided it is not unreasonable to expect ultimate collection.

iv) Revenue from sale of foods and beverages is recognised upon passage of title to customers, which coincides with their delivery and is net of refund, discounts, complimentary and VAT.

v) Advertisement revenue is recognised as and when advertisements are displayed at the cinema hall and are net of service tax.

vi) Interest revenue is recognised on a time basis, taking into account the amount outstanding and the rates applicable.

vii) Revenue from rent is recognised based upon the agreement, for the period the property has been let out.

e) Borrowing Costs

Borrowing costs incurred on constructing or acquiring a qualifying asset (including real estate projects) are capitalized as cost of that asset/projects until it is ready for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue and recognized as an expense in the Profit and Loss account.

f) Retirement benefits

Contribution to defined contribution schemes such as provident fund and pension fund are charged to profit and loss account as incurred.

The provision for present liability of future payments of gratuity has been made on actuarial valuation.

g) Miscellaneous Expenditure

Miscellaneous expenditure such as share issue expenses are written off over the period of five years.

h) Taxes on income

Current tax is ascertained on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognized on timing differences between accounting income and taxable income, which arise in an accounting period and are capable of reversal in later periods. Deferred tax assets are recognized when there is reasonable certainty of realization; in case of carry forward depreciation / business losses, deferred tax assets are recognized only where there is virtual certainty that the Company will have sufficient future taxable income against which the losses /depreciation can be set off. Deferred tax assets / liabilities are reviewed at each balance sheet date.

i) Assets taken on Lease (Hire Purchase)

Assets taken on finance lease (including on hire purchase) on or after 1st April 2001 are accounted in accordance with Accounting Standard 19 on Leases, issued by The Institute of Chartered Accountants of India (ICAI). Lease payments are apportioned between finance charges and reduction of outstanding liabilities.

j) Provisions, contingent liabilities and contingent assets:

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosing in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.

Material Developments after March 31, 2006

There have been no material developments after the date of the last balance sheet, i.e. March 31, 2006 except those detailed below:

- On July 27, 2006, we got converted into a Public Limited Company and on the same date our name was changed to Cinemax India Limited.

- Vide the order of the Hon'ble High Court, Mumbai dated April 28, 2006, our subsidiaries, namely Rupam Private Limited; Hariyash Theatres Private Limited; Kanakia Shelters Private Limited; Kanakia Creators Private Limited Vrushti Theatres Private Limited; Cineline Cinemas (India) Private Limited; Cineline Multiplex Theatres (India) Private Limited, got merged with us with effect from April 1, 2006.
- We have increased our paid up share capital from Rs. 60 million to Rs. 210 million. For details, refer to the section titled Capital Structure beginning on page 3 of this Draft Red Herring Prospectus.
- We opened our first Mall named Eternity Mall at Thane which was developed and constructed by us. The Multiplex, having 4 screens, commenced operations on May 26, 2006. We also forayed into the gaming business by setting up our first "Giggles- The Gaming Zone" in Eternity Mall spread over 15,000 sq. ft., which has about 50 state of art games including hi-tech LAN based games.

Other than as stated herein our directors hereby state that in their opinion there is no material development after the date of the last financial statements disclosed in this Draft Red Herring Prospectus which is likely to materially and adversely affect or is likely to affect the trading or profitability of our company or the value of our assets, or our ability to pay our liabilities within the next twelve months.

Information required as per clause 6.10.5.5(a) of the SEBI Guidelines:

Unusual or infrequent events or transactions:

There have been no unusual or infrequent transactions that have taken place during the last three years.

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

Government polices governing the sector such as entertainment tax laws have a major bearing on operations of motion picture exhibition companies. Major changes in such policies may have a significant impact on our profitability.

Except as detailed in the preceding paragraph and as described in the section titled "Risk Factors" beginning on page iii and "Management Discussion and Analysis of Financial Conditions and Results of Operations" beginning on page 3 and elsewhere in this Draft Red Herring Prospectus, there are no known factors that will have a material adverse impact on our operations, our income from continuing operations and our finances.

Known trends or uncertainties

Apart from the risks as disclosed in the section titled "Risk factors" beginning on page iii of this Draft Red Herring Prospectus, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income from continuing operations. We are dependent on the releases on high profile films, some of the film releases scheduled for fiscal 2007 include high profile films such as Kabul Express, Don – The Chase Begins Again, Eklavya – The Royal Guard, Umaro Jaan, Guru, Jodha Akhar, Sawariya, etc.

Introduction of new products/segments

In FY07, we forayed into the gaming business by setting up our first "Giggles – The Gaming Zone" at our Eternity Mall at Thane. In FY07, we have entered into lease arrangements with some reputed retailers for our upcoming Eternity Mall at Nagpur. We intend to open seven new gaming zones at different locations where our Multiplexes are present in India by fiscal 2009.

Future relationship between costs and revenues

Except as discussed in this section there are no known relationships between our costs and revenues. However, our current exhibition business model is primarily based on properties owned by us. In future, we will follow a mix of owned and leased properties to conduct our exhibition business. Further, we are not pursuing any fresh opportunities in our Mall development business. This may change the relationship and mix between costs and revenues.

Total turnover of the Industry in which we operate

We are currently operating in two segments; namely exhibition and mall development. Relevant published data, as available, for the industry turnover has been included in the section entitled "Industry Overview" beginning on page 3 of this Draft Red Herring Prospectus.

Seasonality of business

Historically, our revenues show a decline for about 12 – 15 weeks in a year during Ramzan, pre Diwali and exams. Revenue trends are also subject to the release of big budget Indian movies. As a result of this, our quarter-to-quarter results may not be comparable or provide a meaningful indicator of our future performance.

Over dependence on Single supplier/Customer

We source our F&B supplies and other items from a number of suppliers and we are not under threat from excessive dependence on any single supplier. Further, we depend on various distributors for adequate supply of movies.

We do not have any dependence on any customer or a set of customers for our business

Competitive conditions

We have many competitors who are present in the film screening and exhibition business in India. In the future we may also face competition from global entertainment companies who may set shop in India. Besides, our theatres/multiplexes are subject to varying degrees of competition in the geographic areas in which we operate. Competitors may be national players, regional players or smaller independent exhibitors.

Competition among theatre exhibition companies is often intense with respect to the following factors:

- **Attracting patrons**: The competition for patrons is dependent upon factors such as the availability of popular motion pictures, the location and number of theatres/multiplexes and screens in a market, the comfort and quality of the theatres/multiplexes and pricing. Further, we compete for the public's leisure time and disposable income with other forms of entertainment, including sporting events, concerts, live theatre and restaurants. The film exhibition industry also faces competition from other forms of out-of-home entertainment, such as concerts, amusement parks and from other forms of in-home entertainment. We also face a competition from other forms of media such as radio, cable television, newspapers, and magazines. These alternate forms of entertainments compete with traditional cinemas to capture the discretionary spending of the patrons and advertisement revenues.

- **Licensing motion pictures**: We believe that the principal competitive factors with respect to film licensing include licensing terms, number of seats and screens available for a particular picture, revenue potential and the location and condition of an exhibitor's theatres/multiplexes.

- **Low barriers to entry**: We must compete with exhibitors and others in our efforts to locate and acquire attractive sites for our theatres/multiplexes.

FINANCIAL INDEBTEDNESS

Set forth below is a summary of our significant outstanding secured borrowings of Rs. 554,642,456 as of August 25, 2006, together with a brief description of significant terms of such financing arrangements. In addition to the aforesaid, we have also created a mortgage on our property to secure loan availed by our promoter group company, the details of which provided at the end of this chapter.

Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
Bank of India ("BOI")	Rs. 100,000,000 (Rupees Hundred Million Only) consisting of a term loan of Rs. 50,000,000 (Rupees Fifty Million Only) and working capital facility of Rs. 50,000,000 (Rupees Fifty Million Only) **Loan Documentation** • Letter for sanction of credit facility dated February 4, 2006. • Memorandum of Entry dated February 25, 2006. • Term loan by hypothecation cum loan agreement dated February 25, 2006.	term loan: Rs. 13,157,691 (Rupees thirteen million one hundred fifty seven six hundred and ninety one) working capital facility: 49,320,135 (Rupees forty nine million three hundred twenty hundred and thirty five)	1% above Bank of India prime lending rate with a maximum of 11.75% p.a. at monthly rests.	60 monthly instalments of Rs. 833,000 each commencing from 12 months after first disbursement.	The term loan has been secured by way of an first/exclusive/parri passu charge on stock in trade, plant & machinery, book debts and furniture & fixtures at premises godowns, at Cinemax – Andheri. Apart from the above, the whole of the loan amount inclusive of the term loan and the working capital has been secured by way English Mortgage of the property belonging to Kanakia Construction Private Limited.
Jammu and Kashmir Bank Limited ("J&K")	Rs. 100,000,000 (Rupees Hundred Million Only) **Loan Documentation** • Term Loan cum Hypothecation Agreement	Rs. 37,078,347 (Rupees thirty seven million seventy eight thousand three hundred and	8.5% per annum with monthly rests or such rates as may be prescribed by the bank pursuant to directives/guidelines issued by RBI from time to time.	36 equal monthly instalments. First instalment is payable after 180 days from the date of first	Secured by way of (i) Hypothecation of all moveable installed at the three Multiplex premises at Cinemax – Eternity Mall, Thane, Cinemax – Wonder

Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
	dated December 10, 2003. • Agreement dated April 12, 2004 to create Extension of charge on Cinemax – Nashik. • Deed of Charge dated December 10, 2003 on Cinemax – Eternity Mall, Thane, Cinemax – Wonder Mall Thane.	forty seven)		disbursement.	Mall Thane & Cinemax – Mira Road; (ii) First Charge in the nature of mortgage over – Multiplex at Cinemax – Eternity Thane, Cinemax – Wonder Mall, Thane; (iii) Charge in the nature of Mortgage on Multiplex at Nashik (Cinemax – Nashik); (iv) Escrow of receivables of our 7 Theatres. (vi) Personal guarantees of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia. (vii) Assignement of cash flows of Cinemax-Goregaon.
J & K (The loan was availed of by our erstwhile subsidiary Cineline Multiplex (India) Private Liminted and was subsequently transferred to our Company pursuant to the Scheme of Amalgamation.)	Rs. 50,000,000 (Rupees Fifty Million Only) **Loan Documentation** • Term Loan cum Hypothecation Agreement dated February 13, 2004. • Agreement dated April 12, 2004 to create Extension of charge on Cinemax – Eternity Mall and Cinemax –	Rs. 20,225,060 (Rupees twenty million two hundred twenty five thousand and sixty)	8.5% per annum	42 equal monthly instalments. First instalment is payable after 180 days from the date of first disbursement.	Secured by way of (i) Hypothecation of all movable assets including machinery, equipment, accessories, furniture, fixtures and other movables installed at Cinemax – Nashik (ii) First Charge in the nature of Mortgage over – Multiplex at Nashik (Cinemax – Nashik);

Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
	Wonder Mall. • Deed of Charge dated February 13, 2004 on Cinemax – Nashik.				(iii) First Charge in the nature of Mortgage over Multiplex at Cinemax – Eternity Mall, Thane and Cinemax – Wonder Mall, Thane; (iv) Escrow of cash flows of: Cinemax – Goregaon, Cinemax – Andheri, Cinemax – Kandivali (West) and Cinemax – Sion. (v) Escrow of cash flows of: Cinemax – Eternity Mall, Thane, Cinemax – Wonder Mall, Thane and Cinemax – Mira Road
J & K	Rs. 300,000,000 (Rupees Three Hundred Million Only) **Loan Documentation** • Loan agreement dated March 31, 2005 • Deed of Mortgage and Hypothecation dated April 13, 2005. • Deed of Further Charge/Hypothecation dated March 31, 2005	Rs. 233,100,000 (Rupees two hundred thirty three million and hundred thousand)	Prime Lending Rate of the bank +/- 2.5%.	18 quarterly instalments.	Secured by way of (i) Charge in the nature of Equitable Mortgage of Cinemax –Wonder Mall, Thane; (ii) Charge in the nature of Equitable Mortgage Cinemax – Eternity Mall, Thane; (iii) Charge in the nature of Equitable Mortgage of Cinemax – Nashik; (iv) First charge by way of mortgage of Cinemax – Mira Road; (v) Assignment of cash flows of : Cinemax – Eternity

Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
					Mall, Thane, Cinemax –Wonder Mall, Thane Cinemax – Mira Road, Cinemax – Nashik, Cinemax – Andheri, Cinemax – Goregoan, Cinemax – Sion, Cinemax – Kandivali. (vi)Hypothecation of all movables assets installed at the three Multiplexes of Cinemax – Wonder Mall, Thane, Cinemax – Eternity Mall, Thane and Cinemax – Nashik; (vii) Personal guarantee of – Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.
State Bank of India (SBI)	Two term loans as follows: Term Loan-I of Rs. 150,000,000 (Rupees One Hundred and Fifty Million) and Term Loan-II of Rs. 100,000,000 (Rupees One Hundred Million) both aggregating to Rs. 250,000,000 (Rupees Two Hundred and Fifty Million) **Loan Documentation** • Letter for sanction of credit facilities	Rs. 71,943,689 (Rupees seventy one million nine hundred forty three thousand six hundred and eighty nine)	Term Loan-I 10 % per annum at monthly rests. Term Loan-II 10.25 % per annum at monthly rests.	Term Loan I –Repayment in 3 monthly instalments, beginning from February 2007 and ending on April 2007. Term Loan II-Repayment in 62 monthly instalments beginning from financial year 2007-2008 and ending in the financial year 2012-2013.	(i) Charge in the nature of English Mortgage of the land and construction at Variety Mall-Nagpur. (ii) Charge in the nature of English Mortgage at Cinemax-Goregaon (W). (iii) Personal guarantee of Mr. Rasesh B. Kanakia and Mr. Himanshu B. Kanakia.

Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
	dated July 12, 2006. • Agreement for Hypothecation of Goods and Assets dated August 2, 2006. • Deed of Mortgage dated August 2, 2006 • Deed of Guarantee for overall limit dated August 2, 2006			.	
Flawless Finvest Private Limited ("Flawless Finvest"). (The loan was availed of by our erstwhile subsidiary Hariyash Theatres Private Limited and was subsequently transferred to our Company pursuant to the Scheme of Amalgamation.)	Rs. 23,000,000 (Rupees. Twenty Three Million) **Loan Documentation** • Deed of Mortgage dated March 23, 2004. • Deed of Modification of Mortgage dated February 11, 2006.	23,000,000 (Rupees. Twenty Three Million)	Interest at 12% per annum.	24 monthly instalments from February 15, 2006.	English Mortgage of immoveable property situated at Cinemax – Kandivali (West).
HDFC Bank	The following overdraft facilities were availed by us: • Rs. 57,000,000 (Rupees. Fifty Seven Million) availed by us • Rs. 50,000,000 (Rupees. Fifty Million) availed by Cineline Cinemas (India) Private Limited. **Documentation** ▪ Sanction	106,000,000 (Rs. hundred and six million)	5%	Payable on demand.	Secured against third party foreign currency non resident deposits

Name of Lender	Facility & Loan Documentation	Amount Outstanding	Interest Rate	Repayment Schedule	Security Created
	letter.				

In addition to the above loan, we have also availed of the following loans/facilities:

a) Vehicle loans from various banks under hire-purchase loan, which are secured against hypothecation of the vehicles taken. The outstanding amounts from such loans aggregates to Rs. 6,655,870 as on August 25, 2006.

b) Unsecured loan from HDFC Bank against promissory note. The outstanding amounts against this loan, as of August 25, 2006 is Rs. 613,399.

Material Terms and Conditions

1 **J & K**: Our Company has agreed to ensure compliance with, among others, the following financial covenants in relation to all the financing/loan agreements with J&K. Our Company has undertaken not to do the following without the prior written approval from J&K:

- Invest by way of share capital in land or advance funds to or place deposits with any other concern.
- Enter into borrowing arrangement either secured or unsecured, with any other bank, financial institution, company or otherwise.
- Undertake guarantee obligation on behalf of any other company.
- Declare dividend for any year or enhance rate of dividend in any year in the event of default.
- Shall not during the currency of the credit facilities change the present shareholding.
- Shall not create charges on any or all their properties or assets during the currency of the credit facilities.
- Shall not sell, exchange, give on lease or otherwise dispose off any of the properties charged, mortgaged or hypothecated to the bank during the currency of the credit facilities.

2 **BOI**: Our Company has agreed to ensure compliance with, among others, the following financial covenants with BOI in respect of the term loan of Rs 50 million. We have undertaken not to do any of the following without the prior written approval from BOI:

- Sell or dispose off, create security or encumbrances on assets charged to the lender in favour of any other bank, financial institution, company, firm or individual.
- Undertake change in management.
- Effect any adverse changes in Company's capital structure.
- Formulate any scheme of amalgamation or merger or reconstruction.
- Implement any scheme of expansion or diversification or capital expenditure except normal replacement indicated in funds flow statements submitted to and approved by BOI.
- Enter into borrowing or non- borrowing arrangements either secured or unsecured with any other bank, financial institution, company, firm or otherwise or accept deposits in excess of the limits laid down by Reserve Bank of India.
- Invest by way of share capital in or lent or advance funds to or place deposits with any other company, firm, concern (including group companies/associates/persons).
- Undertake guarantee obligations on behalf of any other company, firm or person.
- Declare dividends for any year except out of profits relating to that year after meeting all financial commitments to the lender and making all due and necessary provisions.

- Approach capital market for mobilization of additional resources either in the form of debts or equity.

3 **SBI:** Our Company has agreed to ensure compliance with, among others, the following financial covenants with SBI. We have undertaken not to do any of the following without the prior written approval from SBI:

- Effect any change in the capital structure of the Company.
- Formulate any scheme of amalgamation or reconstruction.
- Undertake any new projects or schemes or acquisition of any fixed assets unless the expenditure is covered by the Company's net cash accruals after providing for dividends, investments etc from long term funds received for financing such new projects or expansion and approved by the bank.
- Invest by way of share capital or lend or advance funds or place deposits with any other concern.
- Enter into any borrowing or financing arrangement either secured or unsecured with any other bank or financial institution.
- Undertake any guarantee obligations on behalf of the Company.
- Declare dividends for any year except out of the profits relating to that year after making all necessary provisions for the repayment obligations.
- Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of a financial institution, or bank.
- Sell, assign or dispose of the any of the fixed assets charged to the bank.
- Permit any transfer of controlling interest or make any drastic change in the management set up.

3 **Flawless Finvest:** Our Company has agreed to ensure compliance with, among others, the following financial covenants with Flawless Finvest:

- To keep the mortgaged premises free from all encumbrances and liens during the currency of the credit facilities.
- To not let out the mortgaged premises without the prior written approval of the lender.

Mortgage created for loan availed by the Promoter Group Companies:

The Company has created an English Mortgage on its immoveable property, comprising of Screen 1, 2 and 3 of Cinemax – Sion, for a loan amount of Rs. 80,000,000 availed by Kanakia Construction Private Limited, one of our promoter group companies from ICICI Bank Limited.

SECTION VI - LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors, our Promoters, Promoter group companies and subsidiaries, that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against our Company or Directors or Promoters or Promoter group companies, subsidiaries, or companies in which we hold a substantial number of equity shares.

I. LITIGATION AGAINST OUR COMPANY

A. Contingent Liabilities

There is no contingent liability including interest, costs and penalties amounts as on date of the filing of this Draft Red Herring Prospectus.

B. Pending Litigation Against Our Company

I. Civil Litigation

Litigation in relation to the Nagpur Property

1. Punjabrao Krishi Vidyapith has filed a suit (Suit No. 2299/2000), before the Civil Judge, Senior Division, Nagpur against N.J. Nayudu & Co. & Ors. (defendant nos. 4 to 8) in relation to property, khasra No. 312/2 and 313/1, with whom we have entered into a development agreement dated April 25, 2006 for the Nagpur Property. Thus while in the instant case, our Company has not been impleaded as a party, our interest in the Nagpur property is a subject matter in this litigation. The plaintiff claims that the property in dispute was unlawfully leased to M/s N.J. Nayudu & Co. by the District Collector, Nagpur. The plaintiff therefore prayed, for an injunction, restraining defendant no. 4 from carrying on the work on the disputed property. The Court by its order dated October 7, 2002 rejected the application for injunction. Further, in the same suit, applications (under Order XIV Rule 5 of the Civil Procedure Code, 1908) for framing additional issues pertaining to valuation of court fee and limitation were filed by defendant no. 1 and defendant nos. 4 to 8, respectively. The next date of the hearing has been fixed for October 13, 2006. For details of Nagpur property, see the section titled “Our Business”, beginning on page 3 of this Draft Red Herring Prospectus.

2. On November 30, 2002, Bhrashtachar Virodhi Jan Andolan filed a petition (Writ Petition No. 4416 of 2002) in the, Nagpur Bench of the High Court of Mumbai, in relation to property no. 1, khasra no. 312/2, 313/1 situated at Mouza-Sitabuldi, Nagpur against N.J. Nayudu & Co. (respondent no. 5) with whom we have entered into a development agreement dated April 25, 2006. In the instant case, while our Company has not been impleaded as a party, our interest in the Nagpur property is a subject matter in this litigation. The petitioner has alleged that the sanction for the proposed construction of the Multiplex Complex by respondent no. 5 on the said property is contrary to Maharashtra Cinema (Regulation) Rules, 1966 and that the necessary no-objection certificates for the same, have not been obtained from competent authorities, and therefore such a sanction is illegal and liable to be revoked.

The High Court by its order dated April 29, 2003 admitted the petition allowing respondent no. 5 to make appropriate applications under the aforementioned rules, which were to be examined by the competent authorities within a period of three months, from the date of order.

Further, in the same suit, the petitioner filed an application dated December 1, 2004 seeking an interim injunction, restraining respondent no. 5 from carrying on any construction activity on the disputed property. The court rejected the abovementioned application by its order dated February 17, 2006 and further directed the petitioner to deposit a security to the tune of Rs. 2,500,000, failing which the petition would be dismissed. The said direction was made in consideration of the amount of investment made by the respondents in the said project and show its bonafide that it is a genuine public litigation.

On March 14, 2006 the petitioner filed an application seeking extension of time to make the deposit**,** as directed by the High Court in its order dated February 17, 2006, which was later withdrawn by them. Thereafter the petitioner moved another civil application (Civil Application No. 1576/06) before the Special Bench, High Court for review/ modification of the Courts order dated February 17, 2006. The special bench also expressed its inability to grant the prayer.

The Supreme Court in the Special Leave Petition filed by the petitioner, against the aforesaid order, set aside the order of the High Court directing the petitioner to deposit of Rs.2, 500,000 as a precondition and the High Court was requested to dispose of the Writ Petition as expeditiously.

As on April 13, 2006 the Writ Petition was listed before the Special Bench, High Court Mumbai for mentioning. Matter is currently pending.

II. Complaints received from Statutory Authorities:

1. On March 17, 2006, Kanakia Creators Private Limited (one of our erstwhile subsidiaries which has since merged with our Company with effect from April 1, 2006) received a letter (AC/PS/SR/337/AEB&F of 1613/2006) from the Assistant Engineer (Building and Factory) P/South, Municipal Corporation, Greater Mumbai in relation to the unauthorized use of basement for the purpose of running a mini Theatre at Cinemax, Goregaon, Mumbai. The letter directed the Company to submit a copy of the approved plan pertaining to the aforementioned operations, within a period of three days. The Company through its letter dated April 3, 2006 has asked for extension of the period for the said submission. The matter is currently pending.

II. LITIGATION AGAINST OUR DIRECTORS

Mr. Rasesh B. Kanakia

1. As discussed in the section titled "Litigation against our Promoter and Promoter Group Companies" beginning on page 3 of this Draft Red Herring Prospectus, Marigold 1 CHS Ltd. ("the Society") has filed a criminal complaint (Criminal Case No. 1344 of 2002) dated April 2, 2002 before the II Joint Judicial Magistrate, Thane, among others, against Kanakia Properties Private Limited, Mr. Himanshu B. Kanakia and Rasesh B. Kanakia under Maharashtra Ownership Flats Act, 1963 for not conveying the land in favour of the said Society. The matter is currently pending.

Mr. Himanshu B. Kanakia

Mr. Hinanshu B. Kanakia is a defendant along with Mr. Rasesh B. Kanakia in respect of the litigation that has been discussed above. In addition, Mr. Himanshu B. Kanakia is also a defendant in the following case:

1. As discussed in the section titled "Litigation against our Promoter and Group Companies" beginning on page 3 of this Draft Red Herring Prospectus, Corner Stone Co-operative Housing Society Limited has filed a criminal complaint (Criminal Complaint No. 1959/SS/2005) under Section 13 of the Maharashtra Ownership Flats Act, 1963, before the Chief Metropolitan Magistrate's 24th Court at Borivili, against Evergreen Homemakers Private Limited and Mr. Himanshu B. Kanakia. The complainant, in the said complaint prays, that the accused comply with the section 3 of the Maharashtra Ownership Flats Act, 1963 and be punished under section 13 of the said Act. The subsequent hearing is fixed for October 11, 2006.

III. LITIGATION AGAINST OUR SUBSIDIARIES

1. Vista Entertainment Private. Ltd

There are no contingent liabilities of Vista Entertainment Private Ltd as on March 31, 2006.

There are no outstanding litigations against Vista Entertainment Private. Ltd as on the date of the filing of this Draft Red Herring Prospectus.

2. Nikmo Finance Private Ltd.,

There are no contingent liabilities of Nikmo Finance Private Limited as on March 31, 2006.

There are no outstanding litigations against Nikmo Finance Private Limited as on the date of the filing of this Draft Red Herring Prospectus.

3. Growel Entertainment Private Limited

There are no contingent liabilities of Growel Entertainment Private Limited as on March 31, 2006.

There are no outstanding litigations against Growel Entertainment Private Limited as on the date of the filing of this Draft Red Herring Prospectus.

IV. LITIGATION AGAINST OUR PROMOTERS AND PROMOTER GROUP COMPANIES

A. Mr. Rasesh B. Kanakia

1. As discussed in the litigation mentioned below against Kanakia Properties Private Limited, Marigold 1 CHS Ltd. ("the Society") has filed a criminal complaint (Criminal Case No. 1344 of 2002) dated April 2, 2002 before the II Joint Judicial Magistrate, Thane, against, among others, Kanakia Properties Private Limited, Mr. Himanshu B. Kanakia and Rasesh B. Kanakia under Maharashtra Ownership Flats Act, 1963 for not conveying the land in favour of the said Society. The matter is currently pending.

B. Mr. Himanshu B. Kanakia

Mr. Hinanshu B. Kanakia is a defendant along with Mr. Rasesh B. Kanakia in respect of the litigation that has been discussed above. In addition, Mr. Himanshu B. Kanakia is also a defendant in the following case:

1. As discussed in the litigation mentioned below against Evergreen Homemakers Private Limited, Corner Stone Co-operative Housing Society Limited has filed a criminal complaint (Criminal Complaint No. 1959/SS/2005) under Section 13 of the Maharashtra Ownership Flats Act, 1963, before the Chief Metropolitan Magistrate's 24th Court at Borivili, against Evergreen Homemakers Private Limited and Mr. Himanshu B. Kanakia. The complainant, in the said complaint prays, that the accused comply with the section 3 of the Maharashtra Ownership Flats Act, 1963 and be punished under section 13 of the said Act. The subsequent hearing is fixed for October 11, 2006.

C. Kanakia Constructions Private Limited ("KCPL")

1. On December 21, 2001, Sanjay Transport filed Suit No. 11 of 2002 in the Court of Civil Judge, Vashi against KCPL for the recovery of outstanding dues aggregating to Rs. 67,976 along with interest at the rate of 24%. The plaintiff claims this amount against the work of transportation carried out by him for the defendant. KCPL filed a written statement as on November 1, 2004. The matter is currently pending and the next date of hearing is October 12, 2006.

2. On January 18, 2002, on behalf of Impex International, Mr. S. K. Tiwari filed Suit No. 13 of 2002, on in the Court of Civil Judge, Vashi against KCPL for the recovery of outstanding dues aggregating to Rs. 3,852 along with interest at the rate of 24%. The plaintiff claims this amount against the goods sold and delivered by him to the defendant. KCPL filed a written statement on November 12, 2005. The subsequent hearing is fixed for October 13, 2006.

3. On March 31, 2006, Wing Commander Anil Goyal ("Complainant"), filed a complaint before the Monopolies and Restrictive Trade Policies Commission ("MRTPC") against KCPL, under the Monopolies and Restrictive Trade Policies Act, 1969 (**"**MRTP Act**"**). The complainant alleges KCPL of carrying on unfair trade practices with respect to allotment of residential flats in its project Samarpan, situated at Borivali (East) by violating various provisions of the MRTP Act and the Maharashtra Ownership Flats Act, 1963. The matter was listed for hearing on August 3, 2006, by the MRTPC through its order dated May 25, 2006. On July 27, 2006 KCPL filed a reply to the aforesaid notice. The matter is pending and the next date of hearing is October 5, 2006.

D. Kanakia Properties Private Limited ("**KPPL**")

1. Marigold 1 CHS Ltd. ("the Society") has filed a criminal complaint (Criminal Case No. 1344 of 2002) dated April 2, 2002 before the II Joint Judicial Magistrate, Thane, against, among others, KPPL, Mr. Himanshu B. Kanakia and Rasesh B. Kanakia

under Maharashtra Ownership Flats Act, 1963 for not conveying the land in favour of the said Society. The matter is currently pending.

2. Mr. Shaikh Galib Ahmed has filed a complaint (complaint no. 1280/99/1604) before the Consumer Disputes Redressal Forum, Mumbai against KPPL claiming that he should be refunded the money, with interest and compensation, which he paid to book an apartment at Beverly Park Project at Mira Road, Mumbai. The petitioner claims the said refund as the development of the building in which he had booked the flat has not started, due to lack of minimum number of bookings. KPPL has filed a written statement in response to the above complaint. The Consumer Dispute Redressal Forum passed an order dated November 19, 2005 directing KPPL to refund the said claim of Rs 216,000 along with an interest of 9% p.a., Rs. 10,000 as damages and Rs. 2,000 towards litigation cost. The company is in the process of complying with the said order and has requested Mr. Shaikh Galib Ahmed to approach KPPL for the settlement of the claim.

3. On January 28, 2003, Mr. Padam Singh Chandel ("Complainant") filed a complaint (No. 106 of 2003) before the consumer dispute redressal forum against KPPL, under the Consumer Protection Act, 1986. The Complainant had booked a residential flat in buildings No. 11, of the project 'Beverly Park', proposed to be constructed by KPPL at Mira Road (East). However, subsequently KPPL, by its letter dated August 21, 2002, informed the Complainant of the delay in the construction of the building No. 11 and offered the Complainant a flat in building No. 8, the construction of which had already begun, as an alternative to the earlier booking. Aggrieved by the decision of KPPL to abandon the construction of the building and the alleged deliberate delay in informing the same to the Complainant, the Complainant has filed the said complaint and has prayed for a compensation of Rs. 575,000 and interest on the same. The matter is currently pending and the next date of hearing has not been fixed.

E. Laxminarayan Enterterprises ("**LE**")

On April 15, 2002, Pandurang K. Tawde filed a petition in the High Court of Bombay against LE in relation to "Rajyasarathi", a project developed by them. As on November 6, 2004, the Court appointed an advocate to assist the court to determine whether the said petition is a writ petition. The matter is currently pending.

F. Evergreen Homemakers Private Limited ("EHPL")

1. On March 1, 2005, Corner Stone Co-operative Housing Society Limited has filed a criminal complaint (Criminal Complaint No. 1959/SS/2005) under Section 13 of the Maharashtra Ownership Flats Act, 1963, before the Chief Metropolitan Magistrate's 24th Court at Borivili, against EHPL and Mr. Himanshu B. Kanakia. The complainant alleges that the accused has not obtained the building completion/occupation certificate as required under the law, thus praying that the accused comply with the section 3 of the Maharashtra Ownership Flats Act, 1963 and be punished under section 13 of the said Act. The next date of hearing is October 11, 2006.

2. Pankaj Hargovind Muraka and the Corner Stone Co-operative Housing Society Limited has filed a suit (Suit No. 1743 of 2001) in the City Civil Court at Mumbai, against EHPL, alleging that the flats owned by them in the aforesaid society, have been sold to a bank and a nursing home, to be used for commercial purposes in violation of the exemption order, under the Urban Land (Ceiling and Regulation) Act, 1976 wherein certain flats are to be reserved for the nominees of the State Government. The plaintiff filed several notice of motions for the grant of injunction

restraining the commencement of commercial activity at the disputed property, which were not adjudicated in their favour. The matter is currently pending.

G. Mercury Developers and Mont Blanc Builders

1. On August 8, 1997, Mr. Farrokh Pudam Mistree and another have filed a suit (H.C. Suit No. 3228 of 1997) in the High Court of Mumbai, against Mr. Ruzbeh Chirag Mistree and others with respect to the property belonging to their family trust, Mercury Developers and Mont Blanc Builders had entered into an agreement to develop, the property in dispute, in partnership with Mr. Ruzbeh Chirag Mistree. They have been impleaded as defendant no. 6 and 7 respectively, in the said suit. Both, defendant no. 6 and 7, submitted a written statement dated June 28, 2005 in reply to the plaint, claiming that they have completed development, as per their agreement of constructing a maternity home and dispensary and handed over the same to the Municipal Corporation of Greater Mumbai and sold the flats in the said residential buildings. Therefore pleading, in their written statement, that the suit against them be dismissed. The matter is currently pending.

V PENDING LITIGATION BY OUR COMPANY

1. On February 22, 2005, the Company filed a criminal complaint (C.C. No. 711/SS/2005) before the Metropolitan Magistrate, 10th Court, Andheri against M/s Lighter Than Air (accused No. 1) and Mr Rajan Ramrakhiani (accused No. 2) under Section 138 read with Section 142 of the Negotiable Instruments Act, 1881. The Company had placed a purchase order, for one cliff hanger bouncy, with the accused no. 1 and had paid an advance for the same. On receipt of the same, it was found that the said product not in conformity with the requirement of the purchase order, and therefore the accused No. 2, the proprietor of accused No. 1, was asked to refund the advance. However, the cheque of Rs. 73,671, towards the repayment of the advance, issued by accused No. 1 in favour of the Company was dishonoured. The Company on receipt of the memo of dishonour issued a statutory notice dated January 1, 2005 calling upon the accused no. 1 and 2 to pay the amount of the dishonoured cheque. Aggrieved by the neglect of the said statutory notice by the accused the Company has filed the said complaint and has prayed, that both the accused, be prosecuted and punished for the offence committed under the aforesaid provisions of the Negotiable Instruments Act, 1881. The next date of hearing has been fixed for November 5, 2006.

2. On October 7, 2002, Kanakia Shelters Private Limited, M/s Roopam Private Limited and M/s Vrushti Theatres Private Limited, erstwhile subsidiaries of the Company which merged with the Company with effect from April 1, 2006, ("plaintiffs") filed a suit (No. 3882 of 2002) before the High Court, Mumbai, against M/s Pen Multiplex ("defendant") for passing off its products and services as that of the plaintiffs.The plaintiffs have accused the defendant of manufacturing, marketing and providing services, such as that of Multiplex entertainment centres, under the trade mark "CINE MAX", "CINE MAGIC" and "CINE PLANET" for which the plaintiffs have filed trademark registration applications and which the plaintiffs have been using since the year 1997, 1998 and 2000, respectively. The plaintiffs have prayed for, among other things, an order for permanent injunction restraining the defendant from directly or indirectly, manufacturing, marketing or providing any services under the aforesaid trademarks, an account of profits earned by the defendant by use of the said trademarks and a decree for the amounts found due to be passed in the favour of the plaintiffs. The matter is currently pending.

VI. INCOME TAX LITIGATION AGAINST GROUP COMPANIES:

The Assessing Authority through its order dated August 30, 1996 assessed the income of Rs.111,100,000 in the hands of 16 Kanakia group companies/ firms/ partnerships/related parties ("Kanakia group"). Against the said order Kanakia group preferred an appeal before the Income Tax Appellate Tribunal ("ITAT"). ITAT in its order dated November 21, 1997 gave the Kanakia group, a relief of Rs. 96,500,000 from the assessed income of Rs. 111,100,000. Kanakia group has paid the required amount of the income tax on the remaining Rs.14,629,153 and no income tax liability is outstanding with respect to the assessment confirmed by the ITAT in its aforementioned order.

Further, the Income Tax Department ("Department") filed a reference application, in the above matter, under Section 256(1) of the Income Tax Act, 1961 before the ITAT in order to refer certain questions of law to High Court, Mumbai. The said application was rejected by ITAT through its order dated September 7, 1999.

Aggrieved by the above order the Department has filed an appeal in the Bombay High Court under Section 256(2) of the Income Tax Act, 1961. The matter is currently pending.

VII. INDUSTRY LITIGATIONS

The following cases, if determined adversely, may have a material adverse effect on our Company:

1. Chithralaya Exhibitors (India) & Ors. V/s State of Maharashtra & Ors. *(Writ Petition No. 1887 of 2005)*

The aforesaid writ petition has been filed by the Cinematograph Exhibitors' Association of India, an association of single screen cinema owners and owners of certain single screen Theatres, namely Liberty Cinema, Super Cinema, New Empire Cinema and Palace Cinema in the Bombay High Court, alleging the contravention of the provisions of the Bombay Entertainment Duty Act, 1923 (the "B.E.D Act") by the Multiplex Theatre Complexes ("Multiplexes") in consonance with the Government Authorities.

On August 17, 2001 the Maharashtra Government issued an Ordinance (No. XXIV of 2001) granting a 100% entertainment duty exemption to Multiplexes for the first 3 years from the commencement of their operations and for the subsequent 2 years, an exemption of 75% of the entertainment duty payable. The aforesaid provisions of the ordinance were subsequently incorporated into the B.E.D Act. However, the exemption was made available subject to certain terms and conditions, which included, among other things, that the Multiplexes shall not charge an admission rate, which is less than the highest prevailing rate for admission at any given time, by any of the single screen cinema theatres in the district in which the Multiplex is situated, till the period of concession is over.

The petitioners have alleged that the Multiplexes, availing the duty exemption, have been violating the aforesaid condition, subject to which concession is granted and the government authorities have overlooked the same.

The petitioners have prayed for, among other things, that appropriate writs may be issued by the Court, directing the government authorities to uniformly implement the provisions of B.E.D Act, in particular, Sections 3 (13) (a) and (b) and that the exemption granted to the Multiplexes, which do not adhere to the conditions subject to which the same is granted, may be withdrawn/quashed. The matter is currently pending before the Bombay High Court.

2. **M/s Liberty Cinema V/s State of Maharashtra & Ors.** ***(Writ Petition No. 2442 of 2003)***

An Ordinance (No. XXIV of 2001), (the "Ordinance") promulgated by the Maharashtra Government on August 17, 2001 was subsequently enacted as the Bombay Entertainment Duty (Amendment) Act II of 2002, amending the Bombay Entertainment Duty Act, 1923 (the "B.E.D Act") to include Sections 2 (f-a) and 3 (13) (a), which provide for entertainment duty exemption with respect to Multiplex Theatre Complexes ("Multiplexes") in the State of Maharashtra. The Ordinance amended the B.E.D Act by introducing the definition of Multiplexes as entertainment-cum-cultural centres, with not less than 4 Theatres and a minimum total seating capacity of 1250 in Mumbai and not less than 3 Theatres with a minimum total seating capacity of 1000 anywhere else in the State of Maharashtra. The Ordinance also purported to grant the Multiplexes, falling under the aforesaid definition, a 100% exemption from payment of entertainment duty for the first 3 years from the commencement of the Multiplexes and for the subsequent 2 years, an exemption of 75% of the entertainment duty payable. On August 18, 2001 the Government, by a Notification No. ENT.1099/C.R.76/T.1 ("the Notification") specified conditions, which shall be complied with by the proprietors of the Multiplexes. In order to implement the provisions of the Ordinance, the Government by Resolution No. ENT-1099/C.R. 76/T-1 dated September 20, 2001 passed an administrative order to the effect and further stipulated that the said scheme of entertainment duty concession shall only be made available for a period of one year from the date of amendment of the B.E.D. Act. The said Government Resolution was partially revised by a further Government Resolution No. ENT-1099/C.R. 76/T-1 dated January 4, 2003.

The aforesaid petition challenges the constitutional validity of Sections 2 (f-a) and 3 (13) of the B.E.D Act introduced by the Amendment Act II of 2002, the Notification and the aforementioned Government Resolutions as the same do not subserve the object or purpose for which the amendment was enacted and further discriminate against existing single screen Theatres by unreasonable classification, having no nexus with the object of the Act. The petitioners have prayed for the said provisions to be struck down and subsequently the Government Resolutions be withdrawn.

Two separate writ petitions namely S. P. Corporation & Another. v/s The State of Maharashtra & Ors. (Writ Petition No. 1680 of 2003) and Globe Theatres Pvt. Ltd. & Ors. v/s The State of Maharashtra & Ors. (Writ Petition No. 2279 of 2003) have also been filed in the Bombay High Court challenging the constitutionality of Sections 2 (f-a) and 3 (13) of the B.E.D Act, the Notification and the Government Resolutions, on similar grounds.
All three petitions are currently pending in the Bombay High Court.

VII. MATERIAL DEVELOPMENTS

In the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

Our Company has obtained the necessary approvals required to conduct our business and undertake the Issue. All such approvals are listed below. Unless stated otherwise, all such approvals are valid as of the date of this Draft Red Herring Prospectus.

A Approvals for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on August 7, 2006 authorized the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

The shareholders have, pursuant to a resolution dated August 24, 2006 under Section 81(1A) of the Companies Act, authorised the Issue.

The Board of Directors has, pursuant to a resolution dated August 7, 2006, authorised a committee of its Directors, referred to as the IPO Committee, to take decisions relating to the Issue on behalf of the Board of Directors.

We have obtained all the required consents from the Bankers of the Company in terms of the loan agreements entered into with Bank of India and the State Bank of India on account of increase of capital of our Company as well as for the Offer of Sale Component by the Promoters.

We have applied for a clarification/consent from the DIPP dated August 24, 2006 for investment by the FIIs in the Issue.

B Approvals for our Business

I Approvals for our business, as acquired by us with respect to each location, are listed hereinbelow.

CINEMAX – ANDHERI

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
1.	Registration Certificate of Establishment granted to Theatre under Rule 6 of Bombay Shops and Establishments Act, 1948 by the Inspector, authorized under the said Act.	KIE V 20	September 17, 1998	December 31, 2006
2.	Registration Certificate of Establishment granted to Cafe under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorized under the said Act.	KE-II/014235	August 22, 2003	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
3.	License for sale of eatables granted under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 by the Licensing Authority, authorized under the said Act.	003446	March 17, 1999	December 31, 2006
4.	Certificate for keeping safety films granted under Section 394 of the Bombay Municipal Corporation Act, 1923 to Theatre by Assistant Municipal Commissioner, Mumbai.	032176	November 12, 1998	December 31, 2006
5.	Certificate for display of neon signs granted by the Brihanmumbai Mahanagar Palika.	32409	March 3, 2004	December 31, 2006
6.	Certificate for supply of approved films granted by India Infotainment Media Corporation.	883	January 2, 2006 w.e.f April 1, 2006	December 31, 2007

CINEMAX – ETERNITY MALL, THANE

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
1.	Occupancy License granted under Regulation No. 37 by Municipal Corporation of the City of Thane.	TMC/TDD 3830	November 11, 2004	Not Applicable
2.	Exemption from EIA Notification dated 07/07/2004 granted by the Member Secretary, Maharashtra Pollution Control Board.	MPCB/RO(P&P)/TB-2264	March 29, 2006	Not Applicable
4.	License to exhibit cinema	Not Applicable	May 5, 2006	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	granted to Theatre (Screen I) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.			
5.	License to exhibit cinema granted to Theatre (Screen II) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.	Not Applicable	May 5, 2006	December 31, 2006
6.	License to exhibit cinema granted to Theatre (Screen III) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.	Not Applicable	May 5, 2006	December 31, 2006
7.	License to exhibit cinema granted to Theatre (Screen IV) under Rule 101 of the Maharashtra Cinemas (Regulation)	Not Applicable	May 5, 2006	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	Rules, 1966 by the Commissioner of Police, Brihan Mumbai.			
8.	License to sell tickets granted to Theatre (Screen I) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Thane.	Not Applicable	May 5, 2006	December 31, 2006
9.	License to sell tickets granted to Theatre (Screen II) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Thane.	Not Applicable	May 5, 2006	December 31, 2006
10.	License to sell tickets granted to Theatre (Screen III) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Thane.	Not Applicable	May 5, 2006	December 31, 2006
11.	License to sell tickets granted to Theatre (Screen IV)	Not Applicable	May 5, 2006	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Thane.			
12.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen I) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	CK-11/2006	May 23, 2006	December 31, 2006
13.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen II) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	CK-12/2006	May 23, 2006	December 31, 2006
14.	Permission to pay entertainment duty and surcharge granted to	CK-13/2006	May 23, 2006	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	Theatre (Screen III) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.			
15.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen IV) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	CK-14/2006	May 23, 2006	December 31, 2006
16.	Registration Certificate of Establishment granted to Cafe under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	R - 3795	June 27, 2006	December 31, 2008
17.	Registration Certificate of Establishment granted to the Theatre under Rule 6 of the Bombay Shops and Establishments	T-22	June 27, 2006	December 31, 2008

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	Act, 1948 by the Inspector, authorised under the said Act.			
18.	Registration Certificate of Establishment granted to the Gaming Entertainment under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	CE-21624	June 27, 2006	December 31, 2008
19.	Certificate for supply of approved films granted to Theatre (Screen I) by India Infotainment Media Corporation.	904	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
20.	Certificate for supply of approved films granted to Theatre (Screen II) by India Infotainment Media Corporation.	905	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
21.	Certificate for supply of approved films granted to Theatre (Screen III) by India Infotainment Media Corporation.	906	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
22.	Certificate for supply of approved films granted to Theatre (Screen	907	January 2, 2006 w.e.f April 1, 2006	March 31, 2007

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	IV) by India Infotainment Media Corporation.			
23.	Premises License granted under Rule 93 of the Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and performance for Public Amusement including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 granted by the Deputy Commissioner of Police, Brihan Mumbai.	NO.TC/LB/3/VIDEO/4/2006	July 29, 2006	December 31, 2006
24.	License for Games to sell tickets under Rule 184 of the Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and performance for Public Amusement including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 granted	NO.TC/LB/3/VIDEO/4/2006	July 29, 2006	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	by the Deputy Commissioner of Police, Brihan Mumbai.			

CINEMAX – GOREGAON

Sl. No.	Particulars	Reference/License No.	Date of Issue	Expiry Date
1.	Permission to pay entertainment duty and surcharge granted to Video Cinema under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	CMSD-CK-13/05	September 10, 2006	December 31, 2006
2.	Permission to pay entertainment duty and surcharge granted to the Theatre under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 granted by the Collector, Mumbai Suburban District.	CMSD-CK-15-05	September 10, 2005	December 31, 2006
3.	Registration Certificate of Establishment granted to Theatre under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector authorized under the said Act.	PS-V-5	April 4, 1998	December 31, 2006.
4.	Registration Certificate of Establishment granted to Theatre under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector authorized under the said Act.	PS-V/000021	July 8, 2004	December 31, 2006
5.	Registration Certificate of Establishments granted I under Rule 6 of the Bombay Shops and Establishments Act, 1948	PS-IV-395	April 4, 1998	December 31, 2006.

Sl. No.	Particulars	Reference/License No.	Date of Issue	Expiry Date
	by the Inspector, authorized under the said Act.			
6.	License for Catering Establishment (ground floor) granted under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 by the Licensing Authority, authorized under the said Act.	WOPIS/32920/MOH/IR/66019/22-9-98	February 2, 1999	December 31, 2008.
7.	License for Catering Establishments (first floor) granted under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 by the Licensing Authority, authorized under the said Act.	WOPIS/32920/MOH/IR/66018/22-9-98	February 2, 1999	December 31, 2008.
8.	Certificate for keeping safety films granted under Section 394 of the Bombay Municipal Corporation Act, 1923 to Theatre by Assistant Municipal Commissioner, Mumbai	124364	September 17, 1999	December 31, 2006
9.	Certificate for display of neon signs granted by the Brihanmumbai Mahanagar Palika.	34273	October 5, 2002	December 31, 2006
10.	Certificate for display of glow signs granted by the Brihanmumbai Mahanagar Palika.	55345	October 7, 2002	December 31, 2006
11.	Certificate of fitness to exhibit cinema granted to the Theatre by the Office of Executive Engineer, P.W. Department, Mumbai.	No/NMD/Theatre/7996 of 2005	December 30, 2005	December 31, 2006
12.	Certificate of fitness to exhibit cinema granted to the Video Cinema Theatre by the Office of Executive Engineer, P.W. Department, Mumbai.	No/NMD/Theatre/7997 of 2005	December 30, 2005	December 31, 2006
13.	Certificate for supply of approved films granted by India Infotainment	882	January 2, 2006 w.e.f	March 31, 2007

Sl. No.	Particulars	Reference/License No.	Date of Issue	Expiry Date
	Media Corporation.		April 1, 2006	

CINEMAX – KANDIVALI (West)

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
1.	Registration Certificate of Establishment granted to Theatre under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	R/S/V/13	March 11, 1998	December 31, 2006
2.	Registration Certificate of Establishment granted to Cafe under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	RS-1/011133	February 24, 2003	December 31, 2006
3.	License for sale of eatables granted under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 by the Licensing Authority, authorised under the said Act.	128707	March 10, 1999	December 31, 2006
4.	Certificate for keeping safety films granted under Section 394 of the Bombay Municipal Corporation Act, 1923 to Theatre by Assistant Municipal Commissioner, Mumbai	011323	September 20, 1998	December 31, 2006
5.	Certificate of fitness to exhibit cinema under the Maharashtra Cinema Rules, 1966 by the Executive Engineer, P.W. Division, Mumbai.	No/NMD/Theatre/8020 of 2005	December 27, 2005	December 31, 2006
6.	Certificate for supply of approved films granted by India Infotainment Media Corporation.	884	January 2, 2006 w.e.f April 1, 2006	December 31, 2007

CINEMAX – KANDIVALI (East)

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
1.	License to exhibit cinema granted to Theatre (Screen I) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.	222 of 2006	January 13, 2006	December 31, 2006
2.	License to exhibit cinema granted to Theatre (Screen II) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.	223 of 2006	January 13, 2006	December 31, 2006
3.	License to exhibit cinema granted to Theatre (Screen III) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.	224 of 2006	January 13, 2006	December 31, 2006
4.	License to exhibit cinema granted to Theatre (Screen IV) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.	225 of 2006	January 13, 2006	December 31, 2006
5.	License to sell tickets granted to Theatre (Screen I) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.	222 of 2006	January 13, 2006	December 31, 2006
6.	License to sell tickets granted to Theatre (Screen II) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police,	223 of 2006	January 13, 2006	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	Brihan Mumbai.			
7.	License to sell tickets granted to Theatre (Screen III) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.	224 of 2006	January 13, 2006	December 31, 2006
8.	License to sell tickets granted to Theatre (Screen IV) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.	225 of 2006	January 13, 2006	December 31, 2006
9.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen I) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	111/2006	January 23, 2006	December 31, 2006
10.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen II) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	112/2006	January 23, 2006	December 31, 2006
11.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen III) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	113/2006	January 23, 2006	December 31, 2006
12.	Permission to pay entertainment duty and	114/2006	January 23, 2006	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	surcharge granted to Theatre (Screen IV) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.			
13.	Registration Certificate of Establishment granted to Canteen under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	RS-IV/000674	April 7, 2006	December 12, 2008
14.	Registration Certificate of Establishment granted to Theatre under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	RS-V/000024	April 7, 2006	December 12, 2008
15.	License for sale of eatables granted under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 by the Licensing Authority, authorized under the said Act.	127695	June 19, 2006 w.e.f January 26, 2006	December 31, 2010
16.	Certificate for supply of approved films granted to Theatre (Screen I) by Indian Infotainment Media Corporation.	878	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
17.	Certificate for supply of approved films granted to Theatre (Screen II) by Indian Infotainment Media Corporation.	879	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
18.	Certificate for supply of approved films granted to Theatre (Screen III) by Indian Infotainment Media Corporation.	880	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
19.	Certificate for supply of approved films granted to Theatre (Screen IV) by	881	January 2, 2006 w.e.f	March 31, 2007

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	Indian Infotainment Media Corporation.		April 1, 2006	
20.	Premises License granted under Rule 109 of the Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and performance for Public Amusement including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 granted by the Commissioner of Police, Brihan Mumbai.	303 of 2006	April 19, 2006	December 31, 2006
21.	License for Games to sell tickets under Rule 200 of the Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and performance for Public Amusement including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 granted by the Commissioner of Police, Brihan Mumbai.	303 of 2006	April 19, 2006	December 31, 2006

CINEMAX – MIRA ROAD

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
1.	Eligibility Certificate for entertainment tax exemption payable under the Bombay Entertainment Duty Act, 1923, granted by the Collector, Thane District.	611	September 3, 2004	September 2, 2009
2.	Registration Certificate of Establishment granted to Cafe under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	R-1122	August 2, 2004	July 2, 2004
3.	Registration Certificate of Establishment granted to Theatre I under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector authorised under the said Act.	T-1/2004	August 2, 2004	July 2, 2004
4.	Certificate for supply of approved films granted to Theatre (Screen I) by India Infotainment Media Corporation.	898	January 2, 2006 w.e.f June 13, 2006	March 31, 2007
5.	Certificate for supply of approved films granted to Theatre (Screen II) by India Infotainment Media Corporation.	899	January 2, 2006 w.e.f June 13, 2006	March 31, 2007
6.	Certificate for supply of approved films granted to Theatre (Screen III) by India Infotainment Media Corporation.	900	January 2, 2006 w.e.f June 13, 2006	March 31, 2007

CINEMAX – NASHIK

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
1.	License to exhibit cinema granted to Theatre (Screen I) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Assistant Commissioner of Police, Nashik.	4/2004	May 25, 2004	December 31, 2006
2.	License to exhibit cinema granted to Theatre (Screen II) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Assistant Commissioner of Police, Nashik.	5/2004	May 25, 2004	December 31, 2006
3.	License to exhibit cinema granted to Theatre (Screen III) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Assistant Commissioner of Police, Nashik.	6/2004	May 25, 2004	December 31, 2006
4.	License to sell tickets granted to Theatre (Screen I) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Nashik.	4/2004	May 25, 2004	December 31, 2006
5.	License to sell tickets granted to Theatre (Screen II) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Nashik.	5/2004	May 25, 2004	December 31, 2006
6.	License to sell tickets granted to Theatre (Screen III) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Nashik.	6/2004	May 25, 2004	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
7.	Premises license granted under Rule 109 of the Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and performance for Public Amusement including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 granted by the Commissioner of Police, Brihan Mumbai.	1/2004	December 31, 2004	December 31, 2006
8.	License for games to sell tickets under Rule 200 of the Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and performance for Public Amusement including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 granted by the Commissioner of Police, Brihan Mumbai.	1/2004	December 31, 2004	December 31, 2006
9.	Eligibility Certificate for entertainment tax exemption, payable under the Bombay Entertainment Duty Act, 1923, granted by the Additional Collector, Nashik.	924 of 2004	October 12, 2004	October 11, 2009
10.	Registration Certificate of Establishment granted to the Theatre under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	62 /5	June 5, 2004	December 31, 2006
11.	Registration Certificate of Establishment granted to the Canteen under Rule 6 of the Bombay Shops and	98/4	June 5, 2004	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	Establishments Act, 1948 by the Inspector, authorised under the said Act.			
12.	License for sale of eatables granted under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 by the Licensing Authority, authorized under the said Act.	002553	July 26, 2005	December 31, 2009
13.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen I) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Nashik.	35/2004	May 29, 2004	December 31, 2006
14.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen II) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Nashik.	36/2004	May 29, 2004	December 31, 2006
15.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen III) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Nashik.	37/2004	May 29, 2004	December 31, 2006
16.	Certificate for supply of approved films granted to Theatre (Screen I) by India Infotainment Media Corporation.	901	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
17.	Certificate for supply of approved films granted to Theatre (Screen II) by India Infotainment Media Corporation.	902	January 2, 2006 w.e.f April 1, 2006	March 31, 2007

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
18.	Certificate for supply of approved films granted to Theatre (Screen III) by India Infotainment Media Corporation.	903	January 2, 2006 w.e.f April 1, 2006	March 31, 2007

CINEMAX – SION

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
1.	License to exhibit by means of video cassette player granted to Video Theatre (Screen IV) under Rule-24 E of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Mumbai.	82 of 2004	December 22, 2004	December 31, 2006
2.	License to exhibit by means of video cassette player granted to Video Theatre (Screen V) under Rule-24 E of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Mumbai.	83 of 2004	December 22, 2004	December 31, 2006
3.	License to sell tickets granted to Video Theatre (Screen IV) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by Commissioner of Police, Mumbai.	82 of 2004	December 22, 2004	December 31, 2006
4.	License to sell tickets granted to Video Theatre (Screen V) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Mumbai	83 of 2004	December 22, 2004	December 31, 2006
5.	No Objection Certificate to re-arrange the seating arrangement in various classes in Theatre (Screen I) granted by the Commissioner of Police,	O.W. No. 1955/2000	November 21, 2000	Not Applicable

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	Mumbai			
6.	No Objection Certificate to re-arrange the seating arrangement in various classes in granted to Theatre (Screen II) granted by the Commissioner of Police, Mumbai	O.W. No. 1884/2000	November 21, 2000	Not Applicable
7.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen I) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Collector, Mumbai	1/2003/373	June 10, 2003	December 31, 2006.
8.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen II) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Collector, Mumbai	1/2003/374	June 10, 2003	December 31, 2006
9.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen III) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Collector, Mumbai	2/2003/375	June 10, 2003	December 31, 2006
10.	Registration Certificate of Establishment granted to Theatre (Screen I) under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector authorised in this behalf.	FN-V/000041	January 1, 2001	December 31, 2006
11.	Registration Certificate of Establishment granted to Theatre (Screen II) under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector authorised in this behalf.	FN-V/000040	January 1, 2001	December 31, 2006

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
12.	Registration Certificate of Establishment granted to Theatre (Screen III) under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorized under the said Act.	FN-V/000044	January 1, 2001	December 31, 2006
13.	Registration Certificate of Establishment granted to Canteen under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorized under the said Act.	FN-IV/000514	January 1, 2001	December 31, 2006
14.	License granted to Catering Establishment under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 by Licensing Authority, authorised under the said Act.	75978	June 19, 2002 w.e.f January 1, 2002	December 31, 2006
15.	Certificate for display of neon signs granted by the Brihanmumbai Mahanagar Palika.	69643	January 29, 2004	November 30, 2007
16.	Certificate for keeping safety films granted for Theatre (Screen I) under Section 394 of the Bombay Municipal Corporation Act, 1923 to Theatre by Assistant Municipal Commissioner, Mumbai.	069804	February 1, 2002	June 30, 2007
17.	Certificate for keeping safety films granted for Theatre (Screen II) under Section 394 of the Bombay Municipal Corporation Act, 1923 to Theatre by Assistant Municipal Commissioner, Mumbai.	069805	February 1, 2002	June 30, 2007
18.	Certificate for supply of approved films granted to Theatre (Screen I) by India Infotainment	889	January 2, 2006 w.e.f April 1, 2006	March 31, 2007

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
	Media Corporation.			
19.	Certificate for supply of approved films granted to Theatre (Screen II) by India Infotainment Media Corporation.	890	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
20.	Certificate for supply of approved films granted to Theatre (Screen III) by India Infotainment Media Corporation.	891	January 2, 2006 w.e.f April 1, 2006	March 31, 2007

CINEMAX – VERSOVA

Sl. No.	Particulars	Reference/License No.	Date of Issue	Expiry Date
1.	Eligibility Certificate for entertainment tax exemption, payable under the Bombay Entertainment Duty Act, 1923, granted by Additional Collector, Mumbai District.	33/38 of 2005	April 27, 2006	April 26, 2011
2.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen I) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	33/2006	April 27, 2006	December 31, 2006
3.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen II) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	34/2006	April 27, 2006	December 31, 2006

Sl. No.	Particulars	Reference/License No.	Date of Issue	Expiry Date
4.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen III) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	35/2006	April 27, 2006	December 31, 2006
5.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen IV) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	36/2006	April 27, 2006	December 31, 2006
6.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen V) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	37/2006	April 27, 2006	December 31, 2006
7.	Permission to pay entertainment duty and surcharge granted to Theatre (Screen VI) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Additional Collector, Bombay Suburban District.	38/2006	April 27, 2006	December 31, 2006

Sl. No.	Particulars	Reference/License No.	Date of Issue	Expiry Date
8.	Registration Certificate of Establishment granted to Theatre (Screen I) under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	KW –V/000118	October 10, 2005	December 31, 2007
9.	Registration Certificate of Establishment granted to Theatre (Screen II) under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	KW –V/000113	October 10, 2005	December 31, 2007
10.	Registration Certificate of Establishment granted to Theatre (Screen III) under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	KW –V/000114	October 10, 2005	December 31, 2007
11.	Registration Certificate of Establishment granted to Theatre (Screen IV) under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	KW –V/000115	October 10, 2005	December 31, 2007
12.	Registration Certificate of Establishment granted to Theatre (Screen V) under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	KW –V/000116	October 10, 2005	December 31, 2007

Sl. No.	Particulars	Reference/License No.	Date of Issue	Expiry Date
13.	Registration Certificate of Establishment granted to Theatre (Screen VI) under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorized under the said Act.	KW –V/000117	October 10, 2005	December 31, 2007
14.	Registration Certificate of Establishments granted to Canteen No.1 under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorized under the said Act.	KW –I/019465	October 14, 2005	December 31, 2007
15.	Registration Certificate of Establishments granted to Canteen (1) No.2 under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	KW –I/019465	October 14, 2005	December 31, 2007
16.	Registration Certificate of Establishments granted to Canteen (2) No.2 under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorised under the said Act.	KW –I/019466	October 14, 2005	December 31, 2007
17.	License granted for sale of eatables under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 by the Licensing Authority, authorised under the said Act.	No.017119 of 2006	January 24, 2006	December 31, 2006
18.	Certificate for supply of approved films granted to Theatre (Screen I) by Indian Infotainment Media Corporation.	892	January 2, 2006 w.e.f April 1, 2006	March 31, 2007

Sl. No.	Particulars	Reference/License No.	Date of Issue	Expiry Date
19.	Certificate for supply of approved films granted to Theatre (Screen II) by Indian Infotainment Media Corporation.	893	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
20.	Certificate for supply of approved films granted to Theatre (Screen III) by Indian Infotainment Media Corporation.	894	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
21.	Certificate for supply of approved films granted to Theatre (Screen IV) by Indian Infotainment Media Corporation.	895	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
22.	Certificate for supply of approved films granted to Theatre (Screen V) by Indian Infotainment Media Corporation.	896	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
23.	Certificate for supply of approved films granted to Theatre (Screen VI) by Indian Infotainment Media Corporation.	897	January 2, 2006 w.e.f April 1, 2006	March 31, 2007
24.	Premises License granted under Rule 109 of the Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and performance for Public Amusement including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 granted by the Commissioner of Police, Brihan Mumbai.	287 of 2005	December 2, 2005	December 12, 2006

Sl. No.	Particulars	Reference/License No.	Date of Issue	Expiry Date
25.	License for Games to sell tickets under Rule 200 of the Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and performance for Public Amusement including Cabaret Performances, Discotheque, Games, Melas and Tamashas, 1960 by the Commissioner of Police, Brihan Mumbai.	287 of 2005	December 2, 2005	December 12, 2006

CINEMAX – WONDER MALL, THANE

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
1.	Eligibility Certificate for entertainment tax exemption, payable under the Bombay Entertainment Duty Act, 1923, granted by the Collector, Thane.	46930	February 17, 2004	February 16, 2009
2.	Registration Certificate of Establishment granted to Canteen under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorized under the said Act.	R - 3441	December 17, 2003	December 31, 2007
3.	Registration Certificate of Establishment granted to Theatre under Rule 6 of the Bombay Shops and Establishments Act, 1948 by the Inspector, authorized under the said Act.	T - 19	December 17, 2003	December 31, 2007
4.	Food license granted by the Licensing Authority, Municipal Corporation, Thane.	457/C/HOTEL	December 25, 2003	December 31, 2007
5.	Certificate for supply of approved films granted to Theatre (Screen I) by India Infotainment Media Corporation.	885	January 2, 2006 w.e.f April 1, 2006	March 31, 2007

Sl. No.	Description	Reference/License No.	Date of Issue	Expiry Date
6.	Certificate for supply of approved films granted to Theatre (Screen II) by India Infotainment Media Corporation.	886	April 1, 2006	March 31, 2007
7.	Certificate for supply of approved films granted to Theatre (Screen III) by India Infotainment Media Corporation.	887	April 1, 2006	March 31, 2007
8.	Certificate for supply of approved films granted to Theatre (Screen IV) by India Infotainment Media Corporation.	888	April 1, 2006	March 31, 2007

1. **Applications for Approvals/Renewals of Approvals for our business:**

CINEMAX – ANDHERI

Sl. No	Description	Date of Application for Approval/Renewal of Approval
1.	Application for renewal of license to exhibit cinema granted under Rule 101 of the Bombay Cinemas (Regulation) Act, 1953 by the Commissioner of Police, Greater Bombay.	December 29, 2005
2.	Application for renewal of license to sell tickets granted under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Greater Bombay.	December 29, 2005
3.	Application for renewal of permission to pay entertainment duty and surcharge granted under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Collector, Mumbai Suburban District.	December 28, 2005
4.	Application for registration of establishment employing contract labour under Rule 17 (a) of the Contract Labour (Regulation and Abolition) Rules, 1971.	August 3, 2006
5.	Application for Public Performance License granted to Theatre by the Chief Executive Officer, Phonographic Performance Limited.	August 28, 2006

CINEMAX – ETERNITY MALL, THANE

Sl. No	Description	Date of Application for Approval/Renewal of Approval
1.	Application for eligibility certificate for entertainment tax exemption granted under the Bombay Entertainment Duty Act, 1923, by the Collector, Thane.	May 29, 2006
2.	Application for registration of establishment employing contract labour under Rule 17 (a) of the Contract Labour (Regulation and Abolition) Rules, 1971.	August 3, 2006
3.	Application for Food license granted by the Licensing Authority, Municipal Corporation, Thane.	August 25, 2006
4.	Application for renewal of certificate for display of neon signs granted by the Brihanmumbai Mahanagar Palika.	August 24, 2006
5.	Application for Public Performance License granted to Theatre (Screen I to IV) by the Chief Executive Officer, Phonographic Performance Limited.	August 28, 2006

CINEMAX – GOREGAON

Sl. No	Description	Date of Application for Approval/Renewal of Approval
1.	Application for renewal of license to exhibit cinema to Theatre granted under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Greater Bombay.	December 29, 2005
2.	Application for renewal of license to sell tickets granted to a cinema to Theatre under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Mumbai.	December 29, 2005
3.	Application for renewal of license to exhibit by means of video cassette player granted under Rule-24 E of the Bombay Cinemas (Regulation) Act, 1953 by the Commissioner of Police, Mumbai.	December 29, 2005
4.	Application for renewal of license to sell tickets granted to a video cinema under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Mumbai.	December 29, 2005

Sl. No	Description	Date of Application for Approval/Renewal of Approval
5.	Application for registration of establishment employing contract labour under Rule 17 (a) of the Contract Labour (Regulation and Abolition) Rules, 1971.	August 3, 2006
6.	Application for Public Performance License granted to Theatre by the Chief Executive Officer, Phonographic Performance Limited.	August 28, 2006

CINEMAX – KANDIVALI (West)

Sl. No	Description	Date of Application for Approval/Renewal of Approval
1.	Application for renewal of license to exhibit cinema granted under Rule 101 Maharashtra Cinemas (Regulation) Rule, 1966 by the Commissioner of Police, Greater Bombay.	December 29, 2005
2.	Application for renewal of license to sell tickets granted under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Bombay.	December 29, 2005
3.	Application for renewal of permission to pay entertainment duty and surcharge granted to Theatre under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Collector, Mumbai	December 28, 2005
4.	Application for registration of establishment employing contract labour under Rule 17 (a) of the Contract Labour (Regulation and Abolition) Rules, 1971.	August 3, 2006
5.	Application for Public Performance License granted to Theatre by the Chief Executive Officer, Phonographic Performance Limited.	August 28, 2006

CINEMAX – KANDIVALI (East)

Sl. No	Description	Date of Application for Approval/Renewal of Approval
1.	Application for eligibility certificate for entertainment tax exemption granted under the Bombay Entertainment Duty Act, 1923, by the Additional Collector, Thane.	February 23, 2006
2.	Application for registration of establishment employing contract labour under Rule 17 (a) of the Contract Labour (Regulation and Abolition) Rules, 1971.	August 3, 2006

3.	Application for renewal of certificate for keeping safety films granted to Theatre (Screen I to IV) by Assistant Municipal Commissioner, Mumbai	August 25, 2006
4.	Application for renewal of Public Performance License granted to Theatre (Screen I to III) by the Chief Executive Officer, Phonographic Performance Limited.	August 28, 2006

CINEMAX – MIRA ROAD

Sl. No	Description	Date of Application for Approval/Renewal of Approval
1.	Application for renewal of license to exhibit cinema granted to Theatre (Screen I to III) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by District Magistrate, Thane.	December 31, 2005
2.	Application for renewal of license to sell tickets granted to Theatre (Screen I to III) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the District Magistrate, Thane.	December 31, 2005
3.	Application for renewal of permission to pay entertainment duty and surcharge granted to Theatre (Screen I to III) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the District Magistrate, Thane.	December 31, 2005
4.	Application for Food license granted by the Licensing Authority, Municipal Corporation, Thane.	August 25, 2006
5.	Application for registration of establishment employing contract labour under Rule 17 (a) of the Contract Labour (Regulation and Abolition) Rules, 1971.	August 3, 2006
6.	Application for renewal of Public Performance License granted to Theatre (Screen I to III) by the Chief Executive Officer, Phonographic Performance Limited.	August 28, 2006

CINEMAX – NASHIK

Sl No.	Description	Date of Application for Approval/Renewal of Approval
1.	Application for renewal of Public Performance License granted to Theatre (Screen I to III) by the Chief Executive Officer, Phonographic Performance Limited.	August 28, 2006

CINEMAX – SION

Sl. No	Description	Date of Application for Approval/Renewal of Approval
1.	Application for renewal of license to exhibit cinema granted to Theatre (Screen I to III) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Mumbai	December 29, 2005
2.	Application for renewal of license to sell tickets granted to Theatre (Screen I to III) under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Mumbai	December 29, 2005
3.	Application for renewal of permission to pay entertainment duty and surcharge granted to Video Theatre (Screen IV & V) under Section 3(3) (a) of the Bombay Entertainments Duty Act, 1923 by the Collector, Mumbai	December 30, 2005
4.	Application for renewal of certificate for keeping safety films granted to Theatre (Screen III) by Assistant Municipal Commissioner, Mumbai	August 25, 2006
5.	Application for registration of establishment employing contract labour under Rule 17 (a) of the Contract Labour (Regulation and Abolition) Rules, 1971.	August 3, 2006
6.	Application for renewal of Public Performance License granted to Theatre (Screen I to III) by the Chief Executive Officer, Phonographic Performance Limited.	August 28, 2006

CINEMAX – VERSOVA

Sl. No	Description	Date of Application for Approval/Renewal of Approval
1.	Application for renewal of license to exhibit cinema granted to Theatre (Screen I to VI) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Brihan Mumbai.	December 24, 2005
2.	Application for renewal of license to sell tickets granted to Theatre (Screen I to VI) granted under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Mumbai.	December 24, 2005
3.	Application for renewal of certificate for keeping safety films granted to Theatre (Screen I & VI) by Assistant Municipal Commissioner, Mumbai	June 7, 2006
4.	Application for certificate for display of neon/glow signs granted by the Brihanmumbai Mahanagar Palika.	August 28, 2006
5.	Application for registration of establishment employing contract labour under Rule 17 (a) of the Contract Labour (Regulation and Abolition) Rules, 1971.	August 3, 2006
6.	Application for renewal of Public Performance License granted to Theatre (Screen I to IV) by the Chief Executive Officer, Phonographic Performance Limited.	August 28, 2006
7.	Application for permission to sell tickets via kiosk machine to the Additional Collector, Mumbai.	September 15, 2005

CINEMAX – WONDER MALL, THANE

Sl. No	Description	Date of Application for Approval/Renewal of Approval
1.	Application for renewal of license to exhibit cinema granted to Theatre (Screen I to IV) under Rule 101 of the Maharashtra Cinemas (Regulation) Rules, 1966 by the Commissioner of Police, Thane.	December 31, 2005
2.	Application for renewal of license to sell tickets granted to Theatre (Screen I to IV) under Rule 108 of the Maharashtra Cinemas (Regulation)	December 31, 2005

Sl. No	Description	Date of Application for Approval/Renewal of Approval
	Rules, 1966 by the Commissioner of Police, Thane.	
3.	Application for renewal of permission to pay entertainment duty and surcharge granted to Theatre (Screen I to IV) under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 by the Collector, Mumbai	December 3, 2005
4.	Application for renewal Certificate for display of neon signs granted by the Brihanmumbai Mahanagar Palika.	August 24, 2006
5.	Application for registration of establishment employing contract labour under Rule 17 (a) of the Contract Labour (Regulation and Abolition) Rules, 1971.	August 3, 2006
6.	Application for renewal of Public Performance License granted to Theatre (Screen I to IV) by the Chief Executive Officer, Phonographic Performance Limited.	August 28, 2006

We believe that we have obtained/applied for all the approvals required for carrying out our business. Further, we undertake to obtain all relevant approvals, licenses, registrations and permissions from time to time as and when it may be required to conduct our business.

V. Miscellaneous Licenses

1. Registration (MH/93142) of Employees and Factories/Establishments dated February 9, 2004 under Employees Provident Funds and Miscellaneous Provisions Act, 1952 by the authority under the said Act.
2. Registration (34/1578/121) of Employees and Factories/Establishments dated November 14, 2002 under Sections 2(12) & 1(3) of the Employees State Insurance Act, 1948 by the authority under the said Act.
3. Tax Deduction Account Number allotted under section 203A of the Income Tax Act, 1961 is MUMCI0889E
4. Permanent Account Number issued by the Commissioner of Income Tax (Computer Operations) is AACCC1775F
5. Certificate of registration under Section 69 of the Finance Act, 1994 for payment of Service Tax MIV/ST/ADV/970 on January 11, 2005.
6. Importer-exporter Code Number issued by the Foreign Trade Development Officer is 0303032588.
7. Professional Tax Registration Certificate Number allotted under section 5(1) of the Maharashtra State Tax on Professions, Trades, Calling and Employment Act, 1975 is PT/R/11/29/23454.

VI. INTELLECTUAL PROPERTY

A. Trade Marks

Our Company has obtained trademark registration for 13 marks and 25 trademark

applications are pending at various stages of the process of registration.

1. Trademarks for which we have received a certificate of registration

Sr. No.	Application. No.	Class	Logo/Brand Name	Status
1.	1174697	16	Cine Prime	Registration certificate issued on April 11, 2005, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Trade Mark Journal No. 1305(S-I)
2.	1174698	16	Logo – Kanakia's Cine Prime	Registration certificate issued on April 11, 2005, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Trade Mark Journal No. 1305(S-I).
3.	1174699	16	Cine Wonder	Registration certificate issued on April 11, 2005, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Trade Mark Journal No. 1305(S-I).
4.	1174701	16	Cine Vision	Registration certificate issued on April 11, 2005, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Trade Mark Journal No. 1305(S-I).
5.	1174702	16	Cine Zone	Registration certificate issued on April 11, 2005, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Trade Mark Journal No. 1305(S-I).
6.	1174703	16	Cine Plex	Registration certificate issued on April 11, 2005, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Trade Mark Journal No. 1305(S-I)
7.	1174704	16	Cine Masti	Registration certificate issued on April 11, 2005, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Trade Mark Journal No. 1305(S-I)
8.	1174705	16	Cine Studio	Registration certificate issued on April 11, 2005, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Trade Mark Journal No. 1305(S-I)

Sr. No.	Application. No.	Class	Logo/Brand Name	Status
9.	1174706	16	Cine Prestige	Registration certificate issued on April 11, 2005, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Trade Mark Journal No. 1305(S-I)
10.	1174709	16	Cine Crown	Registration certificate issued on May 31, 2005, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Trade Mark Journal No. 1309(S-I).
11.	1143095	16	Cine City	Registration certificate issued on April 1, 2005, by Registry of Trade Marks w.e.f. October 10, 2002 for a period of 10 years, being advertised in Trade Mark Journal No. MEGA-6
12.	1143096	16	Cine World	Registration certificate issued on December 7, 2005, by Registry of Trade Marks w.e.f. October 14, 2002 for a period of 10 years, being advertised in Trade Mark Journal No. 1328(S-V)
13.	1174700	16	Cine Screen	Registration certificate issued on January 23, 2006, by Registry of Trade Marks w.e.f. February 13, 2003 for a period of 10 years, being advertised in Journal 1329(S-1)
14.	904492	16	Cine Magic	Registration Certificate received, issued on May 4, 2005, by Registry of Trade Marks w.e.f. February 18, 2000 for a period of 10 years, being advertised in Trade Mark Journal No. MEGA-4 (Registered in the name of Vrusti Theatres Pvt. Ltd.)
15.	904493	16	Cine Star	Registration Certificate received (Registered in the name of Hariyash Theatres Pvt. Ltd.)
16.	872570	16	Cinemax	Advertised in Journal 1309 (Originally applied for by Kanakia Shelter Private Limited)
17.	947222	16	Cineplanet	Accepted for publication on January 5, 2006 (Registered in the name of Rupam Pvt. Ltd.)

The said trademarks from serial no. 14 to serial no 17 are owned by our erstwhile subsidiaries, which has subsequently merged with our Company. We are in the process of transferring the trade marks in the name of our Company.

2. Application made for registration of Trade Marks

Sr. No.	Application No.	Class	Logo/Brand Name	Status
1.	1174104	16	Cine Masti	Pending for acceptance
2.	01457010	41	Giggles- The Gaming Zone™	Pending for acceptance
3.	1174707	16	Cine Pearl	Accepted for publication September 26, 2003
4.	1174708	16	Cine Wave	Accepted for publication on September 26, 2003
5.	1396903	41	W.S-Enjoy Relax @ Cinemax	Pending for acceptance
6.	1396904	41	W.S.-Giggles Fultoo Fun	Pending for acceptance
7.	1396905	41	W.S – The Red Lounge	Pending for acceptance
8.	822307	9	Cinemax	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment dated September 28, 2006)
9.	822308	16	Cinemax	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment dated September 28, 2006)
10.	885931	9	Cinecity	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment dated September 28, 2006)
11.	885932	9	Cineworld	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment dated September 28, 2006)
12.	885941	9	Cineworld	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment

Sr. No.	Application No.	Class	Logo/Brand Name	Status
				dated September 28, 2006)
13.	885942	16	Cinecity	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment dated September 28, 2006)
14.	939919	16	Cine Village	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment dated September 28, 2006)
15.	939920	9	Cine Village	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment dated September 28, 2006)
16.	1244844	41	Cine Village	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment dated September 28, 2006)
17.	1244849	41	Cine World	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment dated September 28, 2006)
18.	1244852	41	Cine City	Application for the transfer of the said trademark application, in the name of the Company, made to the Registrar of Trademark (Assigned by M/s. Shringar Films through deed of assignment dated September 28, 2006)
19.	1360032	41	Cinemax	Advertised in Trademark Journal No. 1340 Supplement- 1 page no. 7062

Copyright

Our erstwhile subsidiary, Kanakia Shelters Private Limited, which has since merged with our Company, has obtained copyright registration with respect to “Cinemax”, as an artistic work, bearing registration number A-60287/2001 dated November 20, 2001.

Domain Name Registration

Our Company has registered the domain name *www.cinemax.co.in* on February 28, 2005. The same is valid till February 28, 2007.

SECTION VII - OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on August 7, 2006, authorised the Issue subject to the approval by shareholders of our Company under section 81(1A) of the Companies Act.

Our shareholders have authorised the Issue by a special resolution in accordance with section 81(1A) of the Companies Act, passed at the extraordinary general meeting of our Company held on August 24, 2006 at the registered office of our Company.

Our Board has approved this Draft Red Herring Prospectus at a meeting held on September 29, 2006.

We have applied for a clarification/consent from the DIPP dated August 24, 2006 for investment by the FIIs in the Issue.

We have also obtained all necessary contractual consents required for the Issue. For further information, see section titled "Government and Other Approvals" on page 3 of this Draft Red Herring Prospectus.

Prohibition by SEBI

Our Company, our Directors, our Promoters, directors or the person(s) in control of our Promoters, Promoter Group companies, companies in which we have substantial shareholding and companies in which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Further, our Promoters and Promoter Group entities have confirmed that they have not been detained as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

Eligibility for the Issue

Since our proposed Issue size is more than five times of our pre-Issue net worth as per the audited balance sheet of the preceding fiscal year, we are required to comply with the conditions of Clause 2.2.2 of the SEBI Guidelines for this Issue. Clause 2.2.2 of the SEBI Guidelines states as follows

An unlisted Company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions in (a) and (b) given below:

(a)(i) The issue is made through the book build process, with at least 50% *the net offer to the public being allotted to the Qualified Institutional Buyers (QIBs), failing which the subscription monies shall be refunded.*

OR

(a)(ii) The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which full subscription monies shall be refunded.

AND

(b)(i) The minimum post issue face value capital of the Company shall be Rs. 10 crores.

OR

(b)(ii) There shall be compulsory market making for at least 2 years from the date of listing of the shares subject to the following:

(a) Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

(b) Market makers undertake to ensure that the bid ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;

(c) The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed issue of the Company."

Accordingly, in compliance with Clause 2.2.2 of the SEBI Guidelines, the Issue is being made through the book build process, with at least 50% the Net Issue being allotted to the QIBs. In case we do not receive subscriptions of at least 50% the Net Issue from QIBs, we shall forthwith refund the subscription monies. Our Company will also comply with Clause 2.2.2(b)(i) of the SEBI Guidelines and the post Issue face value capital of the Company shall be Rs. 280 million, which is more than the minimum requirement of Rs. 100 million.

Hence, we are eligible under Clause 2.2.2 of the SEBI Guidelines.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000, otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay. Further, if at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS ARE ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, JM MORGAN STANLEY PRIVATE LIMITED, EDELWEISS CAPITAL LIMITED AND AMBIT CORPORATE FINANCE PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, HAVE FURNISHED TO SEBI, A DUE

DILIGENCE CERTIFICATE DATED September 28, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

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

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

- **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

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

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

- **BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE, SUCH REGISTRATIONS ARE VALID*.**

- **WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

- **WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/ SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS."**

- **THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER**

CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

* The Merchant Banking registration of JM Morgan Stanley Private Limited expired on August 15, 2006. The application for renewal of certificate of registration in prescribed Form A was made by JM Morgan Stanley Private Limited to SEBI three months before expiry of period of certificate on May 15, 2006 as required under Regulation 9(1) of SEBI (Merchant Bankers) Regulations, 1992. The approval of SEBI in this regard is awaited. No communication has been received from SEBI rejecting the said application.

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of section 60B of the Companies Act. All legal requirements pertaining to the issue will be complied with at the time of registration of the Prospectus with the RoC in terms of section 56, section 60 and section 60B of the Companies Act.

Disclaimer from our Company, the Selling Shareholders and the Book Runners

Our Company, the Selling Shareholders, our Directors, and the Book Runners accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.cinemax.co.in would be doing so at his or her own risk. The Book Runners accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the Book Runners and us dated May 11, 2006 and the Underwriting Agreement to be entered into among the Underwriters and us. All information shall be made available by us and the Book Runners to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc. We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to Eligible NRIs and FIIs. This Draft Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) at Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the NSE

[•]

Disclaimer Clause of the BSE

[•]

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares. [•] shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the Issue.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

Consents

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisors, the Bankers to the Issue; the Bankers to the Company; and (b) the Book Running Lead Managers, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

RSM and Co, Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except as stated in the section titled "Financial Statements" beginning on page 3 of this Draft Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

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

Activity	Expense (Rs. in Millions)
Lead management, underwriting and selling commission*	[●]
Advertisement & Marketing expenses*	[●]
Printing, stationery including transportation of the same**	[●]
Others (Registrar's fees, Legal fees, Listing fees, etc.)**	[●]
Total estimated Issue expenses	[●]

* Will be incorporated after finalisation of Issue Price
** Will be incorporated at the time of the filing of the Red Herring prospectus

Fees Payable to the Book Running Lead Managers and Syndicate Members

The total fees payable to the Book Running Lead Managers and Syndicate Members (including underwriting commission and selling commission) will be as stated in the Engagement Letter with the BRLMs, a copy of which is available for inspection at the corporate office of our Company and reimbursement of their out of pocket expenses.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding to be executed with our Company, a copy of which is available for inspection at the corporate office of our Company.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. The funds required for making refunds to unsuccessful Bidders shall be made available to the Registrar to the Issue by us.

Particulars regarding Public or Rights Issues during the Last Five Years

There has been no previous Public or Rights Issue of our Equity Shares.

Issues otherwise than for Cash

Except as stated in "Note 1 to the Capital Structure" beginning on page 3 of this Draft Red Herring prospectus we have not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage paid on Previous Issues of our Equity Shares

There has not been any previous public issue of our Equity Shares.

Companies under the Same Management

We do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, save and except for the Promoter Group companies mentioned in the section titled “Our Promoter and Group Companies” beginning on page 3 of this Draft Red Herring Prospectus.

Promise vs. Performance – Last Three Issues

There has not been any previous public issue of our Equity Shares.

Promise vs. Performance – Last Issue of Group/Associate Companies

There has not been any previous public issue of Equity Shares of our Group/Associate Companies.

Outstanding Preference Shares

Except as stated in the para on history of the Preference share capital of our company in the section titled “Notes to the Capital Structure’ beginning on page 3 of this Draft Red Herring Prospectus there are no outstanding Preference Shares of our Company.

Stock Market Data of our equity shares

There has been no prior issue of the Equity Shares of our Company and hence the data cannot be provided.

Other Disclosures

Our Promoter Group, or the directors of our Promoter companies or our Directors have not purchased or sold any securities of the Company during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI except as otherwise stated in the Notes to the Capital Structure beginning on page 3 of this Draft Red Herring Prospectus.

Mechanism for Redressal of Investor Grievances by our Company

The Memorandum of Understanding between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

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

Disposal of Investor Grievances by our Company

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr Amit Shah our Company Secretary as the Compliance Officer and he may be contacted in case of any pre Issue or post Issue related problems. He can be contacted at the following address:

Mr Amit Shah
Cinemax India Limited
805, 8th Floor, 349 Business Point,
Western Express Highway,
Andheri (East),
Mumbai 400069
Tel Nos: +91 22 6710 1991-95
Fax: +91 22 2684 5337/6710 5856
E Mail: investor@cinemax.co.in

Mechanism for Redressal of Investor Grievances by Companies under the Same Management

We do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, save and except for the Promoter group companies mentioned in the section titled "Our Promoter and Group Companies" beginning on page 3 of this Draft Red Herring Prospectus.

Changes in Auditors in the last three years

There have been no changes of the auditors in the last three years except as detailed below:

Name of Auditor	Date of Appointment	Date of Resignation
M/S A J Kanakia & Co, Chartered Accountants	May 28, 2002	March 28, 2006
M/S RSM and Co, Chartered Accountants	March 28, 2006	N.A

Capitalisation of Reserves or Profits

Our Company has not capitalised our reserves or profits during the last five years, except as stated in the section titled "Capital Structure" begining on page 3 of this Draft Red Herring Prospectus.

Revaluation of Assets

We have not revalued our assets in the last five years.

Payment or benefit to officers of our Company

Except for statutory benefits available upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

SECTION VIII – ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Red Herring Prospectus, the Prospectus, the Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the Allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, ROC and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by our Company after the date of Allotment.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [•] each. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders of our Company shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability;
- Such other rights, as may be available to a shareholder of a listed public Company under the Companies Act and the terms of the listing agreements with the Stock Exchanges; and
- Such other rights as may be available to our shareholders under our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/ or consolidation/ splitting, pledge see the section titled "Main Provisions of Articles of Association of the Company" beginning on page 3 of this Draft Red herring Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors and hence, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form in multiples of one Equity Share subject to a minimum Allotment of [•] Equity Shares.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company. In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

a) to register himself or herself as the holder of the Equity Shares; or

b) to make such transfer of the Equity Shares, as the deceased holder could have made. Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with. Since the Allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If atleast 50% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded.
If there is a delay beyond eight days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act. The requirement for minimum subscription is not applicable to the Offer for Sale. In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by the Company on behalf of the Selling Shareholder with regard to refunds, interest for delays, etc for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholder to the Company. Further, in accordance with Clause 2.2.2A of the SEBI Guidelines we, and the Selling Shareholder shall ensure that the number of prospective. Allottees to whom the Equity Shares will be Allotted will be not less than 1,000.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Net Issue shall be allocated on a proportionate basis to QIB Bidders, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue Price. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, atleast 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and atleast 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Investors should note that allotment of Equity Shares to all successful Bidders would only be in the dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through the members of the Syndicate. In case of QIB Bidders, our Company and the Selling Shareholders in consultation with Book Runners may reject Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders and bids under the Employee Reservation Portion, our Company would have a right to reject the Bids only on technical grounds.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the ROC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis	[White]
Bidders in the Employee Reservation Portion	[Pink]
Eligible NRIs or FIIs applying on a repatriation basis	[Blue]

Who can Bid?

1. Indian nationals resident in India who are majors in single or joint names (not more than three);

2. Hindu undivided families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
3. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue;
4. Companies and corporate bodies registered under the applicable laws in India and authorized to invest in equity shares;
5. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
6. Scientific and/or industrial research organizations authorized to invest in equity shares;
7. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
8. Mutual Funds;
9. FIIs, which are duly registered with SEBI;
10. Venture capital funds registered with SEBI;
11. State industrial development corporations;
12. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
13. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares; and
14. Pension funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares.
15. Employees or Directors (whole-time Directors, part-time Directors or otherwise) of the Company and our Subsidiaries, who are Indian Nationals and are based in India. The permanent employees should be on the payroll of the Company and/or our Subsidiaries as the case may be as of [●] and the Directors should be directors on the date of the Red Herring Prospectus

Note:

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Participation by Associates of BRLMs and Syndicate Member:

The BRLMs and the Syndicate Member shall not be entitled to participate in this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the BRLMs and Syndicate Member are entitled to bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allotment will be on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.

Maximum and Minimum Bid Size

a. **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. **Bidders may note that the total Bid Amount will be used to determine if a Bid is in the retail category or not, and not just the amount payable on application. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000**. In case the Bid Amount is over

Rs. 100,000 due to revision of the Bid or revision of the Price and or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.

b. **For Non-Institutional Bidders and QIB Bidders**: The Bid must be for a minimum of such number of Equity Shares in multiples of [•] Equity Shares so that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid /Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

c. **For Bidders in the Employee Reservation Portion**

The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of an oversubscription in the Employee Reservation Portion, the maximum allotment to any Employee will be capped at up to [•] Equity Shares.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

a. Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

b The Company, the Selling Shareholders and the Book Runners shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.

c The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors. Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum application Form can obtain the same from the Registered Office or from any of the members of the Syndicate.

d. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

e. The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.

f. The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (One). In accordance with the SEBI Guidelines, our Company, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

g. In case the Price Band is revised, the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days. The revised Price Band and Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, and by issuing published in two national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the Book Runners and at the terminals of the members of the Syndicate.

h. We, in consultation with the BRLMs, can finalise the Issue Price within the Price and, without the prior approval of, or intimation to, the Bidders.

Method and Process of Bidding

a. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details, see the section titled "Issue Procedure - Bids at Different Price Levels" beginning on page 3 of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

b. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to a member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the section titled "Issue Procedure - Build up of the Book and Revision of Bids" beginning on page 3 of this Draft Red Herring Prospectus.

c. The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

d. During the Bidding Period, Bidders may approach a member of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Draft Red Herring Prospectus.

e. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Issue Procedure - Terms of Payment" beginning on page [•] of this Draft Red Herring Prospectus.

Bids at different price levels and revision of Bids

a. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price**. Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non Institutional Bidders and Employees bidding under the Employee Reservation Portion where the Bid Amount is in excess of Rs. 100,000 and such Bids from QIB Bidders, Non Institutional Bidders and Employees shall be rejected.**

b. Retail Individual Bidders who bid at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), such Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account or the Refund Account, as the case may be.

c. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion at Cut-off Price, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid by a Retail Individual Bidder will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares bid for shall be adjusted down wards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

d. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion, who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.

e. The minimum application size shall be in the range of Rs. 5000 to Rs. 7000, even in case of revision in the Price Band, if any.

f. During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding/Issue Period using the printed Revision Form, which is a part of the Bid cum Application Form.

g. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

h. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

i. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

j. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

k. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

Bids and revisions of Bids must be:

a. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and Eligible NRIs applying on a non repatriation basis; blue colour for Eligible NRIs, FIIs applying on a repatriation basis and [pink] colour for eligible employees applying in the Employee Reservation Portion).

b. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

c. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form.

d. The Bids from the Retail Individual Bidders must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter subject to a maximum Bid Amount of Rs.100,000.

e. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [•] Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [•] Equity Shares. Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

f. For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of [●] Equity Shares in multiple of thereafter subject to a maximum of Bid Amount does not exceed Rs. [●].

g. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than [●] Equity Shares, Allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Bids by Eligible NRIs

Eligible NRI Bidders to comply with the following:

1. Individual Eligible NRIs can obtain the Bid cum Application Forms from the Registered Office, our head office, members of the Syndicate or the Registrar to the Issue.

2. Eligible NRI Bidders may note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (white in color).

Bids by FIIs:

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of [●] Equity Shares) Equity Shares. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. We are in the business of exhibition of movies and development of malls. In relation to the exhibition of movies, the aggregate FII holding is permitted up to 100%, with the prior approval of the Board of Directors and the shareholders by way of a special resolution, However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption. In relation to our mall development business non-residents are permitted to own shares subject to certain restrictions, for more details see the paragraph titled "Restrictions on foreign ownership of Indian securities " beginning on page 3 of this Draft Red Herring Prospectus. FIIs can presently hold only upto 24% of the total capital under the portfolio investment scheme, subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. to foreign investments in An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

We have applied for a clarification/consent from the DIPP dated August 24, 2006 for investment by the FIIs in the Issue.

Bids and revision of the Bids by Eligible NRIs and FIIs must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).

3. Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation. Other Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of [•] thereafter that the Bid Amount exceeds Rs. 100,000. For further details, see the section titled "Issue Procedure - Maximum and Minimum Bid Size" beginning on page [•] of this Draft Red Herring Prospectus.

4. Bids by Eligible NRIs and FIIs on a repatriation basis shall be in the names of individuals or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs and they will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the government of India, OCBs cannot participate in this Issue. Further, NRIs, who are not Eligible NRIs, are not permitted to participate in this Issue.

Bids by Employees

For the purpose of the Employee Reservation Portion, Employee means all or any of the following:

(a) a permanent employee of the Company as of [•] and based in, working and present in India or out of India as on the date of submission of the Bid cum Application Form.

(b) a director of the Company, whether a whole time director except any Promoters or members of the Promoter group, part time director or otherwise as of [•] and based and present in India as on the date of submission of the Bid cum Application Form. Bids under Employee Reservation Portion by Employees shall be:

(c) a permanent employee as defined in sub-clauses (a) or (b) of a Subsidiary of our Company as of [•] and based in, working and present in India or out of India as on the date of submission of the Bid cum Application form.

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
- Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/ first Bidder should be Employees.
- Only Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-off Price. This facility is not available to other Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
- The maximum bid under Employee Reservation Portion by an Employee cannot exceed Rs. [•].
- Bid by Employees can be made also in the "Net Issue" portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 60,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
- If the aggregate demand in this category is greater than 60,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, please see section titled "Basis of Allocation" on page [•].

The information above is given for the benefit of the Bidders. Our Company and the Book Runners are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

PAYMENT INSTRUCTIONS

Escrow Mechanism

We shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders shall write the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account and the Refund Account as per the terms of the Escrow Agreement.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall pay the applicable Margin Amount at the time of submission of the Bid cum Application Form by way of a cheque or demand draft in favour of the Escrow Account as per the below terms:

a. The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account. The balance amount after transfer to the Issue Account shall be transferred to the Refund Account.

b. Each category of Bidders, i.e. QIB Bidders, Non Institutional Bidders, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form by way of a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page 3 of this Draft Red Herring Prospectus. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid Price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

c. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the Book Runners. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

d. Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for Allotment, will be refunded to such Bidder in terms of the Draft Red Herring Prospectus. Any expense incurred by our Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to our Company.

e. The payment instruments for payment into the Escrow Account should be drawn in favour of:

   i. In case of Resident QIB Bidders: **"Escrow Account – CIL Public Issue-QIB-R"**
   ii. In case of non resident QIB Bidders: **"Escrow Account – CIL Public Issue-QIB-NR"**
   iii. In case of other resident Bidders: **"Escrow Account – CIL Public Issue"**
   iv. In case of Eligible NRIs Bidders: **"Escrow Account – CIL Public Issue - NR"**
   v. In case of Employees: **"Escrow Account- CIL Public Issue-Employee"**

f. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.

g. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

h. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.

i. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

j. On the Designated Date and not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

k. Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub member of the banker's clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

Electronic registration of Bids

a. The members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

b. The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid /Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

c. The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be displayed on-line at all bidding centers and at the websites of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.

d. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the Bidder(s)
- Investor category – individual, corporate, or Mutual Fund etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid cum Application Form number
- Whether Margin Amount, as applicable, has been paid upon submission of Bid cum Application Form
- Depository participant identification no. and client identification no. of the beneficiary account of the Bidder

e. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

g. Incase of QIB Bidders, members of the syndicate have the right to accept the bid or reject it. A rejection can be made only at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case on non-institutional Bidders and Retail Individual Bidders who Bid, Bids should not be rejected except on technical grounds as listed on page [•] of this Draft Red Herring prospectus.

h. It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLMs are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

i. It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

j. Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the NSE or the BSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Build up of the book and revision of Bids

a. Bids registered through the members of the Syndicate shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

b. The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

c. During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding/Issue Period using the printed Revision Form, which is a part of the Bid cum Application Form.

d. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

e. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**

f. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

g. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to**

request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

h. Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

a. After the Bid /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels.

b. The Company and the Selling Shareholders, in consultation with the BRLMs, shall finalise the "Issue Price" and the number of Equity Shares to be allocated in each investor category.

c. Any under-subscription in the Employee Reservation Portion would be included in the Net Issue. Under-subscription, if any, in any category of the Net Issue, other than the QIB Portion, would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 221,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.

d. The allocation under the Issue shall be on proportionate basis, in the manner specified in the SEBI Guidelines and this Draft Red Herring Prospectus and in consultation with Designated Stock Exchange.

e. Under-subscription, if any, in any category of the Issue, other than the QIB Portion, would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than [•] Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.

f. The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

g. We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

h. Allocation to FIIs and eligible NRIs on repatriation basis will be subject to the applicable law.

i. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Signing of Underwriting Agreement and ROC Filing

a. We, the Selling Shareholders, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement upon finalisation of the Issue Price.

b. After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

c. We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60, and Section 60B of the Companies Act.

d. After filing of the Prospectus with the ROC, a statutory advertisement will be issued by our Company in a widely circulated English and Hindi national newspapers, regional language newspaper with wide circulation in the place where our Registered Office is situated. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Advertisement regarding Issue Price and Prospectus

After filing of the Prospectus with the ROC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation in the place where our Registered Office is situated. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

a. Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. Investors should note that the Company shall ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue;

b. The BRLMs or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have paid the Margin Amount into the Escrow Account at the time of bidding shall pay the balance amount payable into the Escrow Account by the Pay-in Date specified in the CAN; and

c. Such Bidders who have been allocated Equity Shares and who have already paid the Margin Amount for the said Equity Shares into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

d. The issuance of CAN is subject to "Allotment Reconciliation and Revised CANs" as set forth below.

Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid applications received. Based on the electronic book, QIBs will be sent a CAN on or prior to [•], 2006, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, nonreceipt of funds, cancellation of cheques, cheque bouncing, incorrect details, and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, on or prior to [•], 2006, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

a. Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account and the Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days from the date of approval of the basis of Allotment.

b. As per the SEBI Guidelines, **Equity Shares will be issued and allotted only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

PAYMENT OF REFUND

Mode of making refunds
The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

3. Direct Credit – Applicants having bank accounts with the Refund Banker(s), in this case being [•] shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

4. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

GENERAL INSTRUCTIONS

Do's:

a. Check if you are eligible to apply.

b. Read all the instructions carefully and complete the Bid cum Application Form (white or blue in colour) as the case may be.

c. Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.

d. Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate.

e. Ensure that you have been given a TRS for all your Bid options.

f. Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.

g. Where Bid(s) is/are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN card or PAN allotment letter should be submitted with the Bid cum Application Form. If you have mentioned "Applied For" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

h. Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is and the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form

i. Ensure that the Demographic Details are updated, true and correct, in all respects.

j. QIB bidders should submit their bids only to the BRLMs.

Dont's:

a. Do not Bid for lower than the minimum Bid size.

b. Do not Bid/revise Bid price to less than Floor Price or higher than the Cap Price.

c. Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.

d. Do not pay the Bid amount in cash, by money order or by postal order or by stockinvest.

e. Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only.

f. Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders and Bidders bidding under the Employee Reservation Portion, for whom the Bid Amount exceeds Rs. 100,000).

g. Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

h. **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

Bidder's Bank Account Details

Bidders should note that on the basis of names of the Bidders, Depository Participant's name, Depository Participant Identification Number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar will obtain from the Depository the Bidder bank Account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through ECS, hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refund to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details and Bank Account Details

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Selling Shareholders, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM

APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Selling Shareholders, the Registrar, Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

The Company and the Selling Shareholders in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company or the Selling Shareholders will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bids in whole or in part, without assigning any reasons therefor.

In case of the Bids made pursuant to a power of attorney by FIIs and VCFs a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bid in whole or in part, without assigning any reasons therefore.

In case of the Bids made pursuant to a power of attorney by Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bid in whole or in part, without assigning any reasons therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we or the Book Runners may deem fit.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants' address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applicants in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and nonnumeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the addresses will be taken to check for common names. The application with same name and same address will be treated as multiple applications.
5. The applications will be scrutinized for their DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

Bids made by Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids. The Company reserves the right to reject, in our absolute discretion, all or any multiple bids in any or all categories.

Permanent Account Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card(s) or PAN allotment letter(s) is required to be submitted with the Bid cum Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground. In case the sole/First Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving licence (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, state government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration.

Unique Identification Number ("UIN")- MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars by its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Draft Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Right to Reject Bids

In case of QIB Bidders, the Company in consultation with the BRLMs may reject Bids provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, Bidders in the Employee Reservation Portion, we have the right to reject Bids based on technical grounds only. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, among other things, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply;
4. Bids by Non-Residents; if not in compliance with the appropriate foreign and Indian laws;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
6. PAN not stated if Bid is for Rs. 50,000 or more or copy of PAN, Form 60 or Form 61, as applicable, or GIR number furnished instead of PAN. See the section titled "Issue Procedure— Permanent Account Number" beginning on page [•] of this Draft Red Herring Prospectus;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders and by bidders in the Employee Reservation Portion in excess of Rs. 1,00,000/-
11. Bids for number of Equity Shares, which are not in multiples of [•];
12. Category not ticked;

13. Multiple Bids as defined in this Draft Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLMs or the Syndicate Member;
18. Bid cum Application Form does not have the Bidder's depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Form;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure – Bids at Different Price Levels" beginning on page [•] of this Draft Red Herring Prospectus;
22. Bids by OCBs;
23. Bids by U.S. persons; and
24. Bids by QIBs not submitted through members of the BRLMs.
25. Bids by Employees or Directors of the Company and/or its subsidiaries as the case may be, not eligible to apply in the Employee Reservation Portion.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

a. an agreement dated July 21, 2006 between NSDL, us and Registrar to the Issue;
b. an agreement dated [•] between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a. A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.

b. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

d. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

e. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h. The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

Disposal of Investor Grievances by our Company

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Amit Shah, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr Amit Shah
Cinemax India Limited
805, 8th Floor, 349 Business Point,
Western Express Highway,
Andheri (East),
Mumbai 400069
Tel Nos: .+91 22 6710 1991-95
Fax: +91 22 2684 5337/6710 5856
E Mail: investor@cinemax.co.in

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:
"Any person who:

a. makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

b. **otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allocation.

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.

- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the valid Bids in this category is for less than or equal to 3,101,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the valid Bids in this category are for more than 3,101,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the valid Bids in this category is for less than or equal to 1,329,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.

- In case the valid Bids in this category are for more than 1,329,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- At least 50% of the Net Issue shall be Allotted to the QIB Bidders, failing which the full subscription monies shall be refunded.

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.

- The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of up to 221,500 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled "Illustration of Allotment to QIBs" appearing below. If the valid Bids by Mutual Funds are for less than 221,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to 50% of the Net Issue size, i.e. 4,430,000 Equity Shares.

- Allotment shall be undertaken in the following manner:

  a. In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:

     i. In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
     ii. In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
     iii. Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

  b. In the second instance allocation to all QIBs shall be determined as follows:

     i. In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids at or above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

     ii. Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

     iii. Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Except for any Equity Shares allocated to QIB Bidders due to Under-subscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis of at least [•] Equity Shares. For the method of proportionate basis of allocation refer below.

D. For Employee Reservation Portion

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Issue Price.

- If the aggregate demand in this category is less than or equal to 60,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.

- If the aggregate demand in this category is greater than 60,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of allocation, refer below.

Only Employees (as defined above) are eligible to apply under Employee Reservation Portion.

Method of Proportionate basis of allocation in the Issue

In the event of the Issue being oversubscribed, the Company shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other Senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalized in a fair and proper manner. The allotment shall be in marketable lots, on a proportionate basis as explained below.

a. Bidders will be categorized according to the number of Equity Shares applied for by them.

b. The total number of Equity Shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c. Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than [•] Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of [•] Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

If the proportionate allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. The basis of allocation on a proportionate basis shall be finalised in consultation with the Designated Stock Exchange.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

The example given below is for illustrative purposes only:

A. Issue details

Sr. No	Particulars	Issue details
1	Issue size	200 million Equity Shares
2	Allocation to QIB (at least 50% of the Issue)	100 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	95 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million Equity Shares

B. Details of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	TOTAL	500

 # A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	**5**	**95**	**42.42**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Issue Structure" beginning on page [•] of this Draft Red Herring Prospectus.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million shares in the QIB Portion.
3. The balance 95 million Equity Shares [i.e. 100 - 5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 million Equity Shares (including 5 Mutual Fund applicants who applied for 200 million Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:

    1. For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 95 /495
    2. For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495
    3. The numerator and denominator for arriving at allocation of 95 million Equity Shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND REFUND ORDERS

We shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Closing Date / Issue Closing Date. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS).

In case of other applicants, the Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the ECS facility.

Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue.

We shall ensure dispatch of refund orders, if any, by "Under Certificate of Posting" or registered post or speed post or ECS, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the finalization of the basis of allotment to the Stock Exchanges within 2 (two) working of the finalsation of the basis of allotment.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days of the finalsation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines we further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid /Issue Closing Date;

- Dispatch of refund orders, except for Bidders who have opted to receive refunds through the ECS facility, within 15 (fifteen) working days of the Bid /Issue Closing Date would be ensured; and

- We shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Undertaking by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;

- that the refund orders or allotment advice to the Eligible NRIs or FIIs shall be dispatched within specified time;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Draft Red Herring Prospectus are listed or until the Bid Amounts are refunded on account of non-listing, under -subscription etc.

Undertakings by the Selling Shareholders

The Selling Shareholders, jointly and severally, undertake as follows:

- the Equity Shares being sold pursuant to the Offer for Sale are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time; and
- that no further offer of Equity Shares shall be made till the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, undersubscription etc.

Withdrawal of the Issue

The Company and the Selling Shareholders in consultation with the BRLMs reserve the right not to proceed with the Issue at anytime including after the Bid/ Issue Opening Date, without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Utilisation of Issue proceeds

Our Board of Directors certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of the Issue referred above shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investments. We are in the business of exhibition of movies and development of malls in a limited way, consequently, Foreign investment upto 100% is allowed in the film sector and Press Note No. 2 (2005 series), published by the Government of India has permitted foreign direct investment ("FDI") of up to 100% under the automatic route in townships, housing, built-up infrastructure and construction-development projects, subject to certain conditions enumerated therein. A short summary of the conditions is as follows:

a) Minimum area to be developed is 10 hectares in case of serviced housing plots and 50,000 square metres in case of construction development projects. Where the development is a combination project, it can be either 10 hectares or 50,000 square metres.
b) Minimum capitalization of US$10 million for wholly owned subsidiary and US$5 million for a joint venture has been specified and it is required to be brought in within 6 months of commencement of business of the company.
c) Further, the investment is not permitted to be repatriated before 3 years from completion of minimum capitalization except with prior approval from FIPB.
d) At least 50% of the project is required to be developed within 5 years of obtaining all statutory clearances and the responsibility for obtaining it is cast on the foreign investor. Further, the sale of undeveloped plots is prohibited.

We have applied for a clarification/consent from the DIPP dated August 24, 2006 for investment by the FIIs in the Issue.

Subscription by Non-Residents

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to entities that are "qualified institutional buyers", as defined in Rule 144A of the Securities Act and (ii) outside the U.S. to certain person in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

There is no reservation for any FIIs or Eligible NRIs and such FIIs or Eligible NRIs will be treated on the same basis with other categories for the purpose of allocation.

As per the current regulations, the following restrictions are applicable for investments by FIIs: No single FII can hold more than 10% of our post-Issue paid up capital (i.e. 10% of [•] Equity Shares). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FIIs holding in our Company cannot exceed 26% of the total issued capital of our Company. Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, an FII or its sub account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

As per the current regulations, the following restrictions are applicable for investments by SEB Iregistered VCFs:

The SEBI (Venture Capital) Regulations, 1996 prescribe investment restrictions on venture capital funds registered with SEBI. Accordingly, the holding by any VCF should not exceed 25% of the corpus of the VCF.

As per the current regulations, OCBs cannot participate in this Issue. The above information is given for the benefit of the Bidders. Our Company and the Book Runners are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations. However, we shall update this Draft Red Herring Prospectus and keep the public informed of any material changes in matters concerning our business and operations till the listing and commencement of trading of the Equity Shares.

SECTION IX – MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning given to such terms in the Articles of Association of our Company. Pursuant to Schedule II of the Companies Act and the DIP Guidelines, the main provisions of the Articles of Association of our Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares/debentures and/or on their consolidation/splitting are detailed below.

The regulations contained in Table A of Schedule I of the Companies Act, 1956, shall not apply to our Company except in so far as the same are repeated, contained or expressly made applicable in these articles or by the said Act.

Capital and Shares

Division of Share Capital into classes of shares

The share capital of the Company may be divided into such classes of shares as may be permitted under Act. The Company is authorised to issue such classes of shares on such terms and conditions as the Board may deem fit including, without limitation, equity shares and preference shares upon such terms and conditions and with such rights and privileges (including with the differential rights as to dividend, voting or otherwise) attached thereto as may be permitted by law.

Preference Shares

Subject to the provisions of Section 80 and/or such other applicable provisions of the Act, the Company may issue preference shares which are or at the option of the Company liable to be redeemed.

Further issue of Shares

Article 8 provides that where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the un-issued capital or out of the increased share capital then:

(a) such further shares shall be offered to Persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date;

(b) the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;

(c) the offer aforesaid shall be deemed to include a right exercisable by the Person concerned to renounce the shares offered to them in favour of any other Person and the notice referred to in sub-clause (b) hereof shall contain a statement of this right. Provided that the Board may decline, without assigning any reason to allot any shares to any Person in whose favour any Member may renounce the shares offered to him;

(d) after expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the Person to whom such notice is given that he declines to accept the shares offered, the Board may dispose off them in such manner and to such Person (s) as it may think fit, in its sole discretion.

Article 9 provides that notwithstanding anything contained in Article 8, the further shares aforesaid may be offered to any Persons (whether or not those Persons include the Persons referred to in clause (a) of Article 8 hereof) in any manner whatsoever:

(a) if a special resolution to that effect is passed by the Company in General Meeting, or

(b) where no such special resolution is passed, if the votes cast (whether on a show of hands, or on a poll, as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by Members who, being entitled to do so, vote in person or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board in this behalf that the proposal is most beneficial to the Company.

Article 10 provides that nothing in sub-clause (c) of Article 8 hereof shall be deemed:

(a) to extend the time within which the offer should be accepted; or

(b) to authorize any Person to exercise the right of renunciation for a second time on the ground that the Person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

Article 11 provides that nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

(a) to convert debentures or loans into shares in the Company; or

(b) to subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that Government in this behalf; and

(b) in the case of debentures or loans or other than the debentures issued to, or loans obtained, from the Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or the raising of the loans.

Article 12 provides that in the event of the Company having issued any particular class of shares, unless otherwise provided by the terms of the issue of the shares, the Company may at any time thereafter create or issue further shares ranking pari passu therewith. However, the rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

Buy-Back of Shares

Article 26 provides that Subject to the provisions of the Act and other statutory regulations, the Company may acquire or purchase its own shares or other securities by way of buy-back on such terms and conditions as the Company may deem fit.

Alteration of Capital

Article 92 provides that the Company may from time to time, by ordinary resolution:-

(a) increase its share capital by such amount as it thinks expedient by issuing new shares;
(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
(c) convert all or any of its fully paid up shares into stock, and reconvert that stock into fully paid up equity shares into any denomination;
(d) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum, subject, nevertheless, to the provisions of clause (d) of sub-section (1) of Section 93 (and/or such other applicable provisions) of the Act;
(e) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any Person and diminish the amount of its shares capital by the amount of the shares so cancelled.

Article 93 provides that the Company may, by special resolution, reduce in any manner and with, and subject to, any incident authorized and consent required by law.-

(a) its share capital.;
(b) any capital redemption reserve account; or
(c) any share premium account.

Variation of Rights

Article 35 provides that if at any time the share capital of the Company, by reason of the issue of preference shares or otherwise, is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106, 107 and/or such other applicable provisions of the Act, and whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be five Persons at least holding or representing by proxy one-third of the issued shares of the class in question.

Underwriting Commission and Brokerage

Article 32 provides that the Company may exercise the powers of paying commissions conferred by Section 76 and/or such other applicable provisions of the Act, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by that section and shall be in accordance with the limits stipulated therein. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other. The Company may also, on any issue of shares, pay such brokerage as may be lawful.

Dematerialisation of Securities

Article 14 provides that the provisions of this Article shall apply only in respect of Securities held in Depository mode and the provisions of the other Articles shall be construed accordingly.

Article 15 provides that not withstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing shares, debentures and other securities as also re-materialize its shares, debentures and other securities held in Depository Mode and/or offer securities in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder.

Article 16 provides that:

(a) Every person subscribing to or holding securities of the Company shall have the option to receive security certificates in accordance with provisions of the other Articles or to hold the same with a Depository. Such a person who is the beneficial owner of the securities may/can at any time opt out of the Depository, if permitted by Law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall in the manner and within the time prescribed therein, issue to the beneficial owner the required certificates of securities.

(b) If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

(c) The Board of Directors of the Company shall have the power to fix a fee payable by the investor to the Company for the services of Dematerializing and or Rematerializing of the Company's Securities as they in their discretion may determine.

Article 17 provides that:

(a) All the Securities held by a Depository shall be dematerialized and be fungible form.

(b) Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the said Act shall apply to a Depository in respect of the Securities held by it on behalf of the beneficial owners.

Article 18 provides that:

(a) Notwithstanding anything to the contrary contained in these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of securities on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company.

(d) The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities of a member in respect of his securities, which are held by a Depository.

Article 19 provides that notwithstanding anything contained in the Act and these Articles where securities are held in a depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs or in such other manner as may be practicable.

Article 20 provides that:

(a) Nothing contained in Section 108 of the said Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.

(b) 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.

Article 21 provides that nothing contained in the said Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to the Securities and a Depository. Every fortified or surrendered Share held in a material form shall continue to bear the number by which the same was originally distinguished.

Article 22 provides that the Register and Index of beneficial owners maintained by a Depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders as the case may be for the purposes of these Articles.

Calls on shares

Article 41 provides that the Board may, from time to time, subject to the terms on which any shares may have been issued and the conditions hereinafter mentioned, make calls upon the Members as the holder of such shares, in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times.

Interest on calls on shares

Article 46 provides that If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the Person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at 18 per cent per annum compounded annually or at such other rate, if any, as the Board may determine. The Board shall be at liberty to waive payment of any such interest wholly or in part.

Payment in anticipation of call may carry interest

Article 33 provides that the Board may, if it think fit, subject to the provisions of Section 92 and/or such other applicable provisions of the Act, agree to and receive from any Member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the Member paying such sum in advance and the Board agrees upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Board may at any time repay the amount so advanced.

The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

Company's lien on share/debentures

Article 36 provides that the Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect, and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed, the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Board may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

Article 37 provides that the Company may sell, in such manner as the Board thinks fit, any shares on which the Company has a lien. Provided that no sale shall be made (i) unless a sum in respect of which the lien exists is presently payable, or (ii) until the expiration of fourteen days after a notice in writing stating 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.

Article 38 provides to give effect to any such sale, the Board may authorise some Person to transfer the shares sold to the purchaser thereof and cause the purchaser's name to be entered in the register in respect of the shares sold. In such case, the purchaser shall be registered as the holder of the shares comprised in any such transfer. The purchaser shall not be bound to see to 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 and after his name has been entered in the Register in respect of such shares the validity of the sale shall not be impeached for any reason, and the remedy of any Person aggrieved by the sale shall be in damages only and exclusively against the Company.

Article 39 provides that upon any such sale as aforesaid the certificates in respect of the shares sold shall stand cancelled and become null and void and of no effect and the Board shall be entitled to issue a new certificate or certificates in lieu thereof to the purchaser.

Article 40 provides that the net proceeds of the aforementioned sale shall be received by the Company and after payment of the costs of such sale shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable and / or the debts, liabilities or engagements of such Member to the Company. The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the Person entitled to the shares by transmission or otherwise to the shares so sold at the date of the sale.

Forfeiture of shares

Article 51 provides that if a Member fails to pay the whole or any part of any call, or instalment of a call, or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same the Board may, at any time thereafter during such time as the call or instalment or any part thereof or other moneys remains unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such Member or on the Person (if any) entitled to the share by transmission requiring him to pay such call or instalment or such part thereof or other moneys as remain unpaid together with any interest at the rate of 18 % p.a. compounded annually that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment. Such notice shall:-

(a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made;

(b) name a place or places on or before and at which the money is to be paid; and

(c) state that, in the event of non-payment of such money on or before the day so named and at the place appointed, the shares in respect of which the call was made will be liable to be forfeited.

Article 52 provides that if the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, but before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared, interest or other moneys payable in respect of the forfeited shares and not actually paid before the forfeiture. No unclaimed or unpaid dividend shall be forfeited by the Board.

Article 53 provides that the forfeiture of a share shall involve the extinction at the time of the forfeiture of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incidental to the share.

Article 54 provides that every share so forfeited shall be deemed to be the property of the Company and may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit subject to the same restrictions and conditions as for transfer of shares provided by these Articles.

Article 55 provides that the Board may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed off, cancel or annul the forfeiture thereof on such terms as it thinks fit.

Article 56 provides that a Person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys, which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares. The liability of such Person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.

Article 57 provides that when any share is so forfeited, notice of the forfeiture shall be given to the holder of the share, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of the Members, but no forfeiture shall in any manner be invalidated by any omission or neglect to give such notice or to make such entry as aforesaid. Where any member whose shares have been forfeited has failed to deliver to the Company the relative certificate or certificates within fourteen days from the date of being called upon to do so, the Board may cause such certificate or certificates to be cancelled and issue a new certificate or certificates for the Shares comprised therein distinguishing it or them in such manner as the Board may think fit from the certificate and certificates not so delivered and cancelled.

Article 58 provides that a duly verified declaration in writing that the declarant is a director, the manager or the secretary, of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all Persons claiming to be entitled to the share. Where any shares have been so forfeited, an entry of forfeiture with the date thereof shall be entered into Register of Members.

Article 59 provides that the Company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the Person to whom the share is sold or disposed of. The transferee shall thereupon be registered as the holder of the share.

Article 60 provides that the transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

Judgment, decree or partial payment not to preclude forfeiture

Article 61 provides that neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any Member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any money shall preclude the forfeiture of such shares as herein provided.

Article 62 provides that the provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Transfer and Transmission of shares

Transfer

Article 63 provides that the instrument of transfer shall be in writing and all provisions of Section 108 and/or such other applicable provisions of the Act and statutory modification thereof for the time being shall be duly compiled with in respect of all transfer of shares and registration thereof.

Article 64 provides that where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered, unless the Company gives notice of the application to the Transferee and the Transferee provides its no objection to the transfer within fifteen days from the receipt of the notice. In the event of no communication from the Transferee it shall be deemed that the Transferee has provided its no objection. For the purpose of this Article notice to the Transferee shall be deemed to have been duly given if it is dispatched to the address of the Transferee given in the instrument of transfer, in the same manner and shall be deemed to have been duly delivered as is provided in the case of notices to Members under the Act.

Article 65 provides that no fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

Article 66 provides that the Board may, subject to the provisions of the Act and subject to the other provisions of these Articles, decline to register any transfer of shares on which Company has a lien.

Article 67 provides that the Company shall not be bound to recognize any Hindu Undivided Family (HUF) or any partnership firm (firm) as a Member and in the event of any shares are to be held by an HUF or firm, the same would have to be held in the name of the Karta / a coparcener of the HUF or any partner/s of the firm and the Company would recognize such karta / coparcener / partner/s as the Member of the Company.

Article 68 provides that the Nominee, appointed in pursuance of Section 109A and/or such other applicable provisions of the Act, shall be entitled to all the rights in the shares of the Company as per the said Section 109A and/or such other applicable provisions of the Act and the Company, subject to the provisions of the Act, is entitled to vest all the rights in the shares of the Company in favour of duly appointed nominee as per provisions of the Act.

Board may refuse to register transfer

Article 69 provides that subject to the provisions of Section 111A and/or such other applicable provisions of the Act or any statutory modification of the said provisions for the time being in force, the Board may, at its own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a Member of the Company but in such cases, the Board shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other Person or Persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

Transmission

Article 70 provides that on the death of a Member, the survivor or survivors where the Member was a joint holder, the executor or administrator of a deceased Member or a holder of a Succession Certificate in respect of shares of a deceased Member where he was the sole or only surviving holder shall be the only Persons recognised by the Company as having any title to his interest in the shares and the Company shall not be bound to recognise such executor or administrator unless such executor or administrator shall have first obtained Probate or Letters of Administration or other legal representation as the case may be from a duly constituted court in India. Provided that in any case where the Board in their absolute discretion think fit, the Board may dispense with the production of Probate or Letters of Administration or Succession Certificates upon such terms as to indemnity, affidavit or otherwise as the Board may deem fit and register the name of any Person who claims to be absolutely entitled to the shares standing in the name of a deceased Member as a Member. Nothing in this Article shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other Persons.

Article 71 provides that any Person becoming entitled to a share in consequence of the death or insolvency of a Member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either-

(i) to be registered himself as holder of the share; or
(ii) to make such transfer of the share as the deceased or insolvent Member could have made.

Article 72 provides that the board shall, in either case, have the same right to decline or suspend registration, as it would have had, if the deceased or insolvent Member had transferred the share before his death or insolvency.

Article 73 provides that if the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

Article 74 provides that if the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.

Article 75 provides that all the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the Member had not occurred and the notice or transfer were a transfer signed by that Member.

Article 76 provides that subject to the other provisions of these Articles, in the event of law permitting the recognition of nominations made for the transmission of shares in the event of death of a shareholder, the Company shall recognise the same in accordance with the applicable provisions of law.

Article 77 provides that in the event of there being a specific procedure for transmission of dematerialised shares in the applicable rules, bye-laws and regulations, the said procedure shall apply.

Refusal to register nominee

Article 78 provides that the Board shall have the same right to refuse to register a Person entitled by transmission to any shares or his nominee as it would have had as if such Person or nominee were a transferee named in an ordinary transfer for registration. The Company shall not be bound to register a transmission unless the intimation of such transmission has been delivered to the Company under a proper transmission form duly executed by the Person entitled by transmission and specifying the name, address and occupation, if any, of such Person along with the relative share certificates or the letters of allotment, as the case may be. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and registration of transfers of shares shall be applicable to any such intimation of transmission or any notice of transfer as if the circumstances entitling such Person to the shares by transmission had not occurred and as if the Person entitled by transmission or his nominee were the transferee named in an ordinary transfer presented for registration.

Board may require evidence of transmission

Article 79 provides that every transmission of a share shall be verified in such manner as the Board may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Board at their discretion shall consider sufficient provided nevertheless that there shall not be any obligation on the Company or the Board to accept any indemnity.

Rights of persons entitled to shares otherwise than by way of transfer

Article 80 provides that a Person becoming entitled to a share by reason of the death, lunacy, bankruptcy or insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles, shall be entitled to the same dividends, or interest and other benefits to which he would be entitled if he were the registered holder of the share except that he shall not, before being registered as a Member in respect of the share be entitled in respect of such share 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 transfer the share 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, until the compliance of the requirements of the notice to the satisfaction of the Board.

Notice of Proposed Transfer

Article 81 provides that before registering any transfer tendered for registration, the Board may, in cases where it think fits, give notice by letter posted in the ordinary course to the registered holder that such transfer deed has been lodged and that unless objection is taken the transfer will be registered and if such registered holder fails to lodge an objection in writing at the Registered Office of the Company within ten days from the posting of such notice to him, he shall be deemed to have accepted the validity of the said transfer.

Company not liable for disregard of a notice prohibiting registration of transfer

Article 82 provides that neither the Company nor any of its Directors shall incur any liability or responsibility whatever in consequence of their registering, giving effect to, or acting upon any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in Register of Members), to the prejudice to the Person having or claiming any equitable or other right, title or interest to or in the same shares although the same may by reason of any fraud or other cause not known to the Company or any of its Directors, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred and although the transfer may as between the transferor and the transferee, be liable to be set aside and notwithstanding that the Company may have had notice:- (i) that the instrument of the transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred or otherwise in a defective manner; or (ii) of any equitable or other 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 and/or any of its Directors shall not be bound or required to regard or attend or give effect to any notice which may be given to them of any equitable or other 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 books of the Company; the notice and give effect thereto if the Board shall so think fit. In every such transfer, the Person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder thereof and so far as the Company is concerned, the entire and complete title shall be deemed to have been validly transferred to such transferee.

General meetings

Article 94 provides that the term "general meetings" shall include both annual general meetings and extraordinary general meetings.

Article 95 provides that Notice may be given to Members by advertisement in a newspaper in accordance with the provisions of the Act. If notice is given to the Members by advertisement in a newspaper, it will be advertised in atleast one leading National newspaper.

Article 96 provides that the accidental omission or the non-receipt of any notice by any Member or other Person entitled to receive the same shall not invalidate the proceedings of the Company.

Article 97 provides that the Board may, whenever it thinks fit, call an extraordinary general meeting.

Proceedings at general meetings

Article 98 provides that In the event there being no sufficient number of directors present within India to form a valid quorum at any point of time, any director of the Company may call an extraordinary general meeting in the same manner, as nearly as possible, in which such a meeting may be called by the Board.

Article 99 provides that no general meeting, annual and extra- ordinary shall be competent to enter upon, discuss or transact any business which has not been specifically mentioned in the notice or notices upon which it was convened.

Article 100 provides that no business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, five Members present in person shall be a quorum.

Article 101 provides that the Chairman, if any, of the Board shall preside as Chairman at every general meeting of the Company. No business shall be discussed at any General Meeting, except the election of a Chairman, whilst the Chair is vacant.

Article 102 provides that if there is no such Chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as Chairman of the general meeting, the directors appointed by or representing the Kanakia Family present shall elect one of their number to be Chairman of the general meeting.

Article 103 provides that if at any meeting no director is willing to act as chairman or if no director is present within fifteen minutes after the time appointed for holding the meeting, the Members present shall choose one of their numbers to be chairman of the meeting.

Article 104 provides that the chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Article 105 provides that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Article 106 provides that in the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall be entitled to a casting vote in addition to his own vote or votes to which he may be entitled as a Member.

Article 107 provides that any business, other than that upon which a poll has been demanded, may be proceeded with pending the taking of the poll.

Article 108 provides that at any General meeting a resolution put to vote of the meeting shall unless a poll is demanded, be decided on a show of hands. A declaration by the Chairman that on a show of hands a resolution has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the Minutes of the proceedings of the Company, shall be evidence of the fact and, subject to the provisions of law, proof of the number or proportion of the votes cast in favour of or against such resolution would not be required.

Votes of members

Article 109 provides that subject to the provisions of the Act, and subject to the terms of the issue, and subject to any rights or restrictions for the time being attached to any class or classes of shares:-

(i) on a show of hands, every Member (including a body corporate present by a representative duly authorised in accordance with the provisions of Section 187 and/or such other applicable provisions of the Act) present in person and entitled to vote shall have one vote; and

(ii) on a poll, every Member (including a body corporate present by a representative duly authorised in accordance with the provisions of Section 187 and/or such other applicable provisions of the Act) entitled to vote and present in person or by attorney or by proxy shall be entitled to vote in accordance with Section 87 and/or such other applicable provisions of the Act.

Article 110 provides that in the case of joint holders, the vote of the First Holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, the First Holder shall be determined by the order in which the names stand in the Register of Members.

Article 111 provides that a Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

If any Member be a minor, the vote in respect of his guardians, if more than one, to be elected in case of dispute by the Chairman of the meeting.

Article 112 provides that No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

Article 113 provides that subject to the provisions of the Act and these Articles, no objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

Article 114 provides that subject to the provisions of the Act and these Articles, the Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. Subject as aforesaid Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Article 115 provides that subject to the provisions of the Act and these Articles, votes may be given either personally or by an attorney or by proxy or in the case of a body corporate also by a representative duly authorised under Section 187 and/or such other applicable provisions of the Act.

Article 116 provides that Subject to the provisions of the Act and other provisions of these Articles, any Person entitled to transmit any shares may vote at any general meeting in respect thereof as if he was the registered holder of such shares, provided that at least forty-eight hours before the time of holding of the meeting or adjourned meeting, as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transmission of such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

Article 117 provides that the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power or authority, shall be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the Person named in the instrument proposes to vote, or in the case of a poll, not less than 48 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.

Article 118 provides that an attorney shall not be entitled to vote unless the power of attorney or other instrument has been registered in the records of the Company at any time not less than forty-eight hours before the time for holding the meeting at which the attorney proposes to vote or is deposited at the office of the Company not less than forty-eight hours before the time fixed for such meeting as aforesaid. Notwithstanding that a power of attorney or other authority has been registered in the records of the Company, the Company may by notice in writing addressed to the Member or the attorney require him to produce the original power of attorney or authority and unless the same is thereon deposited with the Company not less than forty eight hours before the time fixed for the meeting or within 24 hours of the receipt of the notice by the Member or attorney (whichever is later) the attorney shall not be entitled to vote at such meeting unless the Directors in their absolute discretion excuse such non-production and deposit.

Article 119 provides that every instrument of a proxy whether for a specified meeting or otherwise shall as nearly as circumstances will admit be in any of forms set out in Schedule IX or such other form/s as may be prescribed under the Act.

Article 120 provides that an instrument of proxy may appoint a proxy either for the purposes of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purposes of every meeting of the Company, or of every adjournment of any such meeting.

Article 121 provides that if any such instrument of appointment be confined to the object of appointing an attorney or proxy, it shall remain permanently, or for such time as the Directors may determine, in the custody of the Company; and if embracing other objects, a copy thereof which has been examined by the Company with the original shall be delivered to the Company to remain in its custody.

Article 122 provides that a vote given in accordance with the terms of an instrument of proxy or by an attorney shall be valid, notwithstanding the previous death of the principal or revocation of the proxy or power of attorney as the case may be or of any power of attorney under which such proxy was signed, or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, revocation or transfer shall have been received at the Company's office before the meeting at which the proxy is used.

Article 123 provides that in the event of a corporation, whether a company within the meaning of the Act, or not which is a Member of this Company authorising any of its officials or any other Person to act as its representative at any meeting of this Company, the production of a copy of such resolution certified by one Director or the Secretary of such corporation or company shall be accepted by this Company as sufficient evidence of the validity of the said representative's appointment and his right to vote provided always that the corporation or company which he represents has a right to vote.

Borrowing powers

Article 86 provides that Subject to the provisions of Section 292, 293 and/or such other applicable provisions of the Act and of these Articles, the Board may from time to time by a resolution passed at a Meeting of the Board, accept deposits from Members, either in advance of calls or otherwise and may generally raise or borrow or secure the payment of any sum or sums of money for the Company. The payment or repayment of moneys so borrowed may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit and in particular by a resolution passed at the meeting of the Board (and not by circular resolution) including by the issue of debentures or debenture stock and other securities may be made assignable free from any equities between the Company and the Person to whom the same may be issued charged upon all or any part of the undertakings or property of the Company (both present and future) and its uncalled share capital for the time being pursuant to a resolution.

Debentures

Article 87 provides that the Company shall have the power to issue bonds, debentures, debenture-stock or other securities, but in exercising this power the provisions of the Act shall be complied with.

Article 88 provides that all such bonds, debentures, debenture-stock or other securities issued or to be issued by the Company shall be under the control of the Board who may issue them upon such terms and conditions and in such manner and for such considerations as it shall consider to be for the benefit of the Company.

Article 89 provides that any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Debenture Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

The Company shall also have power to re-issue redeemed debentures in accordance with the provisions of the Act.

Article 90 provides that if any uncalled capital of the Company is included in or charged by any mortgage, hypothecation or any other Encumbrance, the Board shall, subject to the provisions of the Act and these Articles, make calls on the Members in respect of such uncalled capital in trust for the Person in whose favour such mortgage, charge, hypothecation or other Encumbrance is executed or, unless prohibited by or under the Act, may authorise the Person in whose favour such mortgage, charge hypothecation or other Encumbrance is executed or any other Person in trust for him to make calls on the Members in respect of such uncalled capital, and the provisions hereinbefore contained in regard to calls shall mutatis mutandis apply to calls made under such authority, and such authority may be made exercisable either conditionally or unconditionally and either presently or contingently and by exclusion of the Board's powers or otherwise, and shall be assignable if expressed so to be.

Article 91 provides that where any uncalled capital of the Company is charged, all Persons taking any subsequent charge thereon shall take the same subject to such prior charge and shall not be entitled by notice to the shareholders or otherwise, to obtain priority over such charge.

Appointment of the Board

Article 125 provides that the appointment of Directors by the Company shall be governed by the provisions of sections 255, 256, 257, 260, 262, 263, 313 and/or such other applicable provisions of the Act and these Articles. The composition of the Directors shall be in accordance with the provisions of the listing agreement, as may be applicable.

Article 126 provides that unless otherwise determined by the Company in General Meeting the number of Directors of the Company shall not be less than 3 or more than 12 inclusive of whole-time directors, ex-officio directors, nominee directors, technical directors, debenture directors, alternate directors, additional directors, corporation directors, co-opted directors, executive directors and administrative directors, if any. One third of the strength of the Board shall be non-retiring Directors.

Article 127 provides that half (including non-retiring) of the Board strength shall be represented by Kanakia Family so long as Kanakia Family holds 50% or more of the total equity share capital of the Company. In case Kanakia Family' holds less than 50% but more than 33% of total equity share capital of the Company Kanakia Family shall be entitled to appoint and remove non-retiring Directors from time to time

Article 128 provides that subject to the provisions of the Act, each Director shall be entitled to be paid out of the funds of the Company by way of remuneration for his services, such sum not exceeding the amount prescribed under the provisions of the Act from time to time as applicable for each meeting of the Board or Committee of the Board, attended by him as may be decided by the Board from time to time. Such payment may be made in cash or in kind.

Article 129 provides that in addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all traveling, hotel and other expenses properly incurred by them-

(a) in attending and returning from meetings of the Board of directors of any committee thereof or general meetings of the company; or
(b) in connection with the business of the Company.

Article 130 provides that if any Director be called upon to go or reside out of his usual place of business on the Company's business or otherwise perform extra services or special exertions or efforts, the Board may arrange with such Director for such special remuneration for such extra services or special exertions or efforts either by a fixed sum or otherwise as may be determined by the Board subject to the provisions of the Act and such remuneration may be either in addition to or in substitution for his remuneration above provided.

Article 131 provides that it shall not be necessary for a Director to hold any qualification shares.

Article 132 provides that subject to the provisions of Section 313 and/or such other applicable provisions of the Act or any statutory modifications thereof, the Board of Directors shall have the power to appoint a Person as the alternate Director during the absence of a Director for a period of not less than three months in the State in which meetings of the Board are ordinarily held.

Article 133 provides that subject to the provisions of Section 262 and/or such other applicable provisions of the Act or any statutory modifications thereof the Board of directors shall have the power to fill up casual vacancies.

Article 134 provides that the Board shall have power at any time, and from time to time, to appoint Persons as additional directors provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the articles. Such additional directors appointed shall hold office only up to the date of the next annual general meeting of the company but shall be eligible for appointment by the company as a director at that meeting subject to the provisions of the Act.

Article 135 provides that subject to the provisions of the Act, a Director may resign his office at any time by notice in writing addressed to the Company or to the Board of Directors.

Article 136 provides that any Trust Deed for securing debentures or debenture stock may, if so agreed, provide for the appointment of, and such provision shall entitle the Trustees thereof or the holders of the debentures or debenture stock, as the case may be, to appoint, one Person as a Director on the Board of Directors of the Company with power to remove any Director so appointed and on vacancy being caused in such office from any cause, whether by resignation, death, removal or otherwise, to appoint another Person as a Director of the Company. The Director appointed under this Article is hereinafter referred to as "Debenture Director" and the term "Debenture Director" means a Director for the time being in office under this Article. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the trustees, and all such provisions shall have effect notwithstanding any of the other provisions herein contained.

Article 137 provides that notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit and Investment Corporation of India (ICICI), The Industrial Preconstruction Corporation of India Limited (IRCI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Insurance Corporation of India (GIC), National Insurance Company Limited (NIC), The Oriental Fire and General Insurance Company Limited (OFGI), The New India Assurance Company Limited (NIA), United India Insurance Company Limited (UTIC), Gujarat Industrial Investment Corporation Limited (GIIC), Gujarat State Financial Corporation Limited (GSFC), or any financial institution owned or controlled by Central Government or State Government by themselves (each of the above is hereinafter in this Article referred to as "the Corporation") out of any loans/debenture assistance granted by them to the Company or so long as the Corporation holds or continues to hold Debentures/shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any Guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole-time or non-whole-time, (which Director or Directors, is/are hereinafter referred to as "Nominee Directors") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s. The Board of Directors of the Company shall have no power to remove from office the nominee Director/s. At the option of the corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company. The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the

Company to the Corporation or so long as the Corporation holds or continues to hold Debenture/shares in the Company as a result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debenture/ shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished by the Corporation. The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes. The Company shall pay to the Nominee Director/s sitting fees, and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, moneys or remuneration in any from is payable to the Directors of the Company, the fees, commission, moneys and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the corporation. Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be, to such Nominee Director/s. Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s, such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Directors shall be entitled to receive such remuneration, fees, commission, and moneys as may be approved by the Corporation.

Powers of the Board

Article 138 provides that the Board shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do; provided that the Board shall not exercise any power to do any act or thing, which is directed or required by the Act or by provision of law or by the Memorandum of Association of the Company or by these Regulations, to be exercised or done by the Company in General Meeting.

Article 139 provides that subject to the restrictions contained in Section 292 and/or such other applicable provisions of the Act, the Board of Directors may delegate any of their powers to the Committees of the Board consisting of such member or members of their body as they think fit, and they may from time to time revoke and discharge any such committee either wholly or in part, and either as to Person or purposes; but every committee as aforementioned shall in the exercise of the powers so delegated confirm to any conditions as may from time to time be imposed upon them by the Board, All Acts done by any such Committee in conformity with such conditions and in fulfillment of the purposes of their appointment, but not otherwise, shall have the like force and effect as if done by the Board.

Article 140 provides that the meeting and proceedings of any Committee of the Board shall be governed by the provisions herein contained for regulating the meeting and proceedings of the Board so far as the same are applicable thereto and are not superceded by any regulations made in that behalf by the Board.

Article 141 provides that without prejudice to the general powers conferred by these Articles but subject however to the provisions of the Act and the restrictions imposed by these Articles, it is hereby expressly declared that the Directors shall have the following powers:

(a) To carry out the objects and exercise the power contained in Clause III of the Memorandum of Association of the Company.

(b) To appoint a managing director / chief executive officer of the Company and delegate such power as the Board may deem fit to such Person from time to time, including the power to further sub-delegate the powers to such Person as the said managing director / chief executive officer may deem fit, and to have superintendence, control and direction over the Managing Director, Managers, whole-time Directors and all other officers of the Company.

(c) To provide for the management of the affairs of the Company in the specified localities where the Company carries out its business or outside India and to delegate to any Person in charge of the local management such powers as may be deemed fit by the Board.

(d) To appoint and at their discretion remove or suspend such managers, secretaries, officers, technicians, 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 fix their salaries or emoluments, and to require security in such instances and to such amounts as they think fit.

(e) 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.

(f) To appoint at any time and from time to time by a power of attorney under seal, any Person, as the attorney of the Company in respect of such matters in which the powers are delegated, including without limitation the power to appoint a substituted attorney thereof or to further sub-delegate the powers.

(g) To appoint any Person or Persons (whether incorporated or not incorporated) to accept and hold in trust for the Company, any property belonging to the Company, or in which it is interested or for any other purposes and to execute and do all such deeds and things as may be requisite in relation to any such trust and to provide for the remuneration of such trustees.

(h) To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as they may think proper all or any part of the buildings, machinery, goods, stores, produce and other moveable property of the Company either separately or co-jointly also to insure all or any part of the goods, produce, machinery and other articles imported or exported by the Company and to insure loss of profit and standing charges and to insure retrenchment compensation and lay-off liabilities and to insure accidental insurance on all the employees of the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.

(i) To determine by resolution from time to time the name of Person or Persons who shall be entitled to do all or any of the acts mentioned in these Articles on behalf of the Company.

(j) To appoint employees, offices, servants and clerks for permanent, temporary or special services as the Board may from time to time think fit and on such terms and conditions as the Board may think fit.

(k) To give, award or allow any bonus, pension, gratuity or compensation to any employee of the Company or his widow, children or dependents that may appear to the Directors just or proper whether such employee or his widow, children or dependents have or have not a legal claim upon the Company.

(l) To sanction, pay and reimburse to the officers of the Company in respect of any expenses incurred by them on behalf of the company.

(m) To act on behalf of the Company in all matters relating to bankrupts and insolvent.

(n) To invest and deal with any of the moneys of the Company and to vary or release such investments.

(o) To refer claims and demands by or against the Company to arbitration and observe and perform any awards made thereon.

(p) To institute, conduct, defend, compound, compromise or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound or allow time for payment or satisfaction of any debts due and of claims or demands by or against the Company and to refer any claims or demands by or against the Company to arbitration and observe and perform any awards made thereon and to appoint solicitors, advocates, counsel and other legal advisors for such purposes and to settle and pay their remuneration.

(q) To establish, maintain, support and subscribe to any charitable or public object or any society institution, or club which may be for the benefit of the Company or its employees.

(r) To subscribe or contribute or authorise to assist or to guarantee money to charitable, benevolent, religious, scientific, national, public, political or any other useful institutions, objects or purposes or for any exhibition.

(s) Subject to the provisions of Sections 292, 297, 360 and/or such other applicable provisions of the Act, to purchase or otherwise acquire for the Company any lands, buildings, machinery, premises, hereditaments, property, effects, assets, rights, credits, royalties, rights, privileges, business and goodwill of any Person (including from any associated company on arms length basis) which the Company is authorised to acquire at or at such price or consideration and generally on such terms and conditions as they may think fit, and in such purchase or other acquisition to accept such title as all the then prevailing circumstances of the case may justify in the interests of the Company.

(t) At their discretion to pay for any property, right or privileges acquired by or services rendered to the Company either wholly or partially in cash, or in shares, bonds, debentures 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 or other securities may be either specifically charged upon all or any part of the property of the Company its uncalled capital or not so charged.

(u) To make and alter rules and regulations concerning the manner of payment of the contributions of the employees and the Company respectively and to any fund and accruals, employment, suspensions and forfeiture of the benefits of the said fund and the applications and disposals thereof and otherwise in relation to the working and management of the said funds as the Directors shall from time to time think fit.

(v) To borrow moneys and avail of financial facilities on such terms and conditions and subject to such limits as the Board may deem fit.

(w) To make and give receipts, releases and other discharges for moneys or properties payable or transferred to the Company and for the claims and demands of the Company.

(x) To pay and charge to the capital account of the Company any commission or interest lawfully payable thereat under the provisions of Sections 76, 208 and/or such other applicable provisions of the Act.

(y) To secure the fulfillment 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 unpaid capital for the time being or in such manner as they may think fit.

(z) To accept from any Member, so far as may be permissible by law, surrender of his shares or stock or any part thereof, on such terms and conditions as shall be agreed.

(aa) To open current, overdraft, cash credit and fixed deposit accounts with any bank, company, firm or individual and to operate thereon.

(bb) To exercise other powers referred to under these Articles not specifically mentioned in this Article.

(cc) To exercise the powers conferred by Section 50 and/or such other applicable provisions of the Act with regard to having an official seal for use abroad.

(dd) To keep foreign registers of Members and debenture holders in accordance with the provisions of the Companies Act, 1956 and exercise the powers conferred on by Sections 157, 158 and/or such other applicable provisions of the Act and impose such conditions as it may think fit respecting the keeping of any such registers.

(ee) To determine from time to time who shall be entitled to sign, draw, accept, endorse, or otherwise execute, as the case may be, on the Company's behalf, promissory notes, drafts, hundies, bills of exchange, notes, receipts, acceptances, endorsements, cheques and other negotiable instruments, dividend warrants, releases, contracts and documents and to give the necessary authority for such purposes.

(ff) To establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds, for the benefit of and give or procure the giving of donations, gratuities, pensions, allowances or emoluments, to any Persons who are or were at any time in the employment or service of the Company, or if any Company which is a subsidiary of the Company, or is allied to or associated with the Company or with any such subsidiary company, or who are or were at any time Directors or officers of the Company or of any such other Company as aforesaid and the wives, widows, families and dependents of any such Persons, and also establish and subsidies and subscribe to any institution, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other Company as aforesaid, and make payment to or towards the insurance of any such Person as aforesaid and do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid.

(gg) To guarantee the obligations of any Person.

Dividends and reserves

Article 165 provides that the Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

Article 166 provides that the Board may from time to time pay to the Members such interim dividends as appear to it to be justified by the profits of the Company.

Article 167 provides that the Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends; and pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may, from time to time, think fit.

Article 168 provides that the Board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve.

Article 169 provides that subject to the rights of Persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of the shares.

Article 170 provides that no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of these Articles as paid on the share.

Article 171 provides that all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

Article 172 provides that the Board may deduct from any dividend payable to any Member all sums of money if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

Article 173 provides that unless otherwise directed by the Member any dividend may be paid by cheque or warrant sent through the post/courier or in such other manner permitted under the law directed to the registered address of the Member or Person entitled or in case of joint holders to that one of them first named in the register in respect of the joint holding. Every such cheque shall be made payable to the order of the Person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission, or for any dividend lost to the Member or Person entitled thereto, by the forged endorsement of any cheque or warrant or the fraudulent recovery thereof by any other means.

Article 174 provides that Notice of any dividend that may have been declared shall be given to the Persons entitled to share therein in the manner mentioned in the Act.

Article 175 provides that no dividend shall bear interest against the Company.

Article 176 provides that subject to the provisions of the Act, the Board may from time to time pay to the Members on account of the next forthcoming dividend such interim dividends as it may deem fit.

Article 177 provides that subject to the provisions of the Act and the Articles, the Board may retain the dividends payable upon shares in respect of which any Person is under Articles entitled to become a Member or which any Person under that Article is entitled to transfer until such shares are duly transferred or until such Person shall have become a Member in respect of such shares.

Unpaid or unclaimed dividend:

Article 178 provides that where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of Cinemax India Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund. No unclaimed or unpaid dividend shall be forfeited by the Board.

Article 179 provides that any General Meeting declaring a dividend may make a call on the Members for 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 that the dividend may if so arranged between the Company and the Members be set off against the calls.

Article 180 provides that any General Meeting may, subject to the provisions of the Act resolve that any profits or surplus moneys arising from the realisation and when permitted by law and appreciation in value of the capital assets of the Company be utilised wholly or in part by the distribution or specific assets and in particular of paid up shares, debentures or debenture-stock of the Company or of any other company or by the paying up any amount for the time being unpaid on any shares of the company or in any one or more of such ways and the Board shall give effect to such direction and where any difficulty arises in regard to the distribution they may settle the same as they think expedient and in particular, may issue fractional certificates and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payment shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such assets in trustees upon trust for the Persons entitled thereto as may seem expedient to the Board. Where required, the Board shall comply with Section 75 and/or such other applicable provisions of the Act and the Board may appoint any Person to sign such contract on behalf of the Persons entitled and such appointment shall be effective.

Winding up

Article 195 provides that If the Company shall be wound up whether voluntarily or otherwise, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the Members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not. For this purpose, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determining how such division shall be carried out as between the Members or different classes of Members.

Article 196 provides that the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator with a like sanction shall think fit, but so that no Members shall be compelled to accept any shares or other securities whereon there is any liability.

SECTION X – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at [•] India from 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts to the Company

1. Employment agreement dated May 1, 2006 for the appointment of Mr. Rasesh B. Kanakia as the Chairman of the Company.
2. Employment agreement dated May 1, 2006 for the appointment of Mr. Himanshu B. Kanakia as the Managing Director of the Company.

Material Contracts to the Issue

1. Engagement Letter dated [•] for appointment of Enam Financial Consultants Private Limited, JM Morgan Stanley Private Limited, Edelweiss Capital Limited and Ambit Corporate Finance Private Limited as BRLMs.

2. Memorandum of Understanding dated [•] amongst our Company, Selling Shareholders and the BRLMs.

3. Memorandum of Understanding dated [•] executed by our Company and the Selling Shareholders with Registrar to the Issue.

4. Escrow agreement dated [•] between us, the Selling Shareholders, the BRLMs, Escrow Collection Banks and the Registrar to the Issue.

5. Syndicate agreement dated [•] between us, the Selling Shareholders, the BRLMs, Syndicate Member and the Registrar to the Issue.

6. Underwriting agreement dated [•] between us, the Selling Shareholders, the BRLMs and Syndicate Member.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Shareholders' resolution dated August 24, 2006 in relation to this Issue and other related matters.
3. Authorizations from the Selling Shareholders in relation to the Issue.
4. Resolutions of the Board dated August7, 2006 authorizing the Issue.
5. Resolutions of the Board of Directors for appointment and remuneration of our whole-time Directors.

6. Report of the Auditors, [•], prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus and letters from the auditors dated [•] including the Statement of Tax Benefits.

7. Copies of annual reports of our Company for the past five financial years.

8. General Powers of Attorney executed by the Directors of our Company in favour of person(s) for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.

9. Applications dated [•] and [•] for in-principle listing approval from [□], respectively.

10. Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Banker to the Issue, Domestic Legal Counsel, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities

11. In-principle listing approval dated [•] and [•] from [•] respectively.

12. Agreement between NSDL, our Company and the Registrar to the Issue dated July 21, 2006.

13. Agreement between CDSL, our Company and the Registrar to the Issue dated [•].

14. Due diligence certificate dated [•], to SEBI from ________________.

15. SEBI observation letter [•] dated [•] and our in-seraitim reply to the same dated [•].

16. Clarification/consent of the DIPP dated [•] (bearing number [•]) and from the RBI dated [•] (bearing number [•]).

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

Signed by all Directors

Mr. Rasesh B. Kanakia, Chairman

Mr. Himanshu B. Kanakia, Managing Director

Mr. Pravin Ghatalia, Director

Mr. Kranti Sinha, Director

Signed by Selling Shareholders

Mr. Rasesh Kanakia

Mr. Himanshu Kanakia

Signed by General Manager (Finance & Accounts)

Mr. Mayur Parekh

Signed by Company Secretary & Compliance Officer

Mr. Amit Shah

Date: September 29, 2006
Place: Mumbai