



PROSPECTUS

FOUR SOFT LIMITED

(Incorporated as Four Soft Pvt. Ltd. on December 24, 1999, at Hyderabad and converted to a Public Limited company vide Fresh Certificate of Incorporation dated April 23, 2003)

Registered Office: 5 Q1A3, 5th Floor, Cyber Tower, Hitec City, Madhapur, Hyderabad – 500 033.
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PUBLIC ISSUE OF 79,50,000 EQUITY SHARES OF RS. 5 EACH ISSUED FOR CASH AT A PREMIUM OF RS.20 PER SHARE AGGREGATING RS. 1987.50 LACS.

RISKS IN RELATION TO THE FIRST ISSUE

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

GENERAL RISK



Investment in Equity and Equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document. **Specific attention of the investors is invited to the statement of Risk Factors on Page No. i to v of the Prospectus.**

ISSUER'S ABSOLUTE RESPONSIBILITY

Four Soft Limited, having made all reasonable inquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue; that the information contained in this Prospectus is true and correct in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares are proposed to be listed on, The National Stock Exchange of India Ltd. (NSE), the Designated Stock Exchange and The Stock Exchange, Mumbai (BSE). The in-principle approvals of the Stock Exchanges for listing Equity Shares have been received pursuant to letters dated January 12, 2004 and January 15, 2004 respectively.

LEAD MANAGER TO THE ISSUE	REGISTRARS TO THE ISSUE
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ISSUE PROGRAMME

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DEFINITIONS AND ABBREVIATIONS

Act	The Companies Act, 1956
APIDC-VCF	Andhra Pradesh Industrial Development Corporation – Venture Capital Fund.
Articles	The Articles of Association of Four Soft Limited
Board	Board of Directors of Four Soft Limited
BSE	The Stock Exchange, Mumbai
BV	Book Value per Share
CDSL	Central Depository Services (India) Ltd.
DP	Depository Participant
EPS	Earning per Share
FEMA	Foreign Exchange Management Act, 1999
FII	Foreign Institutional Investors
FIPB	Foreign Investment Promotion Board
Four Soft/ FSL/ Company/ Issuer	Four Soft Limited
FSI	Four Soft International Inc.
FSLLC	Four Soft Limited Liability Company.
HUF	Hindu Undivided Family
IPO	Initial Public Offer
Issue	Public Issue of 79,50,000 Equity Shares by Four Soft Limited
IT Act	The Income Tax Act, 1961
Memorandum / Articles	The Memorandum / Articles of Association of Four Soft Limited
MoA	Memorandum and Articles of Association of Four Soft Limited
NAV	Net Asset Value
NRIs	Non Resident Indians
NSDL	National Securities Depository Ltd.
NSE	The National Stock Exchange of India Ltd.
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PBDIT	Profit Before Depreciation, Interest & Tax
RBI	Reserve Bank of India
RoC	Registrar of Companies, Andhra Pradesh, at Hyderabad.
SEBI	The Securities and Exchange Board of India
SEBI ACT	The Securities and Exchange Board of India Act, 1992 as amended from time to time
UTI- ITVUS	UTI A/c. India Technology Venture Unit Scheme.

Technical Terms / Abbreviations

B2B	Business to Business
CSS	Cascading Style Sheets
CRM	Customer Relationship Management
DHTML	Dynamic Hyper Text Markup Language
EJB	Enterprise Java Beans
FIFO	First in First Out
HTML	Hyper Text Mark up Language
J2EE	Java 2 Enterprise Edition
JSP	Java Server Pages
XML	Extended Mark up Language
3PL	Third Party logistics
2PL	Second Party Logistics
SLI/PRQ	Shippers Letter of Instructions/Pick up Request

RISK ENVISAGED BY MANAGEMENT & MANAGEMENT PROPOSALS (MP) THEREOF

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

Risks specific to the project and internal to the company

1. The promoter of the Company Mr. Palem Srikanth is a first generation entrepreneur.

MP: Palem Srikanth has experience of successfully running a Joint venture Company i.e. Emery World-wide India Pvt. Ltd. which is a Joint Venture of Emery Air Freight Corporation (an MNC listed on NYSE) and Palem Holdings Pvt. Ltd. This Joint Venture Company has established itself and created visibility in a short span of time. The US partner has bought 10% of the equity investment of the Palem Holdings Pvt. Ltd., a holding company promoted by Mr. Srikanth at a price more than 9 times of original investment in 5 years time.

2. The company is focussing only on one domain i.e. Logistics solutions and has the necessary people and the skill set only in this domain. This limits the scope of diversification in other domains going forward.

MP: Logistics and Supply Chain Management domain is large and forms 12% of the world's GDP. The estimated market size of the FSL products is USD 2.5 billion per annum (Source -ARC Advisory Group Report 2002) and adequate to provide a very scalable business model and to expand the business to related areas, such skills will be employed to diversify successfully.

3. The company has receivables of Rs. 136.13 lacs which is outstanding for a period of more than 6 months as on December 31, 2003 and no RBI approval has been received in this regard.

MP: The Company has made efforts to realize the outstanding receivables and have received commitments from some of the Customers. The Company has filled the necessary forms with RBI for extension of unrelised amounts.

4. The Company's operations are dependent on the skill set and the domain knowledge of the management personnel, especially the full time involvement of Mr. Palem Srikanth, promoter and Managing Director.

MP: At the starting phase of the company when the team size was less than 20 people the domain knowledge was restricted to the senior management of the company. Over a period of 3 years, the domain knowledge has become integral to the company and forms the core competency of the entire organization and not just the top management. The organization has now grown to over 120 people and the domain has spread across the entire company. The domain and the product development has reached a point that it is a process with the company and not linked to the individual or specific team. This transition has been successfully completed.

5. The Company plans to expand its market to Singapore, Hong Kong and Tokyo in Asia Pacific, London and Amsterdam/Frankfurt in Europe, San Francisco, Houston, New York in US. The competition and/or non-acceptance of company's products in these markets may result in company making losses on account of the investments made.

MP: Potential customers with serious enquiries and interest have already been identified. The Board members of the company are from Singapore, North America and Europe and they have industrial experience in Logistics and Transportation Management and alliance partners like Satyam Software Services Ltd. as Global Channel Partner and other Channel Partners and Resellers in Malaysia, Hong Kong and Singapore have already expressed a high potential for FSL products in these markets. Market reports indicate a large potential and a demand for these products due to non-availability of such applications in these markets.

6. Majority of the funding of expansion is to be done from the IPO proceeds. Delay in IPO/unsuccessful IPO will adversely impact the expansion plans of the company in future and its estimated revenue and profitability.

MP: The company is in profits and already in positive cash flows. The cash flow will continue to grow in the current financial year. The company has already raised Rs.8 crore through equity funding. Failure or delay of funding through IPO will impact the Expansion, Development of Products, Marketing Network and Acquisitions. However, the company plans development and marketing through strategic / alliance partners, expansion of sales network through joint ventures as local partners in different countries.

7. The Company has not earmarked the office space and people who will be posted at international offices.
MP: The Company has plans to set up International offices at Houston, San Francisco and New York in North America, Singapore, Hong Kong and Tokyo in Asia-Pacific and London, Amsterdam/Frankfurt in Europe. The Company is not foreseeing any difficulty in taking office spaces on lease in these Countries. The company has discussed the opportunities for people in international offices. Most of these people are local residents of these countries and they are gainfully employed at present. They have seen our product, understand our technology and believe there is opportunity for these products in their regions. When the funding is completed the company will make offers to suitable and appropriate candidates.
8. The company is yet to acquire the required infrastructure facilities for office and also not placed orders for the office equipments and computers for the expansion.
MP: The Company has plans to acquire the present leased office space of 7,862 sq.ft. in Hitec-City, Madhapur and earmarked 5,700 sq.ft for lease in Hitec-city, Madhapur. The Company is in the process of placing orders for office equipments and computers, which are readily available in the market.
9. Part of the IPO proceeds will be utilized for acquisitions. Company's acquisition plans are in the nascent stage and the target companies have not yet been crystallized. Failure in acquisition may adversely impact the business prospects of the Company. .
MP: Company has identified Merger and Acquisition Consultants in USA. The Consultants and Company will jointly identify potential companies for acquisition after evaluation and analysis. It has proposed to engage very strong audit and thorough Due Diligence prior to acquisition. Couple of small companies in Far East and USA have already been identified through informal internal discussions as the capital and modalities for acquisition is underway for proceeding in formal discussions. The acquisition strategy will be formulated after completion of the IPO.
10. The Company's ability to sell products is dependent upon the successful performance of its limited number of products, which is new to the global market, and also the visibility of the company in the international markets.
MP: The products may appear limited in number (Two). However, they are enterprise solutions and each product contains several modules and the aggregate market of these products is USD 2.5 Billion as per ARC Advisory Group Report 2002. The number of modules and series of different verticals means different sales opportunities. Some customers will buy modules specific to the short term needs and not necessarily the entire solution. In short, the company offers 10-12 modules from its two products.
11. The company has a limited number of customers as of now and the operating results of the Company would be depending on their relationships with the existing customers as well as the ability to add increase customer base.
MP: The operating reserves of the company depend on 10 different customers and the customer base is continuing to grow. In the enterprise solutions business, each existing customer forms a source of continuous revenue through customization and annual maintenance. One of the objectives of the funding is to expand the customer base.
12. The company may not be able to sustain the high margins going forward which it is currently enjoying.
MP: As an enterprise solutions (product) company, most of the investment in R&D and product development has been laid upfront. The product development cost is the single largest component of our expenses at this point and the products have reached a state of maturity that they are now marketable. At this point, the product development costs form a very high percentage of total revenue as well. For future sales, sales expenses will be higher in the international markets, but the corresponding product development costs will be much lower as a percentage of revenue. As a result, the Company expects to maintain the margin at the current levels or may even improve further.
13. Most of the revenues have been generated from the sale of parts of eSupply SP only. eSupply EP is yet to be fully implemented.
MP: The Company has launched the e-Supply SP product in 2001 with 9 successful installations. eSupply EP is still in the advanced stage of development, but the Company has sold the e-Supply EP license to one of the largest distilleries in USA. Company expects e-supply EP to go live at customer site by September 2004.
14. The company may have to pay high salaries to retain the skill set with the company which may hit the margins

MP: The salary structure of the company is in line with the market dynamics and industry standards in Hyderabad. Since the company is process oriented and not dependent on any individuals, the dependability on individual skill set is low and people are not considered indispensable to the extent they can demand high salary and cut into the margin of the company. The company has been able to retain employees by providing them vertical growth within the organization.

15. The business is highly dependent on the technology and therefore any change in technology may adversely affect the business.

MP: The company is in the technology business and it is important to select the right technology that has global industry support and longevity. We have chosen J2EE which now enjoys global support as a 3 tier platform for building Enterprise Solutions. This technology has a very long span and if/when it is changed it will be a global transition and strategy. It allows for adequate time for migration and smooth transition. The company has technology team which monitor the technology changes and upgrade constantly.

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

MP: Currently, one of the largest IT market in the world is enterprise solutions for supply-chain management. FSL is addressing this market of USD 2.5 billion with two products. The percentage of market share targeted for these two products is relatively small and the deviation in overall market size for these products will not drastically impact FSL as it is targeting a small portion of such markets.

17. The Company's exposure to and dependence on the international markets also poses threats to its business. It is dependent on the economic and political conditions of these countries to a large extent.

MP: The company's products are dependent on international market. However, the market is very well spread for existing customers as well as potential customers. The customer base exists in Asia Pacific, Europe as well as North America. The Company has already set up a Sales Office in Chennai to look after India and West Asia Operations. The Company has one successful implementation in India. So, the economic and political conditions of specific countries may not seriously impact the business plan.

18. The Company's revenues come from a focussed segment of clients therefore even a single competitor coming up may put high pressure on its market share.

MP: The company's revenues are derived from logistics and transportation companies for the e-Supply-SP product. The potential list of target customers for this product is in excess of 5000, as per Internal Assessments. The business plan envisages only 10% market share for esupply SP, in the long run. So, it allows enough room for competitors to take the remaining market share. The product esupply EP is positioned in what is estimated as a single largest IT product in the world – Supply-Chain Process Management Solution. In a steady state, the business plan projects 3% market share globally for this product. It allows enough room for the competitors, to take the remaining 97% of the market share and as such entry of competitors is not expected to have pressure on the company.

19. Consequent to non-adherence to certain Accounting Standards for the period ended 31st December 2003, the profit of the company has been overstated to the extent mentioned in the notes 1(d), 7, 9 & 11 in the notes to accounts in the auditors report. If the accounting standards are complied with, the profit of the Company for the 9 month period ended December 31, 2003, would be reduced by Rs. 41.07 lacs. Accordingly, the PAT of Rs. 562.93 lacs for the same period would stand reduced to Rs. 521.86 lacs.

MP: All the relevant accounting standards will be complied with during preparation of financial statements for the year ended 31st March 2004.

20. The issuer Company does not have any Quality Certification and the future growth of the company will depend on achieving continuously evolving international quality standards.

MP: The Company has Internal Quality Standards in place and is in the process of obtaining ISO 9001:2000 certification and the Company has already approached BVQI Certification Agency. The Company will be initiating steps for CMM Certification after the ISO 9001:2000 Certification. The products have been performance tested by the National Software Testing Laboratory (NSTL) for 1,000 concurrent users and will strive adhering to high quality and process execution to achieve continuously evolving International Quality Standards. Inability to evolve continuous International Quality Standards may have adverse impact on Company's business, product delivery and results of operations.

21. The valuations in the Software / IT Industry are presently high, which may not be sustained in future and may also not be reflective of future valuations in the industry. There are no standard valuation methodology or accounting practices in the emerging internet/media and related industries. The financials of the issuer are not comparable with the players in the industry.

22. Company's operations involve transmission of data through Internet, which involves security risks.

MP: Company's software is working mostly on web technologies and the security servers and application servers in place, which are reasonably fool-proof and protected against any threats of tampering of data during transmission or possible hacking.

23. Gary Friedman and Associates, the joint venture partner in Four Soft International Inc., USA (FSI), has sent a legal notice to Mr. Palem Srikanth Reddy, the promoter of the company to either 1. Buy a significant ownership stake in Four Soft International by Four Soft Ltd. as well as immediate financial support for ongoing operations or 2. Immediate buy-out, dollar for dollar of the investors of the Company (including debtors). The company depends on Four Soft International for marketing its products in North American markets. Any deterioration in the relationship with the Joint Venture partners will impact the overseas marketing of the company and adversely affects its future business.

MP: Four Soft International Inc. (FSI) is a Channel Partner of the Company in North American Region for marketing Four Soft Products and related services. The Company is not under any obligation to buy the ownership steps and to provide financial support, however, the Company is taking all prudent steps to mitigate the issues and the same does not impact the financials of the Company, as the Channel partner does not have any right to claim their losses as per our Channel partner agreement. FSL has not made any financial investment in the equity of FSI and hence there is no possible loss on investment. In case of a discontinuance in the CPA, FSL has its presents in North America through its subsidiary and FSL plans to setup marketing offices for marketing its products in the North American markets.

24. Pending utilization in the project, the proceeds of the issue will be invested in non productive assets such as Bank Deposits and/or Gilt Edged Government Securities either directly or through Government Security based funds in short and medium term. This deployment may not result in adequate returns for the company.

25. The company has high employee turnover ratio.

MP: Company's attrition ratios have been negatively affected due to highly competitive skilled labour market.

26. Promoters and other persons have been allotted shares of the company at a price lower than the IPO price in preceding one year as detailed in the notes to Capital Structure.

27. Four Soft International Inc., USA, the Joint Venture Partner of Four Soft Ltd. has booked an operating loss of US\$ 0.58mn during the year ended 31 December 2002.

MP: FSL has not made any financial investment in the equity of FSI and hence there is no possible loss on investment.

28. There has been a delay in the schedule of implementation of the project that the company proposes to undertake.

External and beyond the control of the Company

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

MP: Four Soft is an enterprise solutions company in Supply-Chain Management. It is dependent on a combination of individual skill sets, internal processes and support for the technology that we use. FSL uses J2EE as the platform to build its products. Hyderabad is branded as the Java capital of the world and technical resources to support our development efforts are readily available and easily replaceable. The company has a committed management team. As of now 75% of the higher level staff are with the company for minimum 3 years. Employee turnover at lower level has not affected in a serious manner. Investment in training of people is a continuous process, irrespective of employee turnover, for existing staff as well as new employees. As an IP based company, this expense is already factored into our cost of business.

2. The company earns majority of its income from exports, which exposes it to exchange rate risks.
MP: The company will enter into sales contract that hedge exchange fluctuations. However, there is no fool-proof protection against wild fluctuations and the company does not expect adverse impact of more than 5% through fluctuations of exchange rates.
3. Changes in Government policies and regulatory environment may have an impact on the Company's business.
MP: Change in government policies and regulatory environment does not impact the company's business. As an enterprise solution (product company), there are currently no geographical boundaries, legislations or bans imposed in any country, as they may apply to services where specific local vendors are preferred. FSL products can be sold through local vendors in such economies or states, without the product revenue accruing to FSL and the related services revenue like implementation going to the local vendors who have preference in their country.
4. Any changes in the tax laws in India might lead to increase in the Tax liability of the company thereby putting pressure on profitability
MP: Change in tax laws, particularly income tax can have an impact on the post-tax profits of the company

Notes:

1. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page 46 before making an investment in this Issue.
2. The average cost of acquisition of Equity Shares of the Promoters is Rs 0.36 per share.
3. The book value per share as on December 31, 2003 is Rs 9.07. The net worth of the company as on December 31, 2003 was Rs. 2157.03 Lacs.
4. Comments on ratios for the period ended December 31, 2003
 - **EPS:** The EPS for the period ended December 31, 2003 shows a decline vis-à-vis the EPS for the year ended March 31, 2003, since EPS for the period ended December 31, 2003 has not been annualized. Secondly it is computed taking into account the split in the nominal value of equity shares from Rs. 10/- to Rs. 5/-.
 - **NAV:** The NAV as on December 31, 2003 has declined as compared to the NAV as on March 31, 2003 since the NAV as on December 31, 2003 has been computed taking into account the split in the nominal value of equity shares from Rs. 10/- to Rs. 5/- whereas the NAV as on March 31, 2003 is based on nominal value of Rs. 10/-.
 - **Return on net worth (RONW):** The decline in RONW for the period ended December 31, 2003 shows a decline vis-à-vis the RONW for the year ended March 31, 2003 due to the enhancement in the equity capital post 31st March 2003.
5. Size of the issue – public issue of 79,50,000 equity shares of Rs. 5 each for cash at premium of Rs. 20/- per share aggregating to Rs.1987.50 lacs.
6. In the event of over-subscription, allotment shall be made on a proportionate basis in consultation with National Stock Exchange of India Ltd. (The Designated Stock Exchange) as per the prevailing guidelines in this regard.
7. The investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue, who will be obliged to attend to the same.

HIGHLIGHTS

1. Four Soft Ltd. is a profit making and dividend paying Company
2. Company's Promoter and Directors are successful professionals in the Logistics and Transportation Industry having experience in the prominent regions like Asia, Europe and North America.
3. Company focuses on Global Logistic and Supply Chain Management industry and has customer base in USA, U.K., Singapore, Thailand, Malaysia, Sri Lanka and India. Company's two products "eSupply SP" and "esupply EP" are web-centric enterprise wide solutions on latest J2EE technologies, that can be deployed rapidly and maintained with reduced costs.
4. Company's unit at Hitech City, Hyderabad is registered as 100% EOU under Software Technology Park Scheme of Govt. of India.
5. The company has a committed professional management team.

PART I

1. GENERAL INFORMATION:

FOUR SOFT LIMITED

Incorporated as Four Soft Pvt. Ltd. on December 24, 1999, at Hyderabad and converted to a public limited company vide Fresh Certificate of Incorporation dated April 23, 2003)

Registered Office: 5 Q1A3, 5th Floor, Cyber Tower, Hitec City, Madhapur, Hyderabad – 500 033.

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AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide Special Resolution passed at the Extra Ordinary General Meeting of the Company held on October 13, 2003 and a resolution passed by the Board of Directors at its meeting held on October 6, 2003.

GOVERNMENT APPROVALS

The Company can undertake all the present and proposed activities in view of the present approvals and no further approvals from any government authorities are required by the Company to undertake the present and proposed activities except those approvals that may be required to be taken in the normal course of business from time to time. The Company does not require any specific Government approvals for setting up marketing offices as well as acquiring companies abroad.

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

STATUTORY APPROVAL

The Company can undertake all the present and proposed activities in view of the present approvals and no further approvals from any statutory body are required by the Company to undertake the present and proposed activities.

ELIGIBILITY FOR THE ISSUE

The Company is eligible to access the capital market through public issue of equity shares as per Clause 2.2.1 of SEBI (Disclosure & Investor protection) Guidelines, as it fulfills the net worth, distributable profits and net tangible assets criteria in the following manner:

1. The Company has a net worth of more than Rs. 1 crore in each of the preceding 3 full years

Rs in lacs

	Year ended		
	31/3/2001	31/3/2002	31/3/2003
Net worth	356.09	355.97	788.48

2. The Company has a track record of distributable profits in terms of section 205 of the Companies Act, 1956 for immediately preceding 4 years. The Company has declared and paid dividend for the last 3 years. The profits and dividend paid for the last 3 years is given below:

Rs. In lacs

	Year ended		
	31/3/2001	31/3/2002	31/3/2003
PAT	8.74	7.53	288.28
Dividend (%)	1	1	5
Dividend paid (including tax)	2.66	4.87	26.48

3. The Company's net tangible assets during the last 3 years ended 31st March 2001, 31st March 2002 and 31st March 2003 are given below.

Rs. In lacs

Particulars	Year ended		
	31/3/2001	31/3/2002	31/3/2003
Net tangible assets	367.81	386.11	868.80
Monetary assets	268.41	265.85	573.18

The monetary assets in each of these years are more than 50% of Net Tangible assets. The company has made firm commitments to deploy the monetary funds in the proposed expansion plan.

The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document) does not exceed five times its pre-issue networth as per the audited balance sheet of the last financial year, either at the time of filing the prospectus with SEBI or at the time of opening of the issue.

Note: Please refer to the auditors report under financial information for details.

PROHIBITION BY SEBI

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

DISCLAIMER CLAUSE

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

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE LEAD MANAGER, UTI SECURITIES LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, UTI SECURITIES LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED OCTOBER 17, 2003 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE OFFER DOCUMENT 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:

- a. THE PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- b. 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**
- c. THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.**
- d. WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.**

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

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE (NSE)

As required, a copy of this Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter dated January 12, 2004, granted permission to the Company. to use the Exchange's name in this Prospectus as one of the Stock Exchanges on which the Company's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital (i.e. the paid up capital shall not be less than 10 crores and market capitalisation shall not be less than Rs. 25 crores at the time of listing). The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does not in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Company, its promoter, its management or any scheme or project of the Company.

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

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI

As required, a copy of this prospectus has been submitted to the BSE. The Stock Exchange, Mumbai ("the Exchange") has given vide its letter dated January 15, 2004, permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchange on which the Company's securities are proposed to be listed. The Exchange has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner-

- a) Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- b) Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- c) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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

DISCLAIMER STATEMENT FROM THE ISSUER

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

JURISDICTION

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

FILING

A copy of this Prospectus along with the documents required to be filed under Section 60 of the Companies Act, 1956 has been delivered for registration to the Registrar of Companies, Andhra Pradesh, at Hyderabad.

Copies of the Prospectus have also been filed with the SEBI, Chennai.

LISTING

Initial listing applications have been made to The National Stock Exchange of India Ltd (Designated Stock Exchange) and The Stock Exchange, Mumbai for permission to list the Equity Shares and for an official quotation of the equity shares of the Company.

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

UNDERTAKING FROM PROMOTERS AND DIRECTORS

The issuer accepts full responsibility for the accuracy for the information given in the prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which make any statement in the prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The issuer further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the equity shares are offered or for the correctness of the statement made or opinions expressed in this offer document. The promoters/directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/mis-representation, the promoters/directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

CORPORATE GOVERNANCE

The SEBI Guidelines in respect of Corporate Governance shall be applicable to the Company immediately upon listing of its shares on the various Stock Exchanges. The Company undertakes that it shall take the necessary steps to comply with all the requirements of the guidelines on Corporate Governance as would be applicable to it upon listing of its shares. In this regard, the Company has already set up an Audit Committee and Remuneration Committee. The other committees as per the requirements of the revised guidelines will be set up before listing of the equity shares of the Company.

The Company has concrete plans to keep pace with the rapid changes in technology and as a step the company has set up a Technology Team led by experienced specialists, who will be engaged in Research and Development in new technologies and adopting the same into the products.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:

“Any person who:

- a) Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- b) Otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years.”

MINIMUM SUBSCRIPTION

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act 1956.

ISSUE OF ALLOTMENT LETTERS / REFUND ORDERS

The company shall give credit to the Beneficiary Account with Depository Participants within two working days of finalisation of the basis of allotment of Equity Shares. The Company shall dispatch refund orders, if any, of value upto Rs.1,500, by “Under Certificate of Posting”, and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first applicant’s sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI Guidelines, the Company further undertakes that:

- Allocation and transfer of Equity Shares will be made only in dematerialized form within 30 days from the issue closing date
- Dispatch of refund orders will be done within 30 days from the issue closing date

- The Company shall pay interest at 15 % per annum (for delay beyond 30 days time as mentioned above), if transfer is not made, refund orders are not dispatched and/or demat credit are not made to investors within the 30 days time prescribed above.

The company will provide adequate funds required for dispatch 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 a bank appointed by the Company, as refund banker(s) and payable at par at places where application are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the bidders.

ISSUE SCHEDULE

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

Issue Opens on	:	Monday, February 16, 2004
Issue Closes on	:	Monday, February 23, 2004

ISSUE MANAGEMENT TEAM

LEAD MANAGERS TO THE ISSUE

UTI Securities Limited

SEBI Regn. No. INM000007458.

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

CO-LEAD MANAGERS TO THE ISSUE

Centrum Finance Limited

SEBI Regn. No. INM000010445.

Khetan Bhavan, 5th Floor
198 J.Tata Road, Churchgate
Mumbai 400 020
Tel: (+91-22) 2202 3838
Fax:(+91-22) 2204 6096
Email: foursoft@centrum.co.in

REGISTRARS TO THE ISSUE

Karvy Consultants Limited

SEBI Regn. No. INR000000221

Unit: Four Soft's Public Issue
"Karvy House", 46, Avenue 4, Street No.1
Banjara Hills, Hyderabad 500 034
Tel: 91-40-2331 2454, 2332 0251
Fax: 91-40-2331 1968
Email: karvyhyd@karvy.com

AUDITORS

A.G.S. Reddy & Co

Chartered Accountants
8, 1st Floor, 'TOPAZ'
Amrutha Hills, Panjagutta
Hyderabad – 500 082.

BANKERS TO THE COMPANY

Hong Kong and Shanghai Banking Corporation Ltd.

Uma Plaza, Road No.1
Banjara Hills
Hyderabad – 500 082.

BANKERS TO THE ISSUE

HDFC Bank Ltd.

6-1-733, Ground & Third Floor,
Sayeed Plaza, Lakdikapool,
Hyderabad- 500 004

The Hongkong and Shanghai Banking Corporation Ltd.

Uma Plaza, Ground Floor,
Road No.1, Banjara Hills,
Hyderabad – 500 082

TRUSTEES

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

CREDIT RATING

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

UNDERWRITING OF THE ISSUE

The underwriting of the issue being optional, the issue is not underwritten.

COMPLIANCE OFFICER FROM THE ISSUER COMPANY

Mr. Naresh Kumar Patro

Four Soft Limited

5 Q1A3, 5th Floor, Cyber Tower,
HITEC City, Madhapur,
Hyderabad – 500 033.

Tel: 91-40-23100600, 2310061.

Fax: 91-40-23100602

E-Mail: investorinfo@four-soft.com

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

INTER-SE ALLOCATION OF RESPONSIBILITIES

INITIAL PUBLIC OFFER OF FOUR SOFT LTD.:

Public Issue of 79,50,000 Equity Shares of Rs. 5 each issued for cash at a premium of Rs. 20 per share aggregating Rs. 1987.50 Lacs.

LEAD MANAGERS TO THE ISSUE

UTI Securities Ltd.

CO-LEAD MANAGERS TO THE ISSUE:

Centrum Finance Ltd.

Activities	Responsibility
Capital Structure with the relative components and formalities such as composition of debt and equity, type of instrument.	UTI Securities Ltd.
Drafting and design of offer document. Lead Manager shall ensure compliance with the Guidelines for disclosure and Investor protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies & SEBI.	UTI Securities Ltd.
Advertisement & Issue of the Statutory Prospectus Advertisement as per SEBI Guidelines. Advertisement/ Publicity material including brochures and newspaper materials. The designated lead manager shall ensure compliance with the guidelines for the Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies & SEBI.	UTI Securities Ltd.
Selection of various agencies connected with the issue, namely. 1. Registrar to issue 2. Printers 3. Advertising agencies.	UTI Securities Ltd.
Marketing of the issue, which will cover, inter-alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of ad media and distribution policy and issue material including application form, prospectus and brochure and deciding on the quantum of the issue material.	UTI Securities Ltd. Centrum Finance Ltd.
Arrangement for selection of centers for holding press/ broker/ investor conferences.	UTI Securities Ltd. Centrum Finance Ltd.
Selection of Bankers to the Issue and follow up with Bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue based on correct figures.	UTI Securities Ltd.
The post issue activities will involve essential follow up steps, which must include finalisation of basis of allotment/ weeding out of multiple applications, listing of instruments, and dispatch of certificates and refunds, with the various agencies connected with the work such as registrar to the issue, bankers to the issue and the bank handling refund business.	Centrum Finance Ltd.

2. CAPITAL STRUCTURE OF THE COMPANY

No. Of Shares	Nominal Value (Rs.)	Aggregate Value (Rs.)
A. AUTHORISED CAPITAL		
i. 3,60,77,600 Equity Shares of Rs.5/- each	18,03,88,000	
ii. 6,96,120 Redeemable Preference Shares of Rs.100/- each.	6,96,12,000	
B. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
2,37,74,494 Equity Shares of Rs.5- each	11,88,72,470	16,19,53,605
C. PRESENT ISSUE		
79,50,000 Equity Shares of Rs.5/- each at premium Rs. 20 per share	3,97,50,000	19,87,50,000
D. PAID UP CAPITAL AFTER THE PRESENT ISSUE		
3,17,24,494 Equity Shares of Rs.5/- each fully paid up	15,86,22,470	36,07,03,605
E. SHARE PREMIUM ACCOUNT		
Before the issue	4,30,81,135	
After the issue	20,20,81,135	

Details of Increase in Authorised Capital

S. No.	Particulars Of Increase	Date of Meeting
1.	Rs 10 Lacs	Incorporation
2.	From Rs 10 Lacs to Rs. 300 Lacs	31/01/2000
3.	From Rs. 300 Lacs to Rs. 500 Lacs	02/05/2000
4.	From Rs. 500 Lacs to Rs. 1000 Lacs	02/05/2003
5.	From Rs. 1000 Lacs to Rs. 1200 Lacs	18/07/2003
6.	From Rs. 1200 Lacs to Rs. 2000 Lacs	29/09/2003
7.	From Rs. 2000 Lacs to Rs. 2500 Lacs	13/10/2003

Notes to Capital Structure

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

Date of Allotment/ Fully paid up	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Value (Rs)	Consider -ation	Remarks
MoA	1,000	10	10	10,000	Cash	Subscribers to the Memorandum
14/02/2000	1,475,950	10	1	1,475,950	Cash	Sweat Equity to promoter.
14/02/2000	50	10	10	500	Cash	Further allotment of shares.
02/05/2000	1,884,139	10	10	18,841,390	Cash	Further allotment
22/11/2000	379,073	10	10.24	3,881,708	Cash	Further Allotmentof Shares
27/04/2001	513,345	10	30	15,400,350	Cash	Further Allotmentof Shares
24/08/2001	13,517	10	1	13,517	Cash	Sweat Equity toEmployees
20/11/2001	150,000	10	1	150,000	Cash	Sweat Equity to Directors
06/11/2002	25,000	10	1	25,000	Cash	Sweat Equity toDirectors
05/12/2002	50,000	10	1	50,000	Cash	Sweat Equity to Directors
05/12/2002	199,331	10	60	11,959,860	Cash	Further allotment
20/01/2003	2,262	10	60	135,720	Cash	Further allotment
20/06/2003	87,082	10	1	87,082	Cash	Sweat Equity to Employees

Date of Allotment/ Fully paid up	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Value (Rs)	Consideration	Remarks
18/07/2003	239,000	10	10	2,390,000	Cash	Allotment to ESOPTrust.
28/07/2003	600,000	10	1	600,000	Cash	Sweat Equity to promoter
28/07/2003	52,713	10	1	52,713	Cash	Sweat Equity to employees
28/07/2003	32,500	10	10	325,000	Cash	Allotment to ESOPTrust.
29/07/2003	2,281,985	10	Bonus	22,819,850	Bonus	2:5 Bonus Issue
29/07/2003	15,973,894	Rs.10 paid up Equity Shares sub-divided into two Equity shares of Rs. 5/- each				
01/09/2003	408,000	5	0.35	387,600	Cash	Sweat Equity to Employees
10/10/2003	3,480,600	5	20	69,612,000	Cash	Conversion of 6,96,120 ROCCPS into Equity Shares
10/10/2003	3,002,000	5	0.35	1,050,700	Cash	Sweat Equity to Directors / Employee
10/10/2003	410,000	5	5	2,050,000	Cash	Allotment to ESOP Trust.
10/10/2003	500,000	5	20	10,000,000	Cash	Allotment to APIDC Venture Capital Fund
Total Shares	23,774,494	5	Equity Shares of Rs. 5/- each.			

b. Shares Issued for consideration other than cash:

All the shares have been allotted for cash only except the bonus shares issued out of free reserves and the sweat equity shares have been issued at different prices from Share premium account as per the table above.

c. Promoters' Contribution and lock-in Period:

The following shares will be locked in for a period of 3 years as part of the promoter's contribution

Name	Date of Allotment/ Fully Paid-up	Consideration	No. of Shares	Face Value	Issue Price	No. of shares of face value of Rs.5/-	% of Post-Issue Capital	Lock-in Period*
Palem Srikanth Reddy	24.12.1999	Cash	900	10	10	1,800	0.01	3 years
	14.02.2000	Cash#	1,419,950	10	1	2,839,900	8.95	3 years
	29.07.2003	Bonus	568,340	10	Bonus	1,136,680	3.58	3 years
Suresh Rajpal	29.07.2003	Bonus	20,000	10	Bonus	40,000	0.13	3 years
Ch. Venkateswar Rao	29.07.2003	Bonus	20,000	10	Bonus	40,000	0.13	3 years
D. Vidya Sagar	29.07.2003	Bonus	20,000	10	Bonus	40,000	0.13	3 years
G.K.P. Reddy	29.07.2003	Bonus	40,008	10	Bonus	80,016	0.25	3 years
P.Soujanya Reddy	29.07.2003	Bonus	36,004	10	Bonus	72,008	0.23	3 years
Lee Keen Whye	29.07.2003	Bonus	143,629	10	Bonus	287,258	0.91	3 years
Deborah Liew Siew in	29.07.2003	Bonus	86,645	10	Bonus	173,290	0.55	3 years
Mahendran Ramanathan	29.07.2003	Bonus	43,323	10	Bonus	86,646	0.27	3 years
Teo Ser Luck	29.07.2003	Bonus	86,645	10	Bonus	173,290	0.55	3 years
Six Rivers Group Ltd.	27.04.2001	Cash	30,354	10	30	60,708	0.19	3 years
	05.12.2002	Cash	15,982	10	60	31,964	0.10	3 years
	29.07.2003	Bonus	176,172	10	Bonus	352,344	1.11	3 years

Name	Date of Allotment/ Fully Paid-up	Consideration	No. of Shares	Face Value	Issue Price	No. of shares of face value of Rs.5/-	% of Post-Issue Capital	Lock-in Period*
West Rivers Investment Ltd.	27.04.2001	Cash	30,354	10	30	60,708	0.19	3 years
	05.12.2002	Cash	18,611	10	60	37,222	0.12	3 years
	29.07.2003	Bonus	205,533	10	Bonus	411,066	1.30	3 years
David Ian Beatson	20.11.2001	Cash#	17,052	10	1	34,104	0.11	3 years
	29.07.2003	Bonus	20,000	10	Bonus	40,000	0.13	3 years
Koh Boon Hwee	20.11.2001	Cash#	50,000	10	1	100,000	0.32	3 years
	29.07.2003	Bonus	20,000	10	Bonus	40,000	0.13	3 years
Douglas Terence Ash	20.11.2001	Cash#	17,053	10	1	34,106	0.11	3 years
	29.07.2003	Bonus	20,000	10	Bonus	40,000	0.13	3 years
Satver Inc	29.07.2003	Bonus	65,895	10	Bonus	131,790	0.42	3 years
Total			3,172,450			6,344,900	20.00	

#Sweat equity shares

Other than the above, the entire pre-issue capital of the Company except the equity shares held by Venture Capital Funds and equity shares held under Employee Stock Option Scheme shall be locked-in for a period of one year from the date of allotment in this issue. However the ESOP shares shall be locked-in as per SEBI (ESOP & ESPS Guidelines, 1999) and the shares held by UTI Venture & APIDC Venture would be locked in as per provisions of the SEBI (Venture Capital Funds) Regulations, 1996 and any amendments thereto.

*The lock in period shall commence from the date of allotment of shares in the public issue since the company has already commenced commercial operations.

d. The following Equity Shares would be locked-in in respect of promoters whose names figure in the prospectus as promoters in the paragraph on "Promoters and their Background":

Name of Promoter	Date of Allotment/ Fully Paid-up	Consideration	No. of Shares	Face Value	Issue Price	No. of shares of face value of Rs.5/-	% of Post-Issue Capital	Lock-in Period*
Mr. Palem Srikanth	24.12.1999	Cash	900	10	10	1,800	0.01	3 years
	14.02.2000	Cash	1,419,950	10	1	2,839,900	8.95	3 years
	29.07.2003	Bonus	568,340	10	Bonus	1,136,680	3.58	3 years

e. Details of shareholding of promoter group.

S. No.	Share Holder	Date of Allotment	No. of Rs.10/- Shares	Rs.5/- share Shares	Nature of Allotment	Face Value	Issue Price	% Pre issue	% Post issue
1	P.Srikanth Reddy	24.12.1999	900	1,800	AOF A	10/-	10/-	35.78	26.81
		14.02.2000	1,419,950	2,839,900	Sweat Equity	10/-	1/-		
		28.07.2003	600,000	1,200,000	Sweat Equity	10/-	1/-		
		29.07.2003	808,340	1,616,680	Bonus				
		10.10.2003		2,847,000	Sweat Equity	5/-	0.35/-		
			8,505,380						
2	Suresh Rajpal	14.02.2000	50,000	100,000	Sweat Equity	10/-	1/-	1.47	1.10
		02.05.2000	50,000	100,000	Further allot	10/-	10/-		
		05.12.2002	25,000	50,000	Sweat Equity	10/-	1/-		
		29.07.2003	50,000	100,000	Bonus				
			350,000						
3	Ch. Venkateswar Rao	02.05.2000	50,000	100,000	Allotment	10/-	10/-	0.59	0.44
		29.07.2003	20,000	40,000	Bonus				
				140,000					
4	D. Vidya Sagar	02.05.2000	50,000	100,000	Allotment	10/-	10/-	0.59	0.44
		29.07.2003	20,000	40,000	Bonus				
				140,000					
5	G.K.P.Reddi	14.02.2000	10	20	Allotment	10/-	10/-	1.18	0.88
		02.05.2000	100,000	200,000	Further allot	10/-	10/-		
		29.07.2003	40,004	80,008	Bonus				
				280,028					
6	P.Soujanya Reddy	24.12.199	10	20	Allotment	10/-	10/-	1.06	0.79
		02.05.2000	90,000	180,000	Further allot	10/-	10/-		
		29.07.2003	36,004	72,008	Bonus				
				252,028					
7	Lee Keen Whye	14.02.2000	10	20	Allotment	10/-	10/-	4.23	3.17
		22.11.2000	359,073	718,146	Further allot	10/-	10.24		
		29.07.2003	143,633	287,266	Bonus				
				1,005,432					
8	Deborah Liew Siew In	02.05.2000	216,613	433,226	Further allot	10/-	10/-	2.55	1.91
		29.07.2003	86,645	173,290	Bonus				
				606,516					
9	Mahendran Ramanathan	02.05.2000	108,307	216,614	Allotment	10/-	10/-	1.28	0.96
		29.07.2003	43,323	86,646	Bonus				
				303,260					
10	Teo Ser Luck	02.05.2000	216,613	433,226	Allotment	10/-	10/-	2.55	1.91
		29.07.2003	86,645	173,290	Bonus				
				606,516					
11	Six Rivers Group Ltd	14.02.2000	10	20	Allotment	10/-	10/-	5.38	4.03
		02.05.2000	324,920	649,840	Further allot	10/-	10/-		
		27.04.2001	115,500	231,000	Further allot	10/-	30/-		
		05.12.2002	15,982	31,964	Further allot	10/-	60/-		
		29.07.2003	182,565	365,130	Bonus				
				1,277,954					

S. No.	Share Holder	Date of Allotment	No. of Rs.10/- Shares	Rs.5/- share Shares	Nature of Allotment	Face Value	Issue Price	% Pre issue	% Post issue
12	West Rivers Investments Ltd.	14.02.2000	10	20	Allotment	10/-	10/-	6.27	4.70
		02.05.2000	379,073	758,146	Further allot	10/-	10/-		
		27.04.2001	134,750	269,500	Further allot	10/-	30/-		
		05.12.2002	18,611	37,222	Further allot	10/-	60/-		
		29.07.2003	212,978	425,956	Bonus				
			1,490,844						
13	David Ian Beatson	20.11.2001	50,000	100,000	Sweat equity	10/-	1/-	0.88	0.66
		05.12.2002	25,000	50,000	Sweat equity	10/-	1/-		
		29.07.2003	30,000	60,000	Bonus				
			210,000						
14	Koh Boon Hwee	20.11.2001	50,000	100,000	Sweat equity	10/-	1/-	0.59	0.44
		29.07.2003	20,000	40,000	Bonus				
			140,000						
15	Douglas Terence Ash	06.11.2001	25,000	50,000	Sweat equity	10/-	1/-	0.88	0.66
		20.11.2001	50,000	100,000	Sweat equity	10/-	1/-		
		29.07.2003	30,000	60,000	Bonus				
			210,000						
16	Satver Inc	05.12.2002	164,738	329,476	Allotment	10/-	60/-	1.94	1.45
		29.07.2003	65,895	131,790	Bonus				
			461,266						

f. The details of sale/ purchase/ financing of shares by Promoters/Directors

The promoters Group/Directors have not purchased and /or/ sold/financed any shares of the company during the past 6 months.

g. The promoters' contribution has been brought in not less than the specified minimum lot of Rs. 25,000/- per application from each individual and Rs. 1,00,000/- from companies.

h. There is no "buy back" or "stand by" arrangement for purchase of equity shares by the Promoters, Directors, Company or Lead Managers for the equity shares offered through this Prospectus.

i. **Top ten shareholders as on two years prior to the date of filing of the Prospectus with the RoC.**

Sr. No.	Name of the Shareholders	No. of shares
1.	P.Srikanth Reddy	1420,850
2.	West River Investments Ltd	379,083
3.	Lee Keen Whye	379,083
4.	Six Rivers Group Ltd	324,930
5	ECR Consultant	216,613
6.	Teo Ser Luck	216,613
7.	Deborah Lew Siew Yin	216,613
8.	Mahendran Ramanathan	108,307
9	G.K.P.Reddi	100,010
10	P.Soujanya Reddy	100,010

j. Top ten shareholders 10 days prior to the date of filing of the Prospectus with the RoC

Sr. No.	Name of the Shareholders	No. of shares
1.	P.Srikanth Reddy	8,505,380
2.	UTI A/c. India Technology Venture Unit Scheme	3,888,600
3.	West River Investments Ltd	1,490,843
4.	Six Rivers Group Ltd	1,277,954
5.	Lee Keen Whye	1,005,432
6.	Deborah Lew Siew Yin	606,516
7.	Teo Ser Luck	606,516
8.	ECR Consultant	606,516
9.	APIDC Venture Capital Fund	500,000
10.	Satver Inc	461,266

k. Top ten shareholders on the date of filing of the Prospectus with the RoC.

Sr. No.	Name of the Shareholders	No. of shares
1.	P.Srikanth Reddy	8,505,380
2.	UTI A/c. India Technology Venture Unit Scheme	3,888,600
3.	West River Investments Ltd	1,490,843
4.	Six Rivers Group Ltd	1,277,954
5.	Lee Keen Whye	1,005,432
6.	Deborah Lew Siew Yin	606,516
7.	Teo Ser Luck	606,516
8.	ECR Consultant	606,516
9.	APIDC Venture Capital Fund	500,000
10.	Satver Inc	461,266

l. The pre-issue & post-issue shareholding pattern of Four Soft is as under:

Category	Pre-Issue		Post issue	
	No. of Shares	% holding	No. of Shares	% holding
Promoter	8,505,380	35.77	8,505,380	26.81
Promoter Group	7,473,844	31.44	7,473,844	23.56
Relatives	122,548	0.52	122,548	0.38
Employees & ESOP	1,754,474	7.38	1,754,474	5.54
Venture Funds	4,388,600	18.46	4,388,600	13.83
Others	1,529,648	6.43	1,529,648	4.82
Public	—	—	7,950,000	25.06
Total	23,774,494	100.00	31,724,494	100.00

- m. The shares held by the person other than the promoters, prior to IPO, which are locked-in may be transferred to any other person holding shares which are locked in subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
- n. The equity shares to be held by the promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the equity shares may be transferred amongst promoter/promoter group or to a new promoter or persons in control of the company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

- o. An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest multiple of 100 shares while finalizing the allotment.
- p. The equity shares offered through this public issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of shares.
- q. The Company has not issued any shares out of revaluation reserves. The company has not issued any shares for consideration other than cash except for the bonus shares, which have been issued out of free reserves and sweat equity shares out of share premium account.
- r. The shareholders of the Company do not hold any warrant, options, convertible loan or any debenture or any instrument which would entitle them to acquire further shares of the Company.
- s. There are no "bridge loans" from any bank taken by the company for any purpose whatsoever or for the proposed project.
- t. As per SEBI guidelines, a minimum of 50% of the net offer to the public is reserved for allotment to individual investors applying equity shares of or for a value of not more than Rs. 50,000/-. The remaining 50% of the offer to the public is reserved for individuals applying for equity shares of or for a value more than Rs.50,000/- and corporate bodies/institutions etc. Un-subscribed portion in either of these categories shall be added to the other category interchangeably.
- u. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed.
- v. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company goes in for acquisitions and joint ventures the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.
- w. There shall be only one denomination of the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time..
- x. No single applicant can make an application for number of shares, which exceeds the number of shares offered.
- y. The company has 105 shareholders as on December 31, 2003.

3. TERMS OF THE PRESENT ISSUE

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

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

TERMS OF PAYMENT:

Applications should be for minimum of 200 equity shares and in multiples of 100 equity shares thereafter. The offer price of the equity shares is Rs.25. The offer price is payable as under:

	Towards Principal	Towards Premium	Total
On application	Rs. 2.50	Rs. 7. 50	Rs.10.00
On allotment	Rs. 2.50	Rs. 12.50	Rs.15.00
TOTAL	Rs.5.00	Rs.20.00	Rs.25.00

In case of allotment of lesser number of equity shares than the number applied, the excess amount paid on application shall be adjusted against the amount payable on allotment and the balance, if any, shall be refunded by the Company to the applicants.

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

FSL agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. FSL further agrees that it shall pay interest @ 15% per annum if the allotment letters / refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the issue.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is 1 share.

RANKING OF EQUITY SHARES

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

RIGHTS OF THE EQUITY SHAREHOLDERS

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

MARKETABLE LOT

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

NOMINATION FACILITY TO INVESTOR

In accordance with Section 109A of the Companies Act 1956, the sole or first applicant, along with other joint applicants, may nominate any one person in whom, in the event of the death of sole applicant or in case of joint applicants, death of all the applicants, 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 1956 be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of the Company or to the registrar and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- 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, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the equity shares, until the requirements of the notice have been complied with.

PROCEDURE FOR APPLICATION AND MODE OF PAYMENT

Availability of Prospectus and Application Forms

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

Application may be made by

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

Applications not to be made by

- Minors
- Foreign Nationals (except NRIs) and Overseas Corporate Bodies (OCBs)
- Partnership firms or their nominees

SUBSCRIPTION BY NRIs/ FIIs

The Company has made an application to the FIPB / RBI for the issue of Equity Shares to NRIs/FIIs with repatriation benefits. Subject to obtaining such approvals, it will not be necessary for the investors to seek separate permission from the RBI for this specific purpose. However it is to be distinctly understood that there is no reservation and separate application forms for NRIs and FIIs and all NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation.

The allotment of the Equity Shares to Non-Residents shall be subject to the FIPB/ RBI approval or any requisite permission as may be necessary.

A. GENERAL INSTRUCTIONS

1. Applications must be made in the prescribed application form and completed in Full in BLOCK LETTERS in English as per the instructions contained herein and in the application form and are liable to be rejected if not so made.
2. The application for equity shares should be for a minimum of 200 equity shares and in multiples of 100 shares thereafter. An applicant in the public category can make an application only for a maximum of equity shares that are offered to the public.

3. Thumb impressions and signatures other than in English/ Hindi/ Telugu or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.

4. Bank Account Details of Applicant:

The name of the applicant's Bank, type of account and account number must be filled in the Application Form. This is required for the applicants' own safety and these details will be printed on the refund orders, if any. Applications without these details would be treated as incomplete and are liable to be rejected.

5. Applications under Power of Attorney:

In case of applications under Powers of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrars to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the application form subject to such terms and conditions as it may deem fit.

6. PAN/ GIR Number

Where an application is for a total value of Rs. 50,000 or more, the applicant or in case of applications in joint names, each of the applicants should mention his/ her/ their Permanent Account number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/ Ward/ District should be mentioned. In case where neither the PAN nor the GIR Number has been allotted, or the applicant is not assessed to Income Tax, the appropriate box provided for the purpose in the application form must be ticked. Applications without this will be considered incomplete and are liable to be rejected.

7. Joint Applications in the case of individuals

Applications can be in single or joint names (not more than three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application form at the address mentioned therein.

8. Applications may be made by Hindu Undivided Families (HUF) through the Karta of the (HUF) and will be treated at par with individual applications.

9. Multiple Applications

An applicant should submit only one application form (and not more than one) for the total number of equity shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same.

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

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

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

Note:

- Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for equity shares.
- Applications by NRIs on non-repatriation basis can be made using the Form meant for Public out of the funds held in Non Resident (Ordinary) Account (NRO). The relevant bank certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.
- For further instructions, please read the Application Form carefully.

B. PAYMENT INSTRUCTIONS (FOR RESIDENT INVESTORS)

1. Payment may be made by way of cash or cheque/ demand draft (money/ postal orders will not be accepted) drawn on any Bank, including a co-operative Bank which is situated at and is a member or sub-member of

the Banker's clearing-house located at the place where the application form is submitted, i.e. at designated collection centers.

2. Outstation cheques/demand drafts drawn on Banks not participating in the clearing process will not be accepted.
3. All cheques/ demand drafts accompanying the Application Form should be marked as follows: Cheque/ bank draft must be made payable to the bankers to the issue and marked "A/c Four Soft- Public Issue" and crossed "A/C payee only". For e.g. "HDFC Bank – A/c Four Soft – Public Issue"
4. The applications shall be made only by way of cash/ cheque/ demand draft. However, if the amount payable on application is Rs. 20,000 or more, such payment must be effected only by way of an account payee cheque or Bank draft in terms of section 269SS of the Income-Tax Act, 1961. Otherwise the applications may be rejected and application money refunded without any interest.

Investors will not have facility of applying through stockinvest instrument in the issue as RBI has withdrawn the stockinvest scheme vide notification No.DBOD.NO.FSC.BC.42/24.47.001/2033-04 dated 5.11.2003.

PAYMENT INSTRUCTIONS (FOR NRIS/FIIS ON A REPATRIABLE BASIS)

Application made by NRIs

1. Application should be made only
 - i. in the names of individuals, societies and other corporate bodies owned predominantly (at least to the extent of 60%) by Non- Resident individuals of Indian nationality/ origin and NOT in the names of minors, firms, partnerships, Foreign Institutional Investors, foreign nationals or their nominees. Applications by societies must be accompanied by a certificate in the prescribed form OAC/ OAC-1 from an Overseas Auditor/ Chartered Accountant/ Certified Public Accountant.
 - ii. with remittances from abroad for the amount payable on application per share through approved banking channels or out of funds held in Non-Resident External (NRE) / Foreign Currency Non Resident (FCNR) accounts maintained with banks authorised to deal in foreign exchange in India, along with the certificate from the bank issuing the draft confirming that the draft has been issued by debit to NRE / FCNR account.
2. Applications for the NRI category can be obtained from the Registered Office of the Company.
3. The allotment of equity shares to NRIs shall be subject to RBI approval or any other requisite authority as may be necessary under the existing Exchange Control Regulation. The sale proceeds of such investment in equity shares by NRIs will be allowed to be repatriated along with the income thereon, subject to instructions from RBI then in force and subject to Indian Tax Laws, provided that the investments are made by inward remittance from abroad through approved banking channels or out of funds held in NRE / FCNR accounts maintained with a bank in India.
4. Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges / commission. In case of applicants who remit their application money from funds held in NRE / FCNR accounts, such payments shall be credited to their respective NRE / FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
5. Applications in this category cannot be made out of NRO accounts and such applications would be rejected. Applications out of NRO accounts can, however, be made in the category of Resident Indian public.
6. All cheques / bank drafts accompanying the Application Form must be made payable to the Bankers to the Issue with whom the Application Forms are lodged and be marked "Four Soft-Public Issue- NRI" and crossed "Account Payee only".

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

SUBMISSION OF COMPLETED APPLICATION FORMS:

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

Application Forms along with Bank Drafts payable at Hyderabad can also be sent by registered post with acknowledgement due to the Registrars to the issue, Karvy Consultants Ltd. so that the same can be received before the closure of the subscription list.

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

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

For further instructions, please read the application form carefully.

ACCEPTANCE OF APPLICATIONS

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

BASIS OF ALLOTMENT

In the event of public issue of equity shares being over-subscribed, the allotment will be on a proportionate basis subject to market lots as explained below:

1. A minimum 50% of the net Issue to the Indian public will be made available for allotment in favour of those individual investors who will apply for equity shares of or for a value not more than Rs. 50,000/-. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to the higher category and allotment made on a proportionate basis as per relevant SEBI Guidelines. The Executive Director/Managing Director of the Designated Stock Exchange along with the post issue Lead Manager and the Registrars to the issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the guidelines.
2. The balance of the Net Issue to Indian Public shall be made available to investors including corporate bodies/ institutions and individual applicants who have applied for allotment of equity shares of or for a value of not more than Rs. 50,000/-.
3. The Unsubscribed portion of the net issue to any of the categories specified in (1) or (2) shall be made available for allotment to applicants in the other category, if so required.
4. Applicants will be categorized according to the number of equity shares applied for.
5. The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.
6. Number of the shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e. total number of shares applied for by each applicant in that category multiplied by the inverse of the over subscription ratio.
7. All the applications where the proportionate allotment works out to less than 100 shares per applicant, the allotment shall be made as follows:
 - i. Each successful applicant shall be allotted a minimum of 100 securities; and
 - ii. The successful applicants out of the total applicants for that category shall be determined by drawal of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per (2) above.
8. If the proportionate allotment to an applicant works out to a number that is more than 100 but is not a multiple of 100 (which is the marketable lot), the number in excess of the multiple of 100 shall be rounded off to the higher multiple of 100 if that number is 50 or higher.
9. If that number is lower than 50, it shall be rounded off to the lower multiple of 100.
10. All applicants in such categories shall be allotted shares arrived at after such rounding off.

11. If the shares allocated on a proportionate basis to any category is more than the shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category.
12. The balance shares if any, remaining after such adjustment shall be added to the category comprising applicants applying for minimum number of shares.
13. As the process of rounding off to the nearer multiple of 100 may result in the actual allocation being higher than the shares offered, it may be necessary to allow a 10% margin i.e. the final allotment may be higher by 10 % of the net offer to public.

DESPATCH OF REFUND ORDERS

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

Equity Share in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Share of the Company can be held in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

Successful allottees in this issue will be mandatorily allotted Equity Shares in dematerialised form. In this context, two tripartite agreements have been signed between the company, the Registrar and the Depositories:

1. an agreement dated 16th October, 2003 between the Company, NSDL and Karvy Consultants Ltd. and
2. an agreement dated 24th November, 2003 between the Company, CDSL and Karvy Consultants Ltd.

All investors can seek allotment only in dematerialised mode. Applications without relevant details of his or her depository account are liable to be rejected.

1. An applicant applying for shares must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
2. The applicant must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) in the application form.
3. Equity Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP).
4. Names in the share application form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository.
5. Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to this Issue.
6. If incomplete/incorrect details are given under the heading 'Request for shares in electronic form' in the application form, it is liable to be rejected.
7. The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/ her Depository Participant.
8. It may be noted that Equity Shares in electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares of the Company are proposed to be listed are connected to NSDL and CDSL.
9. Trading in the Equity shares of the Company would be in dematerialised form only for all investors.

UNDERTAKING BY THE COMPANY:

Four Soft undertakes:

- a. that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- b. that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the equity shares are to be listed are taken within 7 working days of finalization of the basis of allotment;

- c. that the funds required for dispatch of refund orders/allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue by the Company;
- d. that the certificates of the equity shares/refund orders to non-resident Indian applicants shall be dispatched within specified time;
- e. that no further issue of equity shares shall be made till the equity shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

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

BENEFITS AVAILABLE UNDER THE INCOME TAX ACT AND OTHER LAWS TO THE COMPANY AND ITS SHAREHOLDERS, (INDIAN RESIDENTS, NRIS, FIIS, ETC.):

The company has been advised by A.G.S. Reddy & Co, Auditors of the Company vide their certificate dated August 5, 2003 that under the Income Tax Act, 1961 and other laws, the following tax benefits inter-alia will be available to the company and shareholders of the Company.

TO THE COMPANY

1. As per provisions of Sec-32 of the Income Tax Act, 1961, the Company is entitled to claim depreciation on tangible and specified intangible assets as explained in the said section and the relevant I.T. Rules there under.
2. As per the provisions of Sec-10A of the Income Tax Act, 1961, in respect of 90% of the profits and gains derived by the company from the export of Computer Software shall be exempted from the total income of the company, upto the Assessment year 2009-2010. However remaining 10% of Export Profits and profits in respect of Domestic turnover and other income are taxable as per Income-tax Act, 1961, in force.
3. The company may be liable to pay Income Tax on Book Profits arrived at under 115JB in respect of domestic turnover and other income only.
4. The Company is liable to pay Income Tax u/s 115 O (1) of the Income Tax Act, in respect of dividend declared, distributed or paid on or after 01-01-2003 @ 12.5% of Income tax and surcharge @ 2.5% of Income tax.

TO THE MEMBERS OF THE COMPANY

(I) BENEFITS UNDER THE INCOME-TAX ACT,1961:

1. As per the new sub-section (36) inserted in section 10, by the Finance Act, 2003, the whole of the long term capital gains arising from the transfer of 'eligible equity shares' acquired by the Assessee after 1st day of March 2003 but before 1st day of March 2004 and held for a period of 12 months or more shall be exempt from Income Tax. Therefore, investment made in this public issue will be eligible for this exemption if the shares are held for a period of not less than one year.
2. As per the new sub-section (34) inserted in section 10, by the Finance Act, 2003, all dividends referred to in section 115 O, distributed by the Company shall be exempt from tax in the hands of the recipient.

(II) BENEFITS UNDER THE WEALTH TAX ACT, 1957:

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

NOTES

In view of the individual nature of tax consequence, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

4. PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

1. To finance expansion of the company's existing facilities
2. To set up international marketing network and target acquisitions
3. To meet the product development expenses
4. To meet the expenses of the issue
5. To list the equity shares of the company on the Stock Exchanges

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

COST OF PROJECT AND MEANS OF FINANCE

The cost of the project and means of finance as per the appraisal report dated October 14, 2003 of, UTI Securities Ltd., a Category I Merchant Banker is as under:

Cost of Project

Particulars	Amount Rs. in lacs
Expansion of Facilities/Equipment	306.00
Product Development and R&D	479.00
International Marketing Set-up and Acquisition	2,470.00
IPO & Share Issue Expenses	135.00
TOTAL COST	3,390.00

Means of finance

Particulars	Amount Rs. in lacs
Private Equity/Venture Fund	
UTI Venture Funds	696.12
APIDC Venture Capital Fund	100.00
IPO - Equity Shares	1,987.50
Internal Accruals	606.38
TOTAL	3,390.00

Firm arrangements of finance through verifiable means towards 75% of the above stated means of finance, excluding the amount to be raised through proposed public issue have been made.

DEPLOYMENT OF FUNDS IN THE PROJECTS AS ON DECEMBER 31, 2003.

The company has already incurred an expenditure of Rs. 109.82 lacs towards the cost of project as on December 31, 2003. The fund deployment in the project and its means of finance as certified by Auditors of the Company M/s. A.G. S. Reddy & Co vide their letter dated January 8, 2004 is given below:

Expenditure	Rs. in lacs
Expansion of facilities at the new premises	48.56
Share issue expenses	34.92
IPO expenses	26.34
TOTAL	109.82

Means of finance	Rs. in lacs
Internal Accruals	109.82
TOTAL	109.82

PROPOSED DEPLOYMENT OF FUNDS IN THE PROJECT

The year wise break up of Proposed deployment of fund is mentioned hereunder:

Rs. in lacs

	FY2004			FY2005				Total
	Jul-Sep'03	Oct-Dec'03	Jan-Mar'04	April-Jun'04	July-Sep'04	Oct-Dec'04	Jan-Mar'05	
a. Expansion of Facilities/ Equipment	0	48.56	257.44	0	0	0	0	306.00
b. Product Development and R&D	0	0	75.00	79	100	125	100	479.00
c. International Marketing Network								
<i>Asia</i>	0	0	0	100	155	190	275	720.00
<i>Europe</i>	0	0	0	100	100	200	0	400.00
<i>USA</i>	0	0	0	175	200	150	225	750.00
Sub total (c)	0	0	0	375	455	540	500	1870.00
Acquisitions	0	0	0	300	300	0	0	600.00*
d. IPO Expenses / Share Issue Expenses	21.41	39.85	73.74	0	0	0	0	135.00
TOTAL (a+b+c+d)	21.41	88.41	406.18	754	855	665	600	3390.00

* form of investment in acquisition is not finalized.

The company has deployed the funds raised from equity placement (UTI Venture Funds and APIDC Venture Capital Fund) in Short Term Mutual Funds and Fixed Deposit with Banks.

Pending utilization the proceeds of the issue will be invested in Bank Deposits and/or Gilt Edged Government Securities, either directly or through Government Security based funds. In case of shortfall in the issue proceeds, there will be adequate internal cash accruals as a source to meet the project expenses.

APPRAISAL

The project appraisal has been carried out by UTI Securities Ltd. (Category I Merchant Banker) vide their Appraisal report dated October 14, 2003 for the purpose of the IPO of Four Soft Ltd.

5. DETAILS ABOUT THE COMPANY:

History of the Company

Four Soft Limited (FSL) was established, initially as Four Soft Private Ltd., in December, 1999 at Hyderabad in the State of Andhra Pradesh (India) by Mr. Palem Srikanth, with an objective to build the enterprise software/IT solutions in supply chain process management using advanced web technologies. FSL's unit at Hitec City, Hyderabad is registered as 100% Export Oriented Unit under Software Technology Park scheme of the Govt. of India. FSL was converted into a Public Limited Company in April 2003.

While focusing on the development of software products for Supply-Chain Process Management, FSL offers software development and consultancy services in the same field of Supply Chain Process Management in the global marketplace. It launched the first software product eSupply SP in 2001 and the product eSupply EP is under implementation and expected to go live in September, 2004. These products are web-centric enterprise applications for Supply Chain Process Management and are based on the J2EE technology.

In 2001, FSL has set-up a wholly owned subsidiary Four Soft LLC, San Francisco (USA), to support implementation of its products in the USA market. In 2002, FSL also has set up a Joint Venture company Four Soft International Inc., San Francisco (USA) to look after business development and marketing activities in the North American market. Currently, FSL has operations in Europe, Asia-Pacific and North America, and is in the process of setting up branch/marketing offices in these regions.

FSL presently employs over 140 personnel. Its operating revenue has grown from Rs 6.5 lacs in FY2000 to Rs 732 lacs in FY2003 and Rs1043 Lacs for ninemonths ended 31st December, 2003. FSL is a consistent profit and dividend paying company since inception. Its' net profit grew from (approx.) Rs2 lacs in FY2000 to Rs288 lacs in FY2003 and Rs.563 Lacs for nine months ended 31st December, 2003. As at 31/03/2003, networth of FSL is Rs 788 lacs and Rs.2157 Lacs as at 31st December, 2003.

Main Objects of the Company

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

1. To carry on the business of manufacture, assemble, develop, service, repair, maintain, buy, sell, hire, use, retain, lease, exchange, transport, import, export, design, research and deal in all kind of computer hardware and software for industrial, medical, Engineering, Scientific, Architectural, Legal, Financial, Hospitality, Logistics, Transportation supply chain management, E-commerce, Information Technology and allied services, business and non business application and devices and also to deal in instruments, equipments or things of a character similar and analogous to the foregoing, or any of them or connected therewith which may be usefully and conveniently combined with the business of the company.
2. To carry on the business of Consulting Engineers, designing and acquire the designing or technical know-how and take up projects on turnkey basis or otherwise in the field of Computer Science, Designing and Electronics and communications.
3. To carry on the business of Consultants in India or abroad and to render all kinds of services including technical and marketing in the field of Electronics, Communications, Computers and Information Technology and to open and maintain training centres in India or abroad.

Present Business of the Company.

FSL is in the business of product development and sale of web-centric Enterprise Wide Solutions for the supply chain services industry in the following categories:

- Enterprise Applications for Transportation Companies – Air / Sea / Truck
- Enterprise Applications for Logistics Service Providers
- Enterprise Applications for Supply-Chain intense organizations, in manufacturing, procurement and distribution.

PRODUCT TECHNOLOGY & ARCHITECTURE

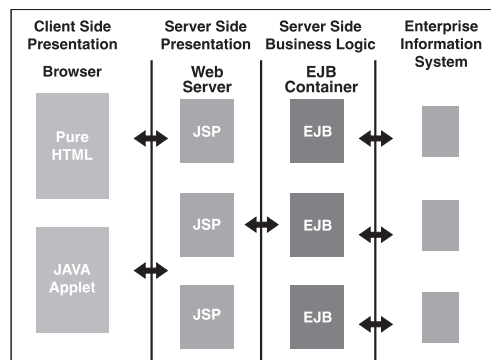
FSL has developed software application products eSupply SP and eSupply EP. These products have been developed using J2EE Technology Architecture. eSupply SP and eSupply EP are registered as Trademarks in European Union Countries, USA and India.

The eSupply application suites utilize leading edge technologies that support real-time, online, thin client applications based on the advanced web technology platform of J2EE. This provides clients with a scalable, flexible, and interoperable solution with high performance. Importantly, these technologies reduce implementation time, minimize total cost of ownership, and support rapid and simple customization and enhancement. All applications are 100% web-centric, and are built on J2EE specifications using HTML/ DHTML/CSS, Java Beans, Java Server Pages and servlets. Configuration and installation specific options are handled through XML and are stored in the database. The applications are developed for open platform and are not restricted to any Operating System, database, or hardware choices.

Currently supported environments include Windows NT/2000, Sun Solaris, IBM AIX, SCO Unix, and Linux operating platforms. Currently supported relational databases include Oracle 8i, MS SQL Server, and DB2. The applications work on all application servers, including BEA Weblogic, IBM Websphere, Oracle 9i, Sun iPlanet, and Pramati. As a thin client technology, user interfaces are exclusively through a web browser. The eSupply products have been performance tested by the National Software Testing Laboratory (NSTL) for 1,000 concurrent users.

Architecture: The eSupply applications have been designed on a three-tier architecture, rather than the traditional two-tier client-server architecture. Three-tier architecture allows greater flexibility, scalability and availability: This architecture substantially reduces implementation cost, as the solutions are platform independent and there is no additional software installation on user machine.

As both internal and external users will be accessing the same database through their web-browser, the data/time gap that has plagued many systems is eliminated.



Client side presentation: This is the layer that is visible to the user and the side from where the application is accessed. The client side uses pure HTML, CSS and Java Applet technologies. This allows the user to login from any machine using an Internet browser alone. There is no dependency on any physical machine, location, or local network to run the applications. This provides important flexibility to the supply chain industry, where the enterprise is spread over multiple locations, terminals, hubs and consolidation centers. More importantly, access granted to enterprise customers (provided through the CRM module) is also through a browser, enabling the customer to access the application regardless of their operating systems or hardware configuration.

Server side presentation and business logic: On the server side, the presentation logic and the business logic are in 2 separate compartments. The presentation logic is handled by the JSP, which deliver the information sought by the browser. A JSP decides the format and logic in which the data retrieved from the database is displayed. Any change the user would like to make to labels or arrangement of the format can be easily achieved by changing the JSP.

The business logic resides within the EJB container. The EJB handles the incoming data by processing it according to the business logic involved, and then by putting it into the correct tables in the database.

Enterprise information system: The database is the third tier. The eSupply applications are database independent. The three-tier design makes the database safe by ensuring that the user has no direct access to the database. This is a key feature of the three-tier architecture.

THE PRODUCT - FUNCTIONS & BENEFITS

Overall product functions and features of both eSupply SP and eSupply EP are as shown below:

	eSupply^{SP}	eSupply^{EP}
Logistics	3rd Party Provider Operating Functions <ul style="list-style-type: none"> ✓ Vendor Relationship Management ✓ Purchase Order Management ✓ Warehouse Management ✓ Customer Relationship Management ✓ Order Fulfillment and Customer Billing ✓ Sales Order Management ✓ Inventory Management ✓ Operational Reporting & Analysis ✓ Status tracking, visibility and reporting 	Enterprise Operating Functions <ul style="list-style-type: none"> ✓ Vendor Relationship Management ✓ Purchase Order Management ✓ Warehouse Management ✓ Customer Relationship Management ✓ Order Fulfillment and Customer Billing ✓ Sales Order Management ✓ Inventory Management ✓ Operational Reporting & Analysis ✓ Status tracking, visibility and reporting
	3rd Party Forwarder/Carrier Operating Functions <ul style="list-style-type: none"> ✓ Air, Ocean & Road Consolidation ✓ Carrier Contracts & Customer Rate Agreements ✓ Service & Route Management ✓ Shipment Documentation & Customer Billing ✓ Status tracking visibility & reporting ✓ Operational Reporting & Analysis 	Transportation Planning & Management Functions <ul style="list-style-type: none"> ✓ 3pl Contracts & Service Agreements ✓ Shipment Planning & Consolidation ✓ Rate, Route, Service Selection & Tender ✓ Transportation Relationship Management ✓ Updating routing & transit information through POD ✓ Posting 3pl billing invoices
Accounting	3rd Party Forwarder/Carrier Financial Functions <ul style="list-style-type: none"> ✓ AP/AR on buy & sell of transportation services ✓ Fixed Asset Management ✓ Operating Cost & Revenue Reporting & Analysis ✓ Consolidated Balance Sheets & Financial Statements ✓ Financial Analysis and Reporting 	Enterprise Accounting & Financial Functions <ul style="list-style-type: none"> ✓ AP/AR on buy & sell material and products ✓ Fixed Asset Management ✓ Operating Cost & Revenue Reporting & Analysis ✓ Consolidated Balance Sheets & Financial Statements ✓ Financial Analysis and Reporting

eSupply SP

eSupply SP is an enterprise application designed to provide the core operating and informational needs for companies providing 3rd Party Logistics (3PL) services to the supply chain - order processing, warehousing & distribution from multiple locations, and management of multi-modal transportation services. The enterprise application suite contains three fully integrated components:

1. e-Log
2. e-Trans
3. e-Accounts

These components can work together or on their own, while enabling supply chain trading partner collaboration to enhance customer service and satisfaction. This web centric enterprise system provides an integrated suite of business functions within a single operating platform:

FSL eSupply SP offers the twin suite of end-to-end supply chain solution for Freight Forwarders and 3PL businesses. It is the perfect web/Internet based execution software solution developed on latest technology, J2EE, to deliver the synergy and visibility at shipment level and part level across the entire supply chain for service providers.

It can also be deployed independently as 4S e-Log for the logistics & e-Trans for the freight management. It is well synchronized to give visibility over the entire supply chain. The supporting module e-Accounts is also integrated with operations, which can be used to show income and expense in the business.

4S e-Trans

4S e-Trans meets all the information requirements of freight service providers in moving their customer's shipments across various geographical locations. It is a complete B2B enterprise application (ERP) and handles all operational, customer relations, financial, marketing and sales information needs of Air, Ocean and Surface Transportation. The route plan for a shipment can be done in advance through Air/Sea/Truck modes. The shippers/consignees can use CRM for raising SLI/PRQ and later the shipment can be tracked on real time basis. Account payables is readily available for a customer at any give point of time through CRM. The future plan for this product will be much on automation and efficient optimization.

4S e-Log

4S e-Log meets all the information requirements of third party logistics. It gives the drill down information till part level. This contains purchase order management system, required for raising purchase order to vendors. It has got the detailed Warehouse management system, which takes care of receiving the goods in the warehouse, bar coding and their allocation to various locations in the most efficient way. Sales order management system is used for raising sales order by customer through CRM. The filtering of the goods can be done on basis of preferred locations, expiry date, FIFO etc. Inventory management system is mainly responsible for cycle count, internal stock transfer and external stock transfer. Billing order management system takes care of the billing to the warehouse customer and Accounts with supporting module updates the balance sheet automatically

4S e-accounts

4S e-accounts is an integrated accounting and finance module which has got all value added features such as Consolidation of all financial reports at a every level of hierarchy of the Company. It adds value in terms of global inter and intra company settlements on one single application. It is tailor made financial package for transportation and logistics businesses apart from its regular accounting and finance features.

Product Features of eSupply SP

Logistics and Inventory Management (IM) - Management of 3PL customer's physical product and inventory flows from negotiation of purchase agreements with vendors through to order fulfillment and delivery to the ultimate consignee. Unlike most logistics and inventory management systems, when it is time to transport the product, the process simply continues through the transport management process within the enterprise suite.

Transportation Management (TM) - Management of business process which includes all modes of transport in one operating system - air, ocean, and surface freight from the receipt of a request from a vendor or shipper, through the complete transportation process, until final delivery to the consignee.

Customer and Vendor Relationship Management (CRM & VRM) - Exchange of critical information between the 3PL's customers and suppliers efficiently through the Internet.

Accounting and Financial Solution- Underlying both the logistics and transportation management process is an integrated accounting system that automatically captures financial information as a byproduct of the normal business operations.

Benefits

eSupply SP provides a 3PL with significant business benefits while unlocking the value of logistics services and information.

Common system and database to manage 3PL operating network – The products provides a single source of information for business process management viz. processing shipments, managing inventory, provide status information, or billing customers for services rendered. This optimized business process allows 3PL to improve customer service, and reduce cost because there is a common system and centralized repository to hold all operating information.

Breadth of functionality in one operating platform - Manage multi-mode transportation, consolidation, purchase orders, inventory, order fulfillment, distribution, accounting, and other value added logistics services in one operating platform.

Increased scope of service and opportunity – The product provides scope for expansion of 3PL current service offering beyond freight, logistics, and materials management without further investing in additional technology.

Supply chain collaboration - Provide 2PLs customers and suppliers with collaborative access to information and the ability to share required information through the Internet to improve accuracy and accessibility of information about orders, inventory, shipments, and product availability.

eSupply EP

eSupply EP is being designed as a world class business application and as an efficient solution for managing supply chain activities in the distribution network, whether company owned or outsourced to third parties. It enables step-by-step implementation and can be adapted, as needs change. Its open architecture makes it easy to integrate with other systems and capably extend ERP into supply chain execution.

While eSupply SP is aimed at the 3rd party logistic service providers, eSupply EP is aimed at organisations particularly those having high supply chain activities.

eSupply EP ideally suited for the demanding needs of dedicated distribution and trading businesses with a requirement for supply chain support as part of their business process. eSupply EP links various parts of the supply chain by providing a real time web centric application built on the advanced web technology platform of J2EE. Its open architecture makes it easy to scale up to the growing requirements and to integrate to other systems, internally and externally. The application is modular in structure and empowers on-line real time interaction between the enterprise and its customers.

Linking supply chain plans with logistics operations, **eSupply-EP** tracks goods in real-time as they are received, stored and shipped. It empowers customers to make informed decisions that maximize customer service, inventory accuracy and worker productivity. It provides complete support for advanced warehouse management methods, in addition to important features like bar coded labeling and lot or expiration date control. The product is easily customizable across all the industries.

The product contains Purchase Order Management System (POMS), Sales Order Management System (SOMS), Warehouse Management System (WMS) and Transportation Management System (TMS). It includes modules for other players in the supply chain such as CRM, VRM, and TRM, besides a complete Financial System and Sales Administration Module.

In the current version, this product contains 130 EJBs and 1,200 JSPs. The first version of eSupply EP was released in May 2002. Further development and implementation at the first customer site are in progress for this product.

BENEFITS

Sophisticated, web-centric technologies – the product enables a business enterprise to automate and optimize the flow of information beyond internal systems, transact the operating events to execute the supply chain, and enable all of the supply chain participants to exchange information with the enterprise through a highly secure collaborative platform.

Infrastructure to pursue growth opportunities - Because of high automation of the supply chain processes, the enterprise can focus more on increasing service to customers, while lowering the cost of your products to achieve greater profitability or competitiveness in the industry.

Leveraged information technology investments - The ability to integrate with other systems and to deploy the product at any location without infrastructure investment is a key benefit of the product's web-centric solutions.

- 1) Complete visibility of inventory right from external Vendors, supplying Raw Material, till the goods reach its end customer through the wholesalers.
- 2) Low cost system with User-friendly interface with high Return On Investment.
- 3) Easy global scalability with minimal infrastructure.
- 4) Proven and consistent underlying technical architecture to drive the business and Intelligence in the system provides automation of the internal warehouse process
- 5) Complete inbuilt finance/accounting module tracking their inventory costs automatically with minimal manual intervention and minimum scope for error, with luxury of consolidation of all facilities in tracking P&L or Balance Sheet.

- 6) A move towards a completely paperless distribution network once all the processes fall in place.
- 7) Enhanced image as a Distribution Network committed to customer service and thus an increased end customer adoption rates.
- 8) Consolidated inventory Track & Trace with direct reduction in blocked Inventory.

SERVICES

Besides delivering its integrated software products, to complement its software solutions FSL also offers consulting, customization, implementation and training services in the following areas:

- Business Process Consulting Services.
- Application Engineering and Customization Services.
- Implementation Services.
- Post Implementation Support.
- Enterprise Application Integration Services

SUBSIDIARIES OF THE COMPANY:

FOUR SOFT LLC, USA

FSL set up a wholly owned subsidiary Four Soft LLC, San Francisco, USA in September 2001 to support implementation of FSL products in the regions. The present investment of FSL in Four Soft LLC towards the equity capital is USD 15,000 (equivalent to Rs. 7.28 lacs). Net worth as at 31 March, 2003 is estimated at US\$ 125,300. For the year ended 31 March, 2003, Four Soft LLC recorded an estimated revenue and operating profit of US\$ 0.23mn and US\$ 0.08mn respectively. The subsidiary currently employs 6 technical personnel.

(Rs. in Lacs)

Year Ended March 31,	2003	2002
Total Income	106.23	17.14
Profit After Tax	37.25	8.68
Share Capital	7.28	—
Reserves & Surplus	45.75	8.68

There no pending litigation, defaults, etc against this Company , promoters and its directors .

OTHER GROUP COMPANIES/VENTURES OF PROMOTERS

FOUR SOFT INTERNATIONAL INC., USA

Established in April 2002, Four Soft International Inc. (FSI), San Francisco, USA, is a joint venture between FSL and Gary Friedman and Associates. FSL holds 25% stake in FSI with an investment worth US\$ 1,58,750 (equivalent to Rs. 76.99 lacs) towards non-exclusive marketing rights of FSL products in the North American Region. During the year ended 31 December, 2002, FSI achieved total income of US\$ 0.28mn and an operating loss of US\$ 0.58mn. FSI is a channel partner of FSL for both marketing and implementation of FSL products only in the USA. As per the JV Agreement, revenue from sales of FSL products by FSI is shared on 50:50 basis. FSL has the option to acquire 100% equity of FSI through buyback.

FSI undertakes business process engineering and implementation services along with the marketing of FSL products and services in the USA. FSI is currently managed by the JV partners and the professionals having experience in transportation operations, logistics management, finance, and information technology.

Shareholding Pattern:

Name of the Shareholder	% Holding
Four Soft Limited	25
Gary Friedman & his Associates	75

Financial Highlights:

The audited financial highlights for the company is as below:

(Rs. Lacs)

Year Ended December 31,	2002
Total Income	128.80
Profit After Tax	(267.50)
Share Capital	334.21
Reserves & Surplus	(276.19)

There no pending litigation, defaults, etc against this Company , promoters and its directors except the following:

Gary Friedman and Associates, the joint venture partner in Four Soft International Inc., USA (FSI), has sent a legal notice to Mr. Palem Srikanth Reddy, the promoter of the company on January 22, 2004 to either 1. Buy a significant ownership stake in Four Soft International by Four Soft Ltd. as well as immediate financial support for ongoing operations or 2. Immediate buy-out, dollar for dollar of the investors of the Company (including debtors). The company depends on Four Soft International for marketing its products in international markets. Any deterioration in the relationship with the Joint Venture partners will impact the overseas marketing of the company and adversely affects its future business through FSI.

PALEM HOLDING PVT. LTD.

Palem Holding Pvt. Ltd. is an investment company promoted by Mr. Palem Srikanth Reddy holding 92% of the equity capital. The company was incorporated on November 02, 1994, having its registered office at Hyderabad and is engaged in investment in other listed/unlisted companies.

Financial Highlights:

The audited financial highlights for the last 3 years is given below:

(Rs. Lacs)

Year Ended March 31,	2003	2002	2001
Total Income	3.87	110.73	0.12
Profit After Tax	(0.23)	86.00	(3.26)
Share Capital	11.08	11.08	11.08
Reserves & Surplus	91.67	91.95	5.95

(Rs. Lacs)

Particulars	FY2003	FY2002
Total income	3.87	110.73
PBT	-0.23	107.46
Investments	114.75	114.75
FDs	40.00	100.00
Unlisted/MFs	74.75	14.75
Net worth	125.27	125.28

Being an investment company, revenue is derived mostly from the profit from sale of shares, dividend, interest income etc.

No business of Four Soft Ltd. is being done/will be done through Palem Holdings Pvt. Ltd.

There no pending litigation, defaults, etc against this Company, promoters and its directors .

Related Party Transactions (Sales by FSL) during last 3 years.**(Rs. Lacs)**

	2002	2003	31-12-03
Four Soft LLC	17.14	106.23	97.16
Four Soft International Inc.	Nil	165.66	60.79

6. THE PROMOTERS & THEIR BACKGROUND

Mr. Palem Srikanth Reddy, 40 years, is the **main promoter** and Managing Director of FSL. He is the overall in-charge of day-to-day activities of the company. He has an MS (Industrial Engineering & Engineering Management) from Stanford University, USA, and BE (Industrial Engineering) from REC Trichy, India. He has a combined 15 years of work experience in supply-chain management, logistics and IT, in companies including Hewlett Packard (5 years) and Emery World Wide (5 years). Srikanth was the local Joint Venture Partner and Co-founder of Emery Worldwide India Private Limited (EWWIPL). He was the Managing Director of EWWIPL till 2002. EWWIPL is a transportation / logistics services company with well-established operations in 7 cities in India.

EWWIPL has established itself and created visibility in a short span of time. EWWIPL has generated a business worth over Rs 100 crores during the last Financial year. The US partner has bought 10% of the equity investment of the Palem Holdings Pvt. Ltd., a holding company promoted by Mr. Srikanth at a price more than 9 times of original investment in just 5 years time. Mr. Srikanth has no business interest in EWWIPL nor is he involved in the day to day operations or affairs of EWWIPL, however, he continues to hold a 10% stake in EWWIPL.

From 1989 till 1995, he was employed at the Asia Pacific distribution operation of Hewlett Packard in Singapore. Srikanth's success, understanding and exposure to international transportation, logistics and distribution businesses enabled him to have the wide ranging contacts and reach among the global transportation industry.



Mr. Palem Srikanth Reddy	
Voter ID Number	N.A.
Driving License Number	520004/03

We confirm that Permanent Account No., Bank Account No. and Passport No. of the promoter have been submitted to NSE & BSE at the time of filing the prospectus with them.

7. KEY MANAGERIAL PERSONNEL

The Managing Director is assisted in his day-to-day responsibilities by a team of professionals.

Sr. No.	Name	Designation	Qualification	Exp. (Yrs.)	Functional Responsibility
1	Sashi Sekhar Paramanik	Vice-President, Product Development & Technology	B. Tech, IIT Chennai P.G. D.B.M, IIM Ahmedabad	18	Product and Technology Advancement Design, Quality Certification
2	Ramachandran Ganesan	General Manager, Asia Pacific	B. Tech, PGDBM, IIM	13	International Marketing – Asia Pacific
3	T.R.Shivarama Krishna	General Manger, India & West Asia	B. Tech MBA (Fin.)	18	Marketing India and West Asia
4	Biju S. Nair	General Manager– Finance & Administration	C.A	12	Finance & Administration
5	B. Rama Kumar	Sr. Specialist Technology	M. Sc.	8	Technology R & D
6	David Ajay Prakash	Assistant Manager – Customer Support	B. Tech	7	Customer Support & Implementation
7	B.Srinivas Rao	Assistant Manager Development EP	B.E	8	Product Development Design esupply EP
8	R.S.R Krishna	Sr. Specialist – Design	B. Tech, M. Tech IIT Mumbai	3	Product Development & Design

The brief profile of the key personnel are given below:

Mr. Sashi Sekhar Paramanik, Vice-President, Product Development & Technology

Mr. Sashi joined FSL in 2003. He brings with him 18 years of IT experience equally divided in software development and project management areas. He served as Project Manager for global database and middleware projects with Satyam, India. His IT project experience includes Sybase DBA at Merrill Lynch and Pacific Exchange, USA and Nalco. Starting his IT

career with CMC, he has an experience in handling complex and distributed applications of large Indian and global corporates in manufacturing and financial service sectors. He is a B.Tech. from IIT Chennai and a postgraduate in management from IIM, Ahmedabad.

Mr. Ramachandran Ganesan, General Manager, Asia Pacific

Mr. Ganesan is an experienced supply chain executive and is responsible for business development in the Asia Pacific region. He has over 13 years of experience in supply chain and distribution management. Before joining FSL he worked for General Motors India Ltd., Stumpp, Schuele & Somappa Ltd., Maruti Suzuki and others. He holds an engineering degree and a management diploma from India.

Mr. T. R Shivarama Krishna, General Manager – Marketing West Asia Division

Mr. Sivaramakrishnan joined FSL in June 2003. He has an experience of 18 years in various industries including 4 years of experience in transportation and freight forwarding industry and 14 years in petroleum industry. He served in Chennai Petrochemicals for 14 years and 4 years in Emery Worldwide India Pvt. Ltd. as Regional Manager-South India. He holds a B. Tech (Electrical) from IIT, Chennai, and a MBA in Finance.

Mr. Biju S. Nair, General Manager-Finance & Administration

Mr. Biju is a Chartered Accountant with over 12 years of experience in corporate finance and administration. Before joining FSL, he worked as Deputy Manager of Accounts for Emery Worldwide (India) and at various capacities in corporate finance with international logistics and export companies.

Mr. B. Rama Kumar, Sr. Specialist Technology

Mr. Rama Kumar is a Technology and R&D Consultant with more than 7 years of experience in Design, Development and Team lead experience relating to J2EE Technologies. Before joining FSL, Mr. Ram worked for Suchan InfoTech Ltd as Software Engineer. He holds a degree in Master of Science in India.

Mr. David Ajay Prakash, Assistant Manager – Customer Support

Mr. David has experience of 8 Years in designing, programming, and testing. Before joining FSL, he worked for IBM-UK, Global Freight Exchange-UK, Clayagency-US, and other companies in information technology. He holds a Bachelor of Technology in Mechanical Engineering.

Mr. B. Srinivas Rao, Assistant Manager – Development EP

B. Srinivas Rao has more than 13 years of IT experience in design and development. Before joining FSL he worked as project leader at Indotronics Computers Pvt Ltd for 3 years. He also has 7 years of teaching experience in Andhra Polytechnic in India. He holds a Bachelor’s Degree in Electronics and Communication Engineering.

Mr. R. S. R. Krishna, Sr. Specialist – Design - Mr. Krishna is Project Leader with more than 2 years of experience in programming, design and testing. He has a dual degree in Chemical Engineering from IIT, Mumbai in India.

The total organization size of FSL is more than 140 people .The Company has concrete and aggressive recruitment plans and staff strength is expected to increase to 200 people by March 2004. The product development and support center in India has over 100 people with expertise in J2EE technology and vertical knowledge of supply-chain process management and logistics. FSL has also positioned several functional and technical consultants, on long-term on-site contracts on customer locations in various countries - 2 in Far East, 6 in USA and 2 in London.

The average employee turnover ratio of the Company has been 8% and 25% in 2002 and 2003, respectively and 19% for nine months ended December 31, 2003. The attrition ratios have been negatively affected due to highly competitive skilled labour market.

All the above officials are on the rolls of the company as permanent employees.

Changes in the key senior managerial personnel during the last three years.

Following are the changes in the key managerial personnel during the last three years.

Name	Date of appointment	Designation	Date of cessation	Reason
Mr. Sashi Sekhar Paramanik	03.03.2003	V.P Product & Technology	—	Appointment
Mr. T.R.Shivaramakrishna	14.06.2003	G.M Marketing (West Asia & India)	—	Appointment
Mr. R.Ganesan	03.11.2000	G.M Marketing (Asia-Pacific)	—	Appointment
Mr. Sujith Verma	—	Product Manager	23.07.2002	Resigned
Mr. Ram Prasad	—	Manager – IT Operations	15.05.2003	Resigned

BOARD OF DIRECTORS

The company is managed by a Board of Directors comprising of qualified and experienced professional in the supply chain and logistics industry.

Name, Address , Age and Occupation	Other Directorships
<p>Mr. Palem Srikanth Reddy Managing Director H. No. 180, Road No. 7C, Jubilee Hills, Hyderabad – 500 033. 40 Years Business</p>	<p>Palem Holdings Pvt. Ltd. Surfgold India Pvt Ltd. T.L. Infotech Ltd. Four Soft International Inc. Four Soft LLC</p>
<p>Mr. Koh Boon Hwee Director 27 Queen Astrid Park, Singapore-266 832 53 years Business</p>	<p>Singapore Airlines Ltd. Innovalues Precision Ltd. MediaRing Ltd. Norelco Centreline Hodlings Ltd. SIA Engineering Company Ltd. Agilent Technologies Inc Broad Vision Inclntelsat Ltd. Centre for Effective Leadership (Aisa) Pte Ltd. Delteq Pte Ltd. Infiniti Solutions Pte Ltd. Intertainer (Asia) Pte Ltd. Temasek Holdings Pte Ltd. Tech Group Singapore Ind. Pte Ltd. Chateray Ltd. First Spring Ltd. Sinohome.com Wuthelam Holdings Ltd.</p>
<p>Mr. David Ian Beatson Director 1180, Barriolhet Drive, Hillsborough, Ca- 94010, USA. 56 years Business</p>	<p>Panalpina Inc PFS Web Inc. Active Aero Inc.</p>
<p>Mr. Douglas Terence Ash Director Cheery Croft, Kingwood Common, Henley-On-Thames, Oxon RG 9 5 NA, England 56 years Business</p>	<p>Global Freight Exchange Ltd Direct Wines Ltd. Henley Rugby Club Ltd. Fastrack Group LLC</p>
<p>Mr. Suresh C Rajpal Director 10A, Green park Main, New Delhi –110 016 60 Years Business</p>	<p>Technova India Pvt. Ltd. EOffice Planet Purolator India Virtual Soft</p>
<p>Mr. Walter J. Sousa Jr. Director Director 181, Austin Avenue Atherton CA – 94027 USA. 60 Years Business</p>	<p>Mediarng Ltd, Singapore Docutek Information Systems Inc., USA Fine Line Limited Inc., USA.</p>
<p>Mrs. P. Mangamma Director H No 222, Road No 10, Banjara Hills, Hyderabad- 500 034 71 years Housewife</p>	<p>Palem Holdings Pvt. Ltd.</p>

Profile of the Directors of the Company is given below:

Mr. Koh Boon Hwee, Director

Mr. Koh Boon Hwee is the Chairman of Singapore Airlines Limited. The Singapore Airlines (SIA) Group is one of the world's foremost commercial aviation companies, with operations in air travel, cargo transportation, catering, baggage handling and aircraft engineering. He is also the current Chairman of Omni Industries Ltd. and Chairman of the Council of Nanyang Technological University.

He was previously the Chairman of Singapore Telecom Group and its predecessor organizations (1986-2001). He also acted as Chairman of Internet Technology Group Ltd. (2000-2001), Executive Chairman of the Wuthelam Group (1991-2000), Managing Director of Hewlett Packard, Singapore (1985-1990) where he started his career in 1977.

Mr. Boon Hwee received his Bachelor's Degree (First Class Honours) in Mechanical Engineering from the Imperial College of Science and Technology, University of London and his MBA (Distinction) from the Harvard Business School, USA.

David Ian Beatson, Director

Mr. David I. Beatson is the professional consultant and known figure in the transportation and logistics industry. He acted at various levels of responsibility including the Chairman, President and Chief Executive Officer of Circle International Group. Circle International Group is a global transportation and logistics company with over \$900 million in annual revenue and more than 4,600 employees located across the world.

Prior to joining Circle International Group, he was the President and Chief Executive Officer of US-based logistics integrator Emery Worldwide. In 1991, he joined Emery Worldwide as Vice President of sales and marketing. His achievements at Emery Worldwide include a successful turn around of the loss making company to record profits in the company's 51 years of history. As the CEO, he led the company's revenue growth from USD1.6 billion in 1994 to USD2.3 billion in 1997.

He also holds several positions including the air cargo industry's representative member in Executive Advisory Committee of the National Industrial Transportation League, board member of the Council of Logistics Management, member of Board of Directors of several public and private corporations including PFS Web and Intresys.

Mr. Beatson graduated from the Ohio State University with a bachelor's degree in Marketing and Finance. He subsequently earned his Master's in Business Administration from the University of Cincinnati.

Mr. Douglas Terence Ash, Director

Mr. Douglas Terence Ash is the Chairman of Global Freight Exchange (GF-X). GF-X is engaged in development of a neutral trading platform for airfreight carriers and freight forwarders. From 1974 to 1982, he was at Norcros (an industrial holding company), where he worked as Chief Executive of its International Division and subsequently its Consumer Division. From 1982 to 1985 he was Vice President for Northern Europe at Singer. In 1985 Mr. Douglas became Chief Executive of European Home Products (EHP), the management buy-in vehicle for Singer's European operations. The company was floated in 1986 and subsequently renamed Scholl Plc. Mr. Douglas left EHP and joined Ocean Group (now Exel Group) in 1990 as Chief Executive of MSAS, the global freight forwarder. A year before co-founding GF-X, he served as Chief Executive of English (First Division) Rugby Football.

Mr. Douglas is also Deputy Chairman of Direct Wines Ltd., the world's largest home delivery wine business with revenues of over £150 million. He has an MBA from Harvard Business School and a BA in Industrial Economics from Nottingham University.

Mr. Suresh Rajpal, Director

Mr Suresh Rajpal has experience of over 29 years at various positions in HP in the US, Canada, Asia and Latin America. He is currently the CEO of Technova Global. He was the President & CEO of Trigyn Technologies Limited.

Mr. Suresh is also a recipient of the "Entrepreneur of the Year Award, 2000" for India by Ernst & Young, the US Ambassador's Award for strengthening the relationship with the U.S. as President of the American Business Council. Mr. Suresh also served on the board of various companies like Emery Worldwide, Multiple Zones, eOfficePlanet.com, Cosmo Ferrites Limited, eWomp, Electronic Tender.com and Healthwide.com.

He graduated in Engineering from Indian Institute of Technology and also obtained an MBA from Canada, and is currently based in India.

Mr. Walter Sousa, Director

Mr. Walter Sousa currently serves as Executive Chairman of the Board of Mediating Ltd, a VOIP telephony company listed on the main board in Singapore and as Chairman of privately owned Docutek Information Systems Inc., an Internet software company specializing in the development of products and services for the educational market.

Previously, Mr. Sousa was the Managing Director of GE Asia Pacific Capital Technology Fund, a venture fund sponsored by GE Capital, Asia Pacific Capital, and Acer Inc. Mr. Sousa was a founding partner of Asia Pacific Capital.

Prior to his venture investing activities, Mr. Sousa held the position of Chairman and Chief Executive Officer of AT&T Asia Pacific. He was a member of AT&T's Global Operations Committee and led the transition in the region to the three new companies, AT&T, Lucent, and NCR. Before joining AT&T, Mr. Walter Sousa held the position of Chief Operating Officer of Astec (BSR) Plc, a London stock exchange listed company with headquarters in Hong Kong. Astec is the world's leading manufacturer of switching power supplies. Mr. Sousa began his career at Hewlett Packard and over a twenty-years period held numerous management positions including President of Hewlett Packard Asia.

A BSEE graduate of Santa Clara University, he also earned a Master's degree from an American university.

Mrs. P. Mangamma, Director

Mrs. Palem Mangamma, director of Four Soft Ltd. is also a Director in Palem Holdings Pvt. Ltd

None of the directors are under service contract except Mr. P.Srikanth Reddy, who have service contracts for a period of three years. Key Managerial persons are under service contract, and as per which, they should not for a period of two years, enter the same business or activity described as development of enterprise applications for Logistics, Transportation and Supply Chain Process Management. There are no benefits payable on termination to them as per the contract.

Term of office of Directors:

Mr. P.Srikanth Reddy - Managing Director of the Company was appointed as per EGM resolution dated 18/07/2003.

Shareholding of Directors and Key Management Personnel

Directors

Name	No. of shares
Mr. P. Srikanth Reddy	8,505,380
Mr. Koh Boon Hwee	140,000
Mr. David Ian Beatson	210,000
Mr. Douglas Terence Ash	210,000
Mr. Walter J. Sousa Jr.	80,000
Mr. Suresh C. Rajpal	350,000
Ms. P. Mangamma	14,280

Key Managerial Person (Sweat Equity Shares)

Name	No. of shares
Mr. Sashi Sekhar Paramanik	8,400
Mr. Biju S. Nair	33,600
Mr. R. Ganesan	19,600

CORPORATE GOVERNANCE

The SEBI Guidelines in respect of Corporate Governance shall be applicable to the Company immediately upon listing of its shares on the various Stock Exchanges. The Company undertakes that it shall take the necessary steps to comply with all the requirements of the guidelines on Corporate Governance as would be applicable to it upon listing of its shares. In this regard, the Company has already set up an Audit Committee and other committees as per the requirements of the revised guidelines.

1. Audit Committee

The terms of reference of audit committee comply with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The audit committee consists of three independent directors.

1. Mr. Walter Joseph Sousa Jr.
2. Mr. Douglas Terence Ash
3. Mr. Suresh C. Rajpal

The audit committee monitors and provides effective supervision of financial reporting with the view of timely and proper disclosures to maintain transparency.

2. Remuneration Committee

The present remuneration committee consists of three independent directors

1. Mr. Suresh C. Rajpal
2. Mr. Walter J. Sousa Jr.
3. Mr. David Ian Beatson

The committee performs the functions of remuneration committee as recommended in the listing agreement to be entered into with the Stock Exchanges. It will determine the company's remuneration policy for all directors, including their salary, benefits, bonus, stock options, pension etc.

The company will form the necessary board committees before listing of its shares on the Stock Exchanges.

8. BRIEF DETAILS ABOUT THE PROJECT

FSL presently has two products, eSupply SP and eSupply EP, for logistic and supply chain management. These products are web centric and are based on J2EE technology, the latest available technology. FSL has completed the initial development of these products. eSupply SP is presently Execution Application stage of the product development process. The next stages in the product development process are Intelligence & Automation and Optimisation. These stages of the product add high value. Besides, meeting the demands of the international corporate customers require continuous R&D and product performance improvements, for both eSupply SP and eSupply EP.

The present operations of the company are located at Hitech City, Hyderabad on 7862 sq.ft office space, on lease. Hitech City is a state-of-the-art Information Technology Park, set up under Software Technology Parks of India Scheme (STPI) of the Govt. of India, located in Madhapur District, on the outskirts of Hyderabad, Andhra Pradesh.

Cyber Tower provides important amenities and facilities for software product development companies like FSL. Some of these amenities and facilities available in Cyber Towers are summarised below:

Electrical Systems

- Dedicated 33/11 KV, 7500 KVA Electric Station
- 3750 KVA DG plant for back up
- Maintenance Free Batteries Back-up for emergency lighting, redundant feed for critical loads and high speed lifts.

Communication Systems

- 1000 Line ISDN Telephone Exchange
- High Speed Data Links from STPI
- Internet Services
- 2MBPS Radio Link
- Backbone Structured Cabling with ready to plug-in and exchange lines.

Building Automation and Mechanical Systems

- Online Security Access control system using Magnetic Locks and Proximity Card Readers
- Centralised Air Conditioning System
- Fire Protection and Water Supply Systems

EXPANSION OF FACILITIES / EQUIPMENT

Break-up of the cost estimates for expansion of office facilities and purchase of computers and equipment are given below.

Expansion of Facilities/Equipment	in Rs. lacs
Office Space	176
Furniture & Interior Design	20
Computers, Software and Equipment	110
Total	306

Office Space (Rs. 176 Lacs)

FSL is currently housed in 7,862 sq.ft office space at Module A2 (3,554 sq.ft) and Module A3 (4,308 sq.ft.) modules on 5th Floor of Cyber Tower of Hitech City, Madhapur Village, Andhra Pradesh. The office space has been obtained under deferred leased as per the Agreement dated 25th February 2000 for Module A3 and the Agreement dated 8th November

2002 for Module A2, entered into by FSL with L&T Infocity Limited. L&T Infocity Ltd., a joint venture company between Larsen & Toubro Ltd. and Andhra Pradesh Industrial Infrastructure Corporation Ltd., formed primarily to set-up and maintain Software Technology Park in Madhapur Village of Andhra Pradesh.

As per the above agreements, FSL has an option to purchase the above modules A2 and A3 by paying one-time the balance monthly amounts. FSL now intends to exercise the option to complete the purchase transactions of module A3. Cost of purchase of module A3 assuming monthly payments made upto October 2003 works out to Rs 130 lacs for A3.

FSL also plans to take on lease approximately 5,700 sq.ft of additional office space at Cyber Tower, to enhance the workspace capacity for additional 100 people. FSL is yet to start the process of acquiring the space. However, based on discussions with L&T Infocity Ltd., FSL is confident of the availability of required office space, within a period of 30 days after formalising the sale agreement. Cost of acquisition of the additional 5,700 sq.ft has been estimated to be Rs. 46 lacs; being the initial payment equivalent to 6 months rental payments, necessary deposits for electricity and others. The above estimate is based on the assumption of Rs. 39 per sq.ft rent per month approx.

Furniture & Interior Design (Rs. 20 lacs)

Office furniture and interior design have been estimated entirely for the new office space of 5,700 sq.ft. Office furniture will be of easy-to-install 4 & 6-seater modular design, which is available locally. Based on the past experience, estimated cost for furniture is Rs.18 lacs for 100 stations/desks and for interior furnishing (including carpeting) is Rs. 2 lacs. Cost per workstation works out to Rs. 20,000, whereas total estimated cost for furniture and interior design works out to Rs.20 lacs. The new office space will be acquired in March 2004 and fixing of furnitures & the interior furnishing are expected to be completed by April 2004.

Computer Software And Equipments (Rs. 110 lacs)

FSL has estimated for purchase of desktops, laptops, servers, an UPS etc. along with necessary software licenses, networking equipment and software utilities. In addition to new machines/equipment and related software, FSL would also be purchasing 50 MS Office licenses for its existing PCs. Specification and cost estimation of computer hardware, software and equipment have been made in-house as FSL has sufficient in-house expertise and experience. Estimated costs based on quotations obtained from vendors work out to Rs.110 lacs approximately.

The required Computers, Software and Equipment are available locally. The details are as under:

Rs. in lacs

S. No.	Item	Qty.	Total cost INR	Placement date of order	Date of delivery/ expected delivery date
1.	ISeries 800 Uni Processor Server	1	11.41	December 2003	March 2004
2.	PSeries 610 Model 6E1 Server	1	8.18	December 2003	March 2004
3.	IntelliStation M Pro	10	8.80	December 2003	March 2004
4.	IBM Netvista Desktops*	80	46.55	November 2003	Dec.2003/March 2004
5.	Laptop Thinkpad	3	5.58	January 2004	March 2004
6.	UPS	1	8.27	December 2003	December 2003
7.	Printer/Copier	1	7.66	January 2004	March 2004
8.	Anti Virus/Utility	1	3.67	January 2004	March 2004
9.	Software licenses (for existing PCs)	50	10.00	January 2004	March 2004
	Total		110.12		

* 40 nos of IBM Netvista Desktops have been delivered in December 2003.

Software products required by the Company and its relevance:

Oracle 9i License : This is a Database for Company's Software Products

Pramati AS /Oracle 9i AS : For web-centric products and applications, which needs to be hosted on application servers.

MS Office License : Day to day office activities for documentation and standards implementation.

The firms supplying the Computer Software and Equipments are in no way related /connected to the promoters/directors of the issuer company.

PRODUCT DEVELOPMENT

Product development and R&D will be undertaken by a team of professionals having the experience in J2EE technology with support from the domain experts in transport and logistics industry. Product development and R&D activities also involve the computer hardware & software, testing and reporting tools, training for professionals etc.

The target users for Company's products eSupply SP are Third Party Logistics Service Providers and Freight Forwarders and for eSupply EP are Enterprises with Supply Chain Activities. The development of an Enterprise Solution involves Execution, Intelligence & Automation and Optimisation, which in turn will add more competence to the products. Company's products are already accepted by 10 Customers across the world, further deployment of funds on development of these products, will attract Global customers and hence risk of not accepting the product is very minimal. The estimated market size of eSupply SP is USD 250 Million and for eSupply EP is USD 2.0 Billion. Unlike its Competitors, FSL has got the entire suite of products on entire Supply Chain Process Management on advanced technology platform.

Break-up of estimated expenses under broad headings for undertaking the product development and R&D is given in the table below.

Product Development and R&D	in Rs. lacs
Salary Expenses	352
Product Development Overheads	60
Certifications	67
Total	479

Estimated expenses have been made on incremental basis for the proposed project. Computer hardware and software, except for certain special software/tools, required for product development and R&D have been included under Cost for Expansion of Facilities and Equipment.

Salary Expenses (Rs. 352 Lacs)

Expenses on salary are for the professionals directly involved in R&D and product development activities. Estimates of salary expenses have been made for an average period of 1 year (although implementation is expected to spread over a period of 15 months). Out of 107 professionals to be deployed for the purpose, 3 are at Senior Manager and 4 are at Manager levels. There would also be 10 Project Leaders and 90 Product Development team members. Total salary expenses towards product development and R&D during the period have been estimated at Rs.352 lacs.

Product Development Overheads (Rs.60 Lacs)

Product development overheads include expenses on training, purchase of product development tools and specific software.

Training

Training is imparted mainly to the new recruits of the company as well as for knowledge and skill upgradation. Technology professionals for product development are given training on practices and operations of the domain industry. Similarly, a professional with domain experience is given an overall and general understanding of the technology inputs into making the products. Outside experts in training the professionals are hired for the purpose. For technology training, the professionals are normally sent outside the company's facilities.

Estimated Rs.8.2 lacs will be incurred towards three dedicated in-house trainers for the initial period. FSL also plans to hire a new training and related facilities at a cost of Rs. 1.4 lacs. Rs.5.4 lacs have been estimated for external training. Cost estimates are based on the company's experience in the past.

Testing & Reporting Tools and Software

Product development tools include testing and reporting tools. FSL plans to acquire Astra Load Test (ALT). ALT, estimated at a cost of Rs. 20 lacs for 50 users, is a industry recognised tool for network load and traffic tests. 50 users license for ALT would be sufficient for the medium term requirements of FSL. ALT's web server and web application monitors help to analyse the behavior and performance of any web site by pinpointing such problems as inadequate bandwidth and poor web server scalability. Using such information, it can be quickly identified to optimize the application.

FSL will also be acquiring software specific to product development, such as software for code review, project management, profiling etc. at an estimated cost of Rs. 25 lacs.

Certification (Rs. 67 lacs)

As part of the ongoing drive to achieve the international standards for its products and processes, FSL intends to obtain international certification of its products and processes during FY2004 & FY2005. FSL plans to have two certifications; ISO9000:2001 and SEI CMM Level 5 certification.

Cost for certification includes professional charges of a certification consultant and the certification fees. An experienced consultant will be recruited for advising the company on necessary process improvements and benchmarks to be achieved.

The certification fee is towards the fees payable to the certifying authority. Total cost towards certification has been estimated to be Rs. 67 lacs; Rs. 20 lacs towards professional charges and Rs. 47 lacs towards certification charges.

FSL has initiated steps towards obtaining ISO9000:2001 by appointing a consultant for a total cost of Rs. 2 lacs (approx.). However, the company is yet to finalise the certifying authority. FSL plans to appoint internationally known auditor/certifying authority.

INTERNATIONAL MARKETING NETWORK

International marketing network as envisaged by FSL comprises setting up of branch offices in major cities and the acquisition of a company in the Asia-Pacific, European and North American regions. Marketing activities of the network will be looked after from the Global Sales and Marketing Division to be set-up at Hyderabad in India.

Asia-Pacific Region (Rs. 720 lacs)

Although FSL currently has an office in Singapore, operations are being undertaken from its client's site. FSL proposes to set up branch offices at Singapore, Hongkong and Tokyo in the region to look after marketing activities for the respective area. Four professionals will man each of these branch offices.

Setting-up expenses comprising consultant/legal expenses, lease expenses, permit fees and furnishing for each of these branch offices have been estimated at Rs.30 lacs. Besides, administrative expenses (including salary for 4 persons, travel and communications expenses) amounting to Rs. 210 lacs during the initial 12 months have been included in the cost estimates for each office. Total cost of setting up a branch office network in Asia-Pacific region works out to Rs. 720 lacs.

European Region (Rs. 400 lacs)

FSL plans to set-up Branch Offices at London and Amsterdam (or Frankfurt). In London, the client has agreed for use of its site as FSL's branch for the time being. Another Branch Office to be located either at Amsterdam or at Frankfurt is yet to be finalised.

Expenses for setting-up the branch offices comprising consultant/legal expenses, lease expenses, permit fees and furnishing for each of these branch offices have been estimated at Rs.40 lacs. Besides, administrative expenses (including salary for two personnel, travel and communication expenses) amounting to Rs.160 lacs during the initial 12 months have been included in the cost estimates. Total cost of setting up a branch office network in European region works out to Rs. 400 lacs.

North American Region (Rs. 750 lacs)

Branch Offices for the North American region are envisaged at San Francisco, Houston and New York. FSL currently has a wholly owned subsidiary Four Soft LLC and a 25% JV company Four Soft International Inc. at San Francisco. However, these companies have specific functions of their own. Four Soft LLC looks after the implementation support functions whereas Four Soft International Inc., as a channel partner of FSL, has been incorporated exclusively for marketing and implementation of FSL's products. The new branch office will be functioning as a marketing office and as a support base for the above two companies. Considering the importance of the region, FSL has also identified Houston and New York for establishing branch offices.

Cost estimates for setting-up the branch offices comprising consultant/legal expenses, lease expenses, permit fees and furnishing for each of these branch offices have been estimated at Rs 50 lacs. Besides, administrative expenses (including salary for 2 personnel, travel and communications expenses) amounting to Rs.200 lacs during the initial 15 months have been included in the cost estimates. Total cost of setting up a branch office network works out to Rs. 750 lacs.

TOTAL ESTIMATED COST FOR BRANCH OFFICES

Total estimated outlay for setting up the above-mentioned marketing network is Rs 1,870 lacs. Out of Rs.1,870 lacs, Rs 320 lacs is towards office set-up expenses and Rs 1,550 lacs towards salaries and overheads. These estimates have been made based on past experience of the management. Salary expense includes only for professionals to be recruited and posted in the region. Salary expenses of the company personnel on deputation or on visit from India have not been included. Investments in setting up the international network will be mainly through transfer of funds (mainly from the EEFC account) directly to the respective branch office accounts.

FSL plans to have approximately 25 people working from branch offices in Asia, Europe and North America at a given time. Mr. Palem Srikanth Reddy, Managing Director of FSL directly looks after setting up of the branch office network, often with the support from the senior management of FSI and FSL's foreign Directors.

Acquisitions (Rs. 600 lacs)

FSL plans to acquire a company in USA or Asia-Pacific. FSL is yet to commence the process of acquisition, including shortlisting the target companies. However, FSL has chalked out various criteria for the target companies. They are:

- operating in the same domain as FSL, i.e. software solutions for transport and logistics.
- profit making operations

- privately/closely held
- having about 30 existing customers and about 30 employees

Acquisition strategy

FSL plans to incur about Rs. 600 lacs for acquisition of a company. Acquisition will be for 100% shareholding and management control, with consideration to be met with part cash, part stocks and balance by generation of future profits by the acquired companies.

Benefits

Envisaged benefits to FSL from these acquisitions are:

- positive contribution to cash flow of FSL as the acquired companies will be profit-making companies,
- acquisition of customers directly. FSL plans to replace the existing software/technology of their existing customers thereby retaining existing contracts for products/services, and
- reduce operating expenses of the acquired companies by replacing their manpower by deputation of the Indian employees.

FSL is yet to finalise its acquisition plans.

IPO & PRELIMINARY EXPENSES (RS. 135 LACS)

FSL proposes to issue equity shares through Initial Public Offer (IPO) for an amount of Rs. 1,987.50 Lacs. Expenses on IPO estimated at Rs 135 lacs, which works out to 6.80% of the IPO issue size appears to be reasonable. Main components of IPO related expenses are fees to the lead managers, printing, publicity expenses and various statutory charges and fees.

FSL has tied up venture funding to the tune of Rs. 796.12 lacs for part funding the project. Balance expense of Rs. 24 lacs (i.e. approx. 3.0% of the funds placed) is towards placement fees payable to the arrangers of the funds.

The public issue expenses are as under:

Description	Amount (Rs. lacs)
Public Issue Expenses:	
Lead Mangers' Fee	35.00
Printing & Stationery & Despatch	12.00
Brokerage,	25.00
Advertisement & Issue Marketing Expenses	25.00
Legal & Miscellaneous	38.00
	135.00

Based on past trends, the working capital requirements can be easily met out of the internal cash generations, hence no provision has been made in the project cost.

SCHEDULE OF IMPLEMENTATION OF PROJECT

Particulars	Start date	Completion date
A. Expansion of Facilities/Equipment		
• Lease of new office space	November, 03	December, 03
• Acquisition of new office space	March, 04	April, 04
• Purchase of existing office space	May, 04	May, 04
• Office Furnishing		
- Leased office Space	November, 03	December, 03
- New office space	March, 04	April, 04
• Purchase & installation of Equipments		
- Leased office Space	November, 03	December, 03
- New office space	March, 04	April, 04
B. Product Development & R& D		
• Manpower Recruitments	September, 03	June, 04
• Product/process certification		
- ISO 9001: 2000 Certification	February, 04	March, 04
- CMM Certification	June, 04	September, 04

Particulars	Start date	Completion date
C. International Marketing Network		
1. Asia – 3 Offices		
• Singapore	March, 04	April, 04
• Hong Kong	May, 04	June, 04
• Tokyo	December, 04	March, 05
2. Europe- 2 offices		
• London	March, 04	April, 04
• Amsterdam/Frankfurt	May, 04	June, 04
3. USA- 3 offices		
• New York	March, 04	May, 04
• Houston	June, 04	July, 04
• San Francisco	December, 04	February, 05
4. Acquisitions	June, 04	August, 04

9. DESCRIPTION OF INDUSTRY AND BUSINESS

FSL's products are part of the growing logistics management applications business. The logistic management software market is composed of Warehouse Management System (WMS), Transportation Management System (TMS) and Supply Chain Management (SCM) solutions. These products are generally used to identify and proactively resolve problems in real time, provide event alerts and key performance indicator to help synchronise the logistic and supply chain system.

Trends in Technology

Majority of products in the Logistics/Supply Chain Management use 2-tier client-server architecture. In recent times, there has been steady transition towards web-enabled J2EE technology due to its advantages. These newly developing products are multi-tier and web-enabled, resulting in higher scalability, dispersed usability and versatility.

Based on the functionality, the supply chain management products can be categorised into Execution Software (like SAP), Decision Support Tools (like i2) and Collaborative e-commerce (like G-log) products. While the demarcating lines between these three models of applications are not clear, it is expected that they will develop functionality to cross over to the other product models over a period. This crossover can be possible only through web-centric architecture based solutions. Most of the existing products, having been developed with the older technology 2-tier client-server architecture, cannot be developed into the converged model. Changing over these older client-server architecture based products to web-centric 3-tier architecture would mean complete re-building of the products all over.

FSL's products are based on web-centric architecture and offer integrated enterprise solutions for supply chain process management thereby combining the three models into one solution. In addition, in the long run, the FSL's products can take the customers to ultimate step of process automation, which cannot be delivered by any of the other three product models.

Competition

The SCM market has seen the emergence of regional players. The market has also seen small-medium size technology companies who have developed web-centric products. The table below gives a preview of the competitive scenario in the Asia Pacific Region (APAC).

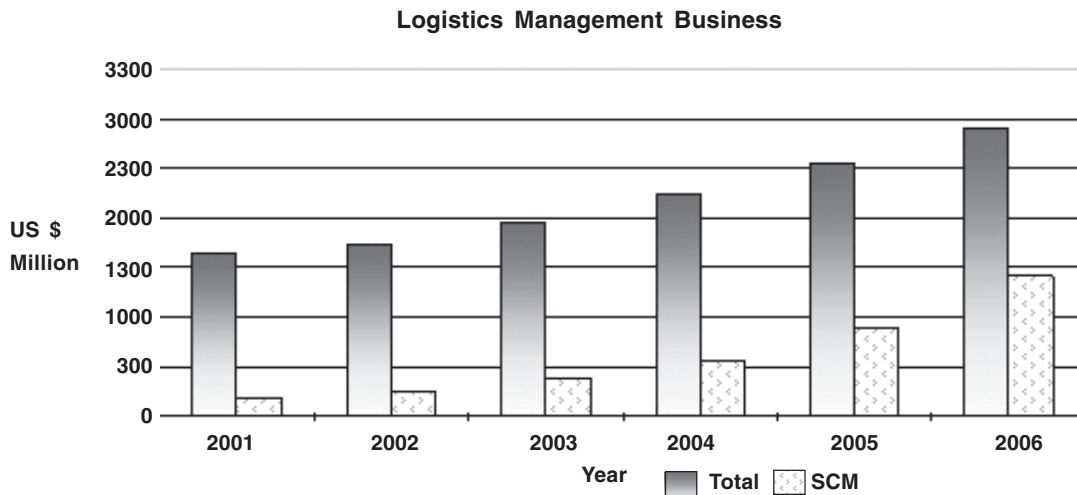
FSL Product	Competitors
e-Trans	<p>IPACS, Singapore</p> <ul style="list-style-type: none"> - Tie-up with NCS for Chinese market and presence in SME segment - Product under upgradation to J2EE technology <p>Eagle Datamation, Australia</p> <ul style="list-style-type: none"> - Leader in Australia and strong presence in APAC - Client server technology, under reportedly developing web-centric products. <p>Cargomate, Netherlands</p> <ul style="list-style-type: none"> - Presence in Europe & US. Yet to establish well in APAC. - Web-enabled product and strong in US customs knowledge. <p>FWL Tech, UK</p> <ul style="list-style-type: none"> - Oracle and web-based products - Cater to MNCs and strong in Singapore only.
e-Log	<p>Boon Software, Singapore</p> <ul style="list-style-type: none"> - Strong in Singapore/Malaysia for warehouse systems - PLSQL+VB and also Internet-enabled. Main clients are Eagle Global and ABX Logistics.

One of the important addition to FSL's product capability is the development of web centric eSupply EP. This product provides single application in supply chain process management across verticals such as manufacturing, automotive and healthcare.

Market Size and Outlook

ARC Advisory Group reported that total software, services, and recurring revenues for this market were US\$1.6 Billion in 2001 and expected to reach \$2.9 billion in 2006. ARC forecasts a cumulative average growth rate of 12.1% during 2001-2006.

While the WMS segment is mature and has experienced negative growth during the past few years of adverse economic conditions, the TMS market continues to grow briskly (19.7 per cent CAGR from 1998 to 2001) and the SCM market is growing quite rapidly (34 per cent year over year growth).



The market is young, fragmented without a dominant leader. The SCM market experienced dramatic growth between 2000 and 2001 with year on year growth of 83 per cent. The ARC Advisory Group has forecast a CAGR of 53% through 2006 while growing from \$170 million in 2001 to \$1,421 million by the end of 2006. SCM market has recently emerged as the largest segment within the logistics management market.

SALES AND MARKETING

DISTRIBUTION

As per the prevailing industry practice and followed by the established players in the supply-chain products and solution market such as SAP, i2 and Manugistics, selling and implementation of products is through a combination of direct sales and channel partnership/alliance partnership. FSL has already established the channel partnership for its products with FSI (JV company in the US) and alliance partnership with Satyam Computer Services Ltd. Discussions are on with other consulting/implementation companies. FSL has also established branch offices in Singapore and London to look after direct sales operations in Asia Pacific and UK respectively.

SALES

FSL has registered Trademarks for eSupply SP and eSupply EP in USA, European Union Countries and India. FSL sells products on a product and technology transfer basis for large global customers and as license sales for small and medium sized companies.

Sale Under Product and Technology Transfer: In this case the product is deployed at the customer's site and the source code of the customer version will be kept under an Escrow Account for future transfer to the customer on completion of payment obligations by the customer. These are normally global corporate sales accounts and the pricing typically starts at USD 2.50 mn and above. In the product and technology transfer, there is normally no limit on number of users.

License Sales: This sales model is suitable for sizes of companies where the customer's requirements are limited and capital investments are not large. The source code remains with FSL and the customer is given the license for usage of software on payment of License fee. Pricing is dependent on the agreed number of users. Once the number of users exceeds the agreed number, the customer will be charged on additional user rate basis. This gives flexibility of investment plan for the customer.

In a license sale model, the upgradation of software is normally given free of charge if the end customer is under annual maintenance contract. Typical charge for annual maintenance contract is normally between 18-20% of the license fees.

Payment Terms: Normal payment terms involve an advance payment of 20% on signing the sales agreement and the remaining payments are linked to various phases/milestones such as User Acceptance Test, Pilot run and Going Live.

PRODUCT LIABILITY MANAGEMENT

FSL warrants the software recording media to be free from defects in material and workmanship under normal use for a period of ninety (90) days from the date of original retail purchase. FSL has limited product liabilities from damages, indirect or consequential damages arising out of or relating to this licensing of its products.

CUSTOMERS

FSL has signed sales/implementation contracts for eSupply SP or part of it with several clients worldwide. The prominent clients with whom FSL has contracts on-hand include:

EGL Eagle Global Logistics, USA:

EGL Eagle Global Logistics, a NASDAQ listed corporation is a leading provider of end-to-end supply chain solutions demonstrating core competencies in domestic and international freight transportation, integrated logistics management and information technology.

Franklin Distilleries Ltd, San Jose, USA:

Franklin distillery is a USD 1.0 Billion-dollar Revenue Company in the distillery and bottling business, with a large manufacturing facility in San Jose, California. Franklin is the first customer for E-supply-EP and the product is now under implementation.

Century Logistics Berhad, Malaysia:

Century group is based in Malaysia and is well poised to provide a comprehensive range of logistics, transportation and warehousing management services to meet the discerning needs of its varied clientele across Asia and others part of the world.

WT Air Cargo Ltd, UK:

W.T. Air Cargo Limited, UK is a service-orientated freight forwarder with a worldwide network of offices and associates. Established over 25 years ago, it has grown soundly and consistently to become a modern, multi modal forwarder.

CTI Logistics, Thailand:

CTI has become the largest cargo transportation service provider in Thailand. First in Thailand's Freight Forwarding Industry in being accredited with ISO 9001:2000.

Roton Vander Freighting Ltd, Colombo:

Roton Vander –RTV is a leading freight forwarder in Asia-Pacific and USA, it is based in Sri Lanka.

S-Net Freight Forwarders, Singapore:

S-Net is a leading international freight forwarder based in Singapore. S-net implemented the first version of **eSupply SP** in October 2001 and currently operates with 25 offices in Asia. They have over 3000 shipments, with revenue of USD 80 M per month. This is an excellent site for proof of concept as they operate with one installation of the product, hosted on a server in Singapore and all the operating units of the company access the application from their locations using Internet, for performing various operations relating to their business.

Expo Freight India Limited, Chennai:

Expo Freight is a professionally managed international freight forwarding company. With a mission "To add value to customers' logistics requirements in a fashion designed to take Expo into the top bracket of logistics solution providers."

What make Expo Freight unique and distinct from its peers are its complete openness and its functionality to operate as a transparent organization. Offering real-time information from across the world to anywhere in the world, Expo freight has built a worldwide reputation. This gives it an edge over its competitors and helps build a long-term professional relationship.

Potential customers who are currently evaluating eSupply SP are Bax Global, UT-i, Sony Logistics, BDP Asia Pacific, SEKO Worldwide etc.

The Orders on hand include USD 0.70 Million with EGL Talon Holdings Ltd. WT Air Cargo USD 17,500, CTI USD 30000, eLog Contract USD 200000, Expo Rs. 11 Lacs and AMC for all the customers USD 26000.

Details of product revenues:

The details of revenue accrued on product developed are given below:

(Rs. in Lacs)

Product	2000-01	2001-02	2002-03	2003-04 (till date)
eSupply SP	131.69	292.79	572.11	985.50
eSupply EP	—	—	159.61	60.79

Company's unit at Hitech City, Hyderabad is registered as 100% EOU under Software Technology Park Scheme of Govt. of India. The company has fulfilled its export obligations till date.

10. STOCK MARKET DATA

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

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

A summary of past financial results for the past three financial years and for the period ended December 31, 2003 are given below:

Management Discussion and Analysis on Performance of Company

Rs. In lacs

Particulars	2001	2002	2003	9 Months ending 31-12-03
INCOME				
Export	191.95	302.57	724.34	1015.06
Domestic	5	4.28	7.37	27.57
Other Income	6.71	11.08	3.32	12.29
TOTAL	203.66	317.93	735.04	1054.92
EXPENDITURE				
Personnel Expenses	97.39	134.57	241.40	301.92
Travel & Conveyance	35.66	44.4	49.09	47.17
Selling & Administrative Expenses	37.48	50.64	67.44	87.96
Prelim & Deferred Expenses w/o	5.39	59.00	50.42	4.44
TOTAL	175.92	288.61	408.35	441.49
PBDIT	27.74	29.31	326.69	613.43
Depreciation	16.13	19.30	24.89	22.89
PBIT	11.61	10.02	301.80	590.54
Interest	0	0	0	0
PBT	11.61	10.02	301.80	590.54
Tax	2.87	2.49	13.51	27.61
PAT	8.74	7.53	288.29	562.93

Comparison Nine Months ended 31st December, 2003 over FY 2003

Total Income

The Company has been consistent in performance and total income for the Nine Months ended for 2003-04 has increased to Rs. 1054.92 Lacs over Rs. 735.04 Lacs in FY03, Exports have increased to Rs. 1015.06 Lacs and Domestic Income to Rs. 27.57 Lacs.

Other Income

Other Income primarily consists of:

- Income from interest on fixed deposits and dividend from investment in Mutual Funds
- Financial gains from exchange fluctuations.

The Other income for the Nine months ended 31st Dec' 2003 has increased to Rs. 12.29 Lacs from Rs. 3.32 Lacs in FY 2003.

Expenditure

With the growing expansion plan, the Company has recruited new staff for R&D activities during the three quarters of the current FY wherein, there is an increase in Personnel expenses to Rs. 301.92 Lacs in the Nine months ended 31st December '03 against Rs. 241.40 Lacs in FY 2003. The travel expenses and Selling expenses have shown marginal increase as the business travel and related expenses have to be increased for sales in overseas markets. There is increase in administrative costs in Nine months ended 31st December '2003 over the FY 2003 as the company has incurred amount on Employee welfare, Business promotion and other expenses.

PBDIT & PBIT

The Company has almost doubled the PBDIT in the Nine months ended 31st December '2003 as against the last FY. The Company has however maintained its depreciation costs for Nine months ended 31st December '2003 over the FY03. As regards the PBIT for the Nine months ended 31st December '03 the company has 100% of the figures for FY03.

Financial Year 2003

Total Income

The Company has been able to double its export earnings in F.Y 2003 over the F.Y 2002, as the market for Logistics and Transport Management is growing over 400% and FSL products have no competition so far, has been able to gain good customers over the year. There was a fall in the other income because of losses in Foreign currency fluctuations. However the Company has been able to double its total income over the previous year.

Total Expenditure

There is almost a 50% increase in Personnel Expenses in the F.Y 2003 over F.Y 2002 as the Company has recruited lot of manpower for its ongoing R & D initiatives and also due to a revision of pay to a tune of around 25%. We will continue to do recruit more personnel for R&D, sales, Quality and implementation areas to maintain technical, quality and implementation advantage in its products. However the Travel expenses are well in control as most of services are to the existing customers and also due to most of the customer relations are handled by our branch office for Asia-Pacific, our JV partner in US and our Chennai office for India and West Asia. However, the Selling expenses are on the higher side in F.Y 2003 over F.Y 2002 as the Company which has helped us having more number of customers in pipeline. We have also appointed resellers across various countries in Asia-Pacific region to boost its sales.

Preliminary & Deferred expenses

As the Company has been into R & D and spent lot in the first three financial years Four Soft have incurred considerable amounts in development of the products out of which 70% is spend on payroll. Four Soft have absorbed all our substantial developments in the first three years . As Four Soft move on to the next FY, Four Soft do not have any deferred expenses to write off from the revenue of coming years. This indicates profitability ratio will be on the rise each year as Four Soft have absorbed the initial year expenses.

PBDIT & PBIT

The PBDIT in F.Y 2003 has almost jumped more than 10 times that of F.Y 2002, as the company has almost doubled its sales in F.Y 2003 over F.Y 2002 and been able to maintain its expenses to a minimum level.

Financial Year 2002

Total Income

The company has achieved a turnover of Rs. 317.93 lacs in 2002 against the turnover of Rs. 203.66 lacs in 2001. There is a 56% growth in revenues from IT Software Services & Products for Year ended 2002 over Year ended 2001. This has resulted due to aggressive marketing and quality standards over similar products in the market. The Company was able to place its products well ahead of others in the market, due to its web centric application.

Total Expenditure

There is a corresponding increase of 64% in expenditure in F.Y 2002 over F.Y 2001 are due to increase in salary & other manpower costs, as the Company is recruiting manpower during the year and also revising the pay structure to keep the Company at industry standards. The increase in Product Development Costs due to increased R&D expenditure and deferred Employee Expenses in the current year over the previous year have shown increase in Preliminary and deferred expenses. The Sweat equity expenses were written off against available Share Premium.

PBDIT & PBIT

PBDIT in F.Y 2002 has increased from Rs. 29.31 lacs as against Rs 27.74 lacs in F.Y 2001. The Depreciation has been calculated on W.D.V method on the fixed assets, and the depreciation has increased due to addition of assets during the closing of the financial year. The PBT for the F.Y 2002 is Rs. 10.02 Lacs as against Rs. 11.61 Lacs as the company has been able to control its expenses. There is however drop in PBT in FY 2002 over the F.Y 2001 due to provision for taxes as well as depreciation during the F.Y 2002 as depreciation is higher on account of addition of assets.

Financial Year 2001

The company achieved a turnover of Rs.203.66 lacs and a net profit of Rs.8.74 lacs for the F.Y. 2001. The company commenced its commercial operations in the month of March 2000 and hence the figures for F.Y. 2001 are not comparable with F.Y. 2000.

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

Unusual events like war or natural calamities and disasters like flood, disease, can affect the company's operations temporarily. However, the application is hosted at the customer site with a back-up server for disaster recovery. Our own development centre has a back-up plan and recovery. As they can be hosted and managed through internet, the company's operations can be established in three – four days, through remote management. The economic changes that can affect the company are only changes in tax laws.

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

Transportation, logistics, warehousing, storage and order management are different components of supply-chain process management. This forms basic processes of functionality of all industry segments. There is no unusual / infrequent event or transaction that can materially affect these operations. They form the target segment of our business. Our business is unlikely to witness wild fluctuations or to be materially affected by economic changes. They do not affect income from continuing operations in a significant manner.

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

At present, the trend is increasing towards operating business using internet. If this trend is reversed, it can impact sales revenue or income from continuing operations. However, there is a contingency plan to operate the same application and same technology (VPN – Virtual Private Network) and provide the customer the same level of comfort that he would get through platforms that are not internet based. As such, the impact of such a trend will be negligible.

Future Changes in relationship between Costs and Revenues

In future, the cost of operations will increase largely in the sales and marketing functions. The corresponding increase in revenue is uncertain. There is a strong pipeline of potential customers and Four Soft will scale up the expansions in sales and marketing with corresponding increase in sales and acquisition of new customers.

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

The increase in sales is through a combination of three things:

- (a) Execution of existing contracts and Additional revenue from existing customers
- (b) New customer

In the F.Y 2003 , 92% of sales are from (b) category and the remaining sales are from the (a) category.

Total turnover of each major industry segment in which the company operated

The global expenditure of supply-chain related activities of transportation, warehousing, storage and order management is in excess of USD 1.0 trillion. Of this, the manufacturing based industries such as automotives, electronics and communications, home electronics and consumer goods, fashion apparel and toiletries, etc. will contribute to 60%. Commodity based goods like oil, food grains & pulses, vegetables & fruits, coal, and ores & minerals, construction material, fertilizers, etc, contribute to 30%. All others contribute to the remaining 10%. The IT industry of supply-chain processes of manufactured goods is estimated at USD 50 billion per year. The size of enterprise solutions in this category is USD 2.5 billion, which is our target market

Status of any publicly announced new products or business segment

Four Soft has announced the release of its product eSupply SP in October 2001. Subsequent upgrades and releases of this product have been announced in each subsequent quarter. The second product eSupply EP was announced in Jan 2003

Extent to which business is seasonal

The business is not seasonal and is not impacted by the seasonal nature of our customer business either.

Any significant dependence on a single of few suppliers or customers

The product has been built on completely open platforms (J2EE). As a result, there is no dependency on any supplier. The company currently has ten customers and the current revenue stream is dependent on these ten customers. However, with the expansion of sales force, the customer base will also be broadened.

Competitive conditions

For the first product eSupply SP, there is no competitor in the global market place, in the strictest terms. Our product is built 100% on internet and it has succeeded in achieving integration of processes across several modes of transportation and logistics, from different locations, on to a single application. Both these features are not available with any competitor products globally. Our second product eSupply EP delivers integrated processes for order management, warehouse management, transportation and support modes like financial systems, CRMs, etc. The same functionality is currently delivered through fragmented modules deployed on distributed environment that deliver the same functionality, they are less productive and inefficient. In addition, as they are not built on internet, they have limited access with partners such as customers, vendors, transporters, etc. In a combined market place of USD 5 Billion, our target is USD 100 Million in the next 4 – 5 years. As the desired market share is only 2.5%, competitive conditions may not impact the business plan.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

12. FINANCIAL INFORMATION OF GROUP COMPANIES

The information for the last 3 years based on the audited statements in respect of all the companies, firms, ventures, etc. promoted by the promoters irrespective of whether these are covered under section 370 (1)(B) of the Companies Act, 1956 are given in the offer document under the head "Other Group Companies/Ventures of Promoters".

There are no transactions of Sales or Purchases between Promoters Group in the last 3 years.

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

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

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

PROMISE VIS-À-VIS PERFORMANCE

Four Soft has not made any public issue of shares since its incorporation. There is no group company, which has made any public issues.

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

There are no listed ventures of Promoters.

14. BASIS FOR ISSUE PRICE

Qualitative Factors:

1. Four Soft Ltd is a profit making and dividend paying Company since inception.
2. Company's Promoter and Directors are professionals from the logistic and transportation industry having experience in the prominent regions like Asia, Europe and North America.
3. Company focuses on Global Logistic and Supply Chain Management industry and has customer base in USA, U.K., Singapore, Thailand, Malaysia, Sri Lanka and India. Company's two products "eSupply SP" and "eSupply EP" are web-centric enterprise wide solutions on latest J2EE technologies, that can be deployed rapidly and maintained with drastically reduced costs.
4. Company's unit at Hitech City, Hyderabad is registered as a 100% EOU under Software Technology Park scheme of Govt. of India.
5. The company has a committed professional management team.

Quantitative Factors:

1. Adjusted Earnings Per Share

	EPS* (Rs.)	Weight
a) 2000-01	0.12	1
b) 2001-02	0.09	2
c) 2002-03	3.07	3
d) Weighted Average EPS	1.59	

* EPS on equity shares of face value Rs.5/-

2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs.25 per share

a) Based on 2002-2003 EPS	8.14
b) Based on weighted average EPS	15.72
c) Based on EPS for the nine months ended 31 st December, 2003 - Rs.2.93# (annualized, post dilution & post bonus)	8.53
d) Software Industry (Computer Software – Medium/Small) P/E *	
i) Highest	61.80
ii) Lowest	0.50
iii) Average	17.90

*Source: Capital Markets Volume XVIII/23, January 19- February 1, 2004.

On the reduced PAT of Rs.521.86 lacs, after adjustments for non-compliance with accounting standards.

The P/E ratios of some of the companies in the same industry group (Software Products) are as follows:

Company	P/E ratio
Subex Systems Ltd.	28.60
Cranes Software	24.60
Visual Soft Technologies	15.60

*Source: Capital Markets Volume XVIII/23, January 19- February 1, 2004.

3. Return on Net Worth

	RONW %	Weight
a) 2000-01	3.26	1
b) 2001-02	2.81	2
c) 2002-03	38.28	3
Weighted Average	20.62	

4. Minimum Return on Total Net Worth needed after the Issue to maintain EPS at Rs. 3.07 is 24.89%

5. Net Asset Value

(Amount in Rs.)

a) As at March 31, 2003	8.40
b) After Issue	13.06
c) Issue Price (per share)	25

15. OUTSTANDING LITIGATIONS OR DEFAULTS

There are no litigations in which the promoters are involved, defaults to the financial institutions/banks and non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the promoters and the companies/firms promoted by the promoters.

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

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

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

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

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

There are no creditors having an outstanding balance for more than 30 days as at December 31, 2003.

16. RISK FACTORS AND MANAGEMENT PROPOSALS (MP) THEREOF

RISK ENVISAGED BY MANAGEMENT & MANAGEMENT PROPOSALS (MP) THEREOF

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

Risks specific to the project and internal to the company

1. The promoter of the Company Mr. Palem Srikanth is a first generation entrepreneur.

MP: Palem Srikanth has experience of successfully running a Joint venture Company i.e. Emery Worldwide India Pvt. Ltd. which is a Joint Venture of Emery Air Freight Corporation (an MNC listed on NYSE) and Palem Holdings Pvt. Ltd. This Joint Venture Company has established itself and created visibility in a short span of time. The US partner has bought 10% of the equity investment of the Palem Holdings Pvt. Ltd., a holding company promoted by Mr. Srikanth at a price more than 9 times of original investment in 5 years time.

2. The company is focussing only on one domain i.e. Logistics solutions and has the necessary people and the skill set only in this domain. This limits the scope of diversification in other domains going forward.

MP: Logistics and Supply Chain Management domain is large and forms 12% of the world's GDP. The estimated market size of the FSL products is USD 2.5 billion per annum (Source -ARC Advisory Group Report 2002) and adequate to provide a very scalable business model and to expand the business to related areas, such skills will be employed to diversify successfully.

3. The company has receivables of Rs. 136.13 lacs which is outstanding for a period of more than 6 months as on December 31, 2003 and no RBI approval has been received in this regard.

MP: The Company has made efforts to realize the outstanding receivables and have received commitments from some of the Customers. The Company has filled the necessary forms with RBI for extention of unrelised amounts.

4. The Company's operations are dependent on the skill set and the domain knowledge of the management personnel, especially the full time involvement of Mr. Palem Srikanth, promoter and Managing Director.

MP: At the starting phase of the company when the team size was less than 20 people the domain knowledge was restricted to the senior management of the company. Over a period of 3 years, the domain knowledge has become integral to the company and forms the core competency of the entire organization and not just the top management. The organization has now grown to over 120 people and the domain has spread across the entire company. The domain and the product development has reached a point that it is a process with the company and not linked to the individual or specific team. This transition has been successfully completed.

5. The Company plans to expand its market to Singapore, Hong Kong and Tokyo in Asia Pacific, London and Amsterdam/Frankfurt in Europe, San Francisco, Houston, New York in US. The competition and/or non-acceptance of company's products in these markets may result in company making losses on account of the investments made.

MP: Potential customers with serious enquiries and interest have already been identified. The Board members of the company are from Singapore, North America and Europe and they have industrial experience in Logistics and Transportation Management and alliance partners like Satyam Software Services Ltd. as Global Channel Partner and other Channel Partners and Resellers in Malaysia, Hong Kong and Singapore have already expressed a high potential for FSL products in these markets. Market reports indicate a large potential and a demand for these products due to non-availability of such applications in these markets.

6. Majority of the funding of expansion is to be done from the IPO proceeds. Delay in IPO/unsuccessful IPO will adversely impact the expansion plans of the company in future and its estimated revenue and profitability.

MP: The company is in profits and already in positive cash flows. The cash flow will continue to grow in the current financial year. The company has already raised Rs.8 crore through equity funding. Failure or delay of funding through IPO will impact the Expansion, Development of Products, Marketing Network and Acquisitions. However, the company plans development and marketing through strategic / alliance partners, expansion of sales network through joint ventures as local partners in different countries.

7. The Company has not earmarked the office space and people who will be posted at international offices.

MP: The Company has plans to set up International offices at Houston, San Francisco and New York in North America, Singapore, Hong Kong and Tokyo in Asia-Pacific and London, Amsterdam/Frankfurt in Europe. The Company is not foreseeing any difficulty in taking office spaces on lease in these Countries. The company has discussed the opportunities for people in international offices. Most of these people are local residents of these countries and they are gainfully employed at present. They have seen our product, understand our technology and

believe there is opportunity for these products in their regions. When the funding is completed the company will make offers to suitable and appropriate candidates.

8. The company is yet to acquire the required infrastructure facilities for office and also not placed orders for the office equipments and computers for the expansion.

MP: The Company has plans to acquire the present leased office space of 7,862 sq.ft. in Hitec-City, Madhapur and earmarked 5,700 sq.ft for lease in Hitec-city, Madhapur. The Company is in the process of placing orders for office equipments and computers, which are readily available in the market.

9. Part of the IPO proceeds will be utilized for acquisitions. Company's acquisition plans are in the nascent stage and the target companies have not yet been crystallized. Failure in acquisition may adversely impact the business prospects of the Company. .

MP: Company has identified Merger and Acquisition Consultants in USA. The Consultants and Company will jointly identify potential companies for acquisition after evaluation and analysis. It has proposed to engage very strong audit and thorough Due Diligence prior to acquisition. Couple of small companies in Far East and USA have already been identified through informal internal discussions as the capital and modalities for acquisition is underway for proceeding in formal discussions. The acquisition strategy will be formulated after completion of the IPO.

10. The Company's ability to sell products is dependent upon the successful performance of its limited number of products, which is new to the global market, and also the visibility of the company in the international markets.

MP: The products may appear limited in number (Two). However, they are enterprise solutions and each product contains several modules and the aggregate market of these products is USD 2.5 Billion as per ARC Advisory Group Report 2002. The number of modules and series of different verticals means different sales opportunities. Some customers will buy modules specific to the short term needs and not necessarily the entire solution. In short, the company offers 10-12 modules from its two products.

11. The company has a limited number of customers as of now and the operating results of the Company would be depending on their relationships with the existing customers as well as the ability to add increase customer base.

MP: The operating reserves of the company depend on 10 different customers and the customer base is continuing to grow. In the enterprise solutions business, each existing customer forms a source of continuous revenue through customization and annual maintenance. One of the objectives of the funding is to expand the customer base.

12. The company may not be able to sustain the high margins going forward which it is currently enjoying.

MP: As an enterprise solutions (product) company, most of the investment in R&D and product development has been laid upfront. The product development cost is the single largest component of our expenses at this point and the products have reached a state of maturity that they are now marketable. At this point, the product development costs form a very high percentage of total revenue as well. For future sales, sales expenses will be higher in the international markets, but the corresponding product development costs will be much lower as a percentage of revenue. As a result, the Company expects to maintain the margin at the current levels or may even improve further.

13. Most of the revenues have been generated from the sale of parts of eSupply SP only. eSupply EP is yet to be fully implemented.

MP: The Company has launched the e-Supply SP product in 2001 with 9 successful installations. eSupply EP is still in the advanced stage of development, but the Company has sold the e-Supply EP license to one of the largest distilleries in USA. Company expects e-supply EP to go live at customer site by September 2004.

14. The company may have to pay high salaries to retain the skill set with the company which may hit the margins

MP: The salary structure of the company is in line with the market dynamics and industry standards in Hyderabad. Since the company is process oriented and not dependent on any individuals, the dependability on individual skill set is low and people are not considered indispensable to the extent they can demand high salary and cut into the margin of the company. The company has been able to retain employees by providing them vertical growth within the organization.

15. The business is highly dependent on the technology and therefore any change in technology may adversely affect the business.

MP: The company is in the technology business and it is important to select the right technology that has global industry support and longevity. We have chosen J2EE which now enjoys global support as a 3 tier platform for building Enterprise Solutions. This technology has a very long span and if/when it is changed it will be a global transition and strategy. It allows for adequate time for migration and smooth transition. The company has technology team which monitor the technology changes and upgrade constantly.

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

MP: Currently, one of the largest IT market in the world is enterprise solutions for supply-chain management. FSL is addressing this market of USD 2.5 billion with two products. The percentage of market share targeted for these two products is relatively small and the deviation in overall market size for these products will not drastically impact FSL as it is targeting a small portion of such markets.

17. The Company's exposure to and dependence on the international markets also poses threats to its business. It is dependent on the economic and political conditions of these countries to a large extent.

MP: The company's products are dependent on international market. However, the market is very well spread for existing customers as well as potential customers. The customer base exists in Asia Pacific, Europe as well as North America. The Company has already set up a Sales Office in Chennai to look after India and West Asia Operations. The Company has one successful implementation in India. So, the economic and political conditions of specific countries may not seriously impact the business plan.

18. The Company's revenues come from a focussed segment of clients therefore even a single competitor coming up may put high pressure on its market share.

MP: The company's revenues are derived from logistics and transportation companies for the e-Supply-SP product. The potential list of target customers for this product is in excess of 5000, as per Internal Assessments. The business plan envisages only 10% market share for esupply SP, in the long run. So, it allows enough room for competitors to take the remaining market share. The product esupply EP is positioned in what is estimated as a single largest IT product in the world – Supply-Chain Process Management Solution. In a steady state, the business plan projects 3% market share globally for this product. It allows enough room for the competitors, to take the remaining 97% of the market share and as such entry of competitors is not expected to have pressure on the company.

19. Consequent to non-adherence to certain Accounting Standards for the period ended 31st December 2003, the profit of the company has been overstated to the extent mentioned in the notes 1(d), 7, 9 &11 in the notes to accounts in the auditors report. If the accounting standards are complied with, the profit of the Company for the 9 month period ended December 31, 2003, would be reduced by Rs. 41.07 lacs. Accordingly, the PAT of Rs. 562.93 lacs for the same period would stand reduced to Rs. 521.86 lacs.

MP: All the relevant accounting standards will be complied with during preparation of financial statements for the year ended 31st March 2004.

20. The issuer Company does not have any Quality Certification and the future growth of the company will depend on achieving continuously evolving international quality standards.

MP: The Company has Internal Quality Standards in place and is in the process of obtaining ISO 9001:2000 certification and the Company has already approached BVQI Certification Agency. The Company will be initiating steps for CMM Certification after the ISO 9001:2000 Certification. The products have been performance tested by the National Software Testing Laboratory (NSTL) for 1,000 concurrent users and will strive adhering to high quality and process execution to achieve continuously evolving International Quality Standards. Inability to evolve continuous International Quality Standards may have adverse impact on Company's business, product delivery and results of operations.

21. The valuations in the Software / IT Industry are presently high, which may not be sustained in future and may also not be reflective of future valuations in the industry. There are no standard valuation methodology or accounting practices in the emerging internet/media and related industries. The financials of the issuer are not comparable with the players in the industry.

22. Company's operations involve transmission of data through Internet, which involves security risks.

MP: Company's software is working mostly on web technologies and the security servers and application servers in place, which are reasonably fool-proof and protected against any threats of tampering of data during transmission or possible hacking.

23. Gary Friedman and Associates, the joint venture partner in Four Soft International Inc., USA (FSI), has sent a legal notice to Mr. Palem Srikanth Reddy, the promoter of the company to either 1. Buy a significant ownership stake in Four Soft International by Four Soft Ltd. as well as immediate financial support for ongoing operations or 2. Immediate buy-out, dollar for dollar of the investors of the Company (including debtors). The company depends on Four Soft International for marketing its products in North American markets. Any deterioration in the relationship with the Joint Venture partners will impact the overseas marketing of the company and adversely affects its future business.

MP: Four Soft International Inc. (FSI) is a Channel Partner of the Company in North American Region for marketing Four Soft Products and related services. The Company is not under any obligation to buy the ownership steps and to provide financial support, however, the Company is taking all prudent steps to mitigate the issues and the same does not impact the financials of the Company, as the Channel partner does not have any right to claim their losses as per our Channel partner agreement. FSL has not made any financial investment in the equity of FSI and hence there is no possible loss on investment. In case of a discontinuance in the CPA, FSL has its presents in North America through its subsidiary and FSL plans to setup marketing offices for marketing its products in the North American markets.

24. Pending utilization in the project, the proceeds of the issue will be invested in non productive assets such as Bank Deposits and/or Gilt Edged Government Securities either directly or through Government Security based funds in short and medium term. This deployment may not result in adequate returns for the company.

25. The company has high employee turnover ratio.

MP: Company's attrition ratios have been negatively affected due to highly competitive skilled labour market.

26. Promoters and other persons have been allotted shares of the company at a price lower than the IPO price in preceding one year as detailed in the notes to Capital Structure.

27. Four Soft International Inc., USA, the Joint Venture Partner of Four Soft Ltd. has booked an operating loss of US\$ 0.58mn during the year ended 31 December 2002.

MP: FSL has not made any financial investment in the equity of FSI and hence there is no possible loss on investment.

28. There has been a delay in the schedule of implementation of the project that the company proposes to undertake.

External and beyond the control of the Company

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

MP: Four Soft is an enterprise solutions company in Supply-Chain Management. It is dependent on a combination of individual skill sets, internal processes and support for the technology that we use. FSL uses J2EE as the platform to build its products. Hyderabad is branded as the Java capital of the world and technical resources to support our development efforts are readily available and easily replaceable. The company has a committed management team. As of now 75% of the higher level staff are with the company for minimum 3 years. Employee turnover at lower level has not affected in a serious manner. Investment in training of people is a continuous process, irrespective of employee turnover, for existing staff as well as new employees. As an IP based company, this expense is already factored into our cost of business.

2. The company earns majority of its income from exports, which exposes it to exchange rate risks.

MP: The company will enter into sales contract that hedge exchange fluctuations. However, there is no fool-proof protection against wild fluctuations and the company does not expect adverse impact of more than 5% through fluctuations of exchange rates.

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

MP: Change in government policies and regulatory environment does not impact the company's business. As an enterprise solution (product company), there are currently no geographical boundaries, legislations or bans imposed in any country, as they may apply to services where specific local vendors are preferred. FSL products can be sold through local vendors in such economies or states, without the product revenue accruing to FSL and the related services revenue like implementation going to the local vendors who have preference in their country.

4. Any changes in the tax laws in India might lead to increase in the Tax liability of the company thereby putting pressure on profitability

MP: Change in tax laws, particularly income tax can have an impact on the post-tax profits of the company

Notes:

1. Investors are advised to refer to the paragraph on "Basis for Issue Price" on page 46 before making an investment in this Issue.

2. The average cost of acquisition of Equity Shares of the Promoters is Rs 0.36 per share.

3. The book value per share as on December 31, 2003 is Rs 9.07. The net worth of the company as on December 31, 2003 was Rs. 2157.03 Lacs.

4. Comments on ratios for the period ended December 31, 2003

- EPS: The EPS for the period ended December 31, 2003 shows a decline vis-à-vis the EPS for the year ended March 31, 2003, since EPS for the period ended December 31, 2003 has not been annualized. Secondly it is computed taking into account the split in the nominal value of equity shares from Rs. 10/- to Rs. 5/-.
- NAV: The NAV as on December 31, 2003 has declined as compared to the NAV as on March 31, 2003 since the NAV as on December 31, 2003 has been computed taking into account the split in the nominal value of equity shares from Rs. 10/- to Rs. 5/- whereas the NAV as on March 31, 2003 is based on nominal value of Rs. 10/-.
- Return on net worth (RONW): The decline in RONW for the period ended December 31, 2003 shows a decline vis-à-vis the RONW for the year ended March 31, 2003 due to the enhancement in the equity capital post 31st March 2003.

5. Size of the issue – public issue of 79,50,000 equity shares of Rs. 5 each for cash at premium of Rs. 20/- per share aggregating to Rs.1987.50 lacs.

6. In the event of over-subscription, allotment shall be made on a proportionate basis in consultation with National Stock Exchange of India Ltd. (The Designated Stock Exchange) as per the prevailing guidelines in this regard.

7. The investors may contact the Lead Manager or the Compliance Officer for any complaint/ clarification/ information pertaining to the Issue, who will be obliged to attend to the same.

17. DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

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

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

Disposal of Investor Grievances

The average time required by the Company/Registrar for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company/Registrar would strive to redress these complaints as expeditiously as possible.

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

PART II

A. GENERAL INFORMATION:

CONSENTS

The written consents of Directors, Company Secretary, Auditors, Legal Advisors, Lead Manager to the Issue, Registrars to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Andhra Pradesh, at Hyderabad., as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration.

EXPERT OPINION

The Company has not obtained any expert opinions related to the present issue, except the opinion of the company's auditors, M/s A.G.S. Reddy & Co. on the benefits available to the investors.

CHANGES IN THE BOARD OF DIRECTORS DURING THE LAST THREE YEARS

Name	Date of appointment	Date of cessation	Reason
Mr. David Ian Beatson	October 14, 2000	—	Appointment as Director
Mr. Douglas Terence Ash	July 16, 2001	—	Appointment as Director
Mr. Walter Joseph Sousa Jr.	September 5, 2003	—	Appointment as Director

CHANGES IN AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF

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

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide Special Resolution passed at the Extra Ordinary General Meeting of the Company held on October 13, 2003 and a resolution passed by the Board of Directors at its meeting held on October 6, 2003.

INTEREST ON EXCESS APPLICATION MONEY

Payment of interest at rate of 15% per annum on the excess application money, after adjusting the amount due on allotment and unpaid calls will be made to the applicants, if the refund orders are not despatched within 30 days from the date of closure of the subscription list as per the Guidelines issued by the Government of India, Ministry of Finance vide their letter No.F-8/6/SE/79 dated July 21, 1983 and as amended vide their letter No. F/14/SE/85 dated September 27, 1985 addressed to the Stock Exchanges and as further modified by SEBI's circular SMD/RCG/33/1819/96 dated May 15, 1996.

ISSUE OF SHARE CERTIFICATES

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

APPLICATION OF SECTION 269SS OF THE INCOME TAX ACT, 1961.

In respect of the provisions of Section 269SS of the Income Tax Act, 1961, the subscription against the equity shares should be effected only by an account payee cheque or an account payee draft, if the amount payable is Rs.20,000/- or more. In case the payment is made in contravention of this provision, the application money will be refunded and no interest will be paid.

DENOMINATION OF SHARE CERTIFICATES

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

DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The Company will settle investor grievances expeditiously and satisfactorily.

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

Disposal of Investor Grievances

The average time required by the Company/Registrar for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company/Registrar would strive to redress these complaints as expeditiously as possible.

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

REGISTERED OFFICE**Four Soft Limited**

5 Q1, A3, 5th Floor,
Cyber Tower,
Hi-tec City, Madhapur,
Hyderabad – 500 033.
Tel: 91-40-23100600, 2310061.
Fax: 91-40-23100602
Email: info@four-soft.com
website: www.four-soft.com

COMPANY SECRETARY AND COMPLIANCE OFFICER**Mr. Naresh Kumar Patro****Company Secretary****Four Soft Limited**

5 Q1, A3, 5th Floor,
Cyber Tower,
Hi-tec City, Madhapur,
Hyderabad – 500 033.
Tel: 91-40-23100600, 2310061.
Fax: 91-40-23100602
E-Mail: investorinfo@four-soft.com

LEAD MANAGER TO THE ISSUE**UTI Securities Ltd.**

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

CO-LEAD MANAGER TO THE ISSUE**Centrum Finance Limited**

Khetan Bhavan, 5th Floor,
198 J.Tata Road,
Churchgate,
Mumbai 400 020
Tel: (+91-22) 2202 3838
Fax:(+91-22) 2204 6096
Email: centrum@foursoft.co.in

REGISTRARS TO THE ISSUE**Karvy Consultants Limited**

Unit: Four Soft's Public Issue
"Karvy House",
46, Avenue 4, Street No.1
Banjara Hills,
Hyderabad 500 034
Tel: 91-40-2331 2454, 2332 0251
Fax: 91-40-2331 1968
Email: karvyhyd@karvy.com

LEGAL ADVISOR TO THE ISSUE**V. S. Raju****Advocate, Hyderabad**

106, Dhananjaya Towers,
Main Road,
Banjara Hills,
Hyderabad – 500 034.

AUDITORS**A.G.S. Reddy & Co**

Chartered Accountants
8, 1st Floor, 'TOPAZ', Amrutha Hills,
Panjagutta,
Hyderabad – 500 082.

BANKERS TO THE COMPANY**Hong Kong and Shanghai Banking Corporation Ltd.**

Uma Plaza, Road No.1,
Banjara Hills,
Hyderabad – 500 082.

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

6-1-733, Ground & Third Floor,
Sayeed Plaza, Lakdikapool,
Hyderabad- 500 004
Tel: 040-23231158
Fax: 040-23230349

The Hongkong and Shanghai Banking Corporation Ltd.

Uma Plaza,
Ground Floor,
Road No.1, Banjara Hills,
Hyderabad – 500 082
Tel: 040-23358686/8787
Fax: 040-23356399

BROKERS TO THE ISSUE

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

B. FINANCIAL INFORMATION

Auditors' Report

The Board of Directors,
Four Soft Limited.
Hyderabad.

Dear Sirs,

Sub: Your Proposed Public Issue

We have examined and found correct the Audited Accounts of M/s.FOUR SOFT LIMITED for the past four financial years ended on 31/03/2000, 31/03/2001, 31/03/2002, 31/03/2003 and for the nine months period ended on 31/12/2003, being the last date upto which the accounts of the company have been made up and audited by us. Subject to Notes on Accounts in Schedule 'M' and in particular clause # 1 (d), 5, 7, 9 and 11 of the said audited financial statements, at the date of signing this report, we are not aware of any material adjustment which would affect the result shown by these accounts in accordance with the requirement of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Clause B of Part II of Schedule II to the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure of Investor Protection) Guidelines, 2000, we report that the profits, assets and liabilities and dividends of the company are as set out below.

PROFIT AND LOSS ACCOUNT:

We report that the profit of the company for each of the four financial years ended on 31/03/2000, 31/03/2001, 31/03/2002, 31/03/2003 and for the nine months period ended 31/12/2003 are as set out below. The profit and loss accounts and the assets and liabilities read with Significant Accounting Policies and Notes Annexed hereto have been arrived at after charging all expenses of management including depreciation and after making such regrouping and adjustments as are, in our opinion, appropriate.

Rs. In lacs

PARTICULARS	Period ended 31-12-2003	Year Ended			Period ended 31-03-2000*
		31-03-2003	31-03-2002	31-03-2001	
INCOME					
Export Sales	1015.05	724.34	302.57	191.95	6.45
Domestic Sales	27.57	7.38	4.28	5.00	0
Other Income	12.28	3.32	11.08	6.71	0
TOTAL	1054.91	735.04	317.93	203.66	6.45
EXPENDITURE					
Personnel Expenses	303.01	241.41	134.57	97.40	1.38
Travelling & Conveyance	47.17	49.09	44.40	35.66	1.29
Selling Expenses	2.44	6.36	0	1.00	0
Administrative Expenses	84.41	61.09	50.64	36.48	1.76
Prel. & Deferred Expenses W/Off	4.44	50.42	59.00	5.39	0
TOTAL	441.49	408.37	288.61	175.92	4.43
Profit before Depn.,Int. & Tax	613.43	326.68	29.31	27.74	2.02
Depreciation	22.88	24.89	19.30	16.13	0.08
Profit before Interest & Tax	590.54	301.79	10.02	11.61	1.94
Interest	0	0	0	0	0
Profit before Tax	590.54	301.79	10.02	11.61	1.94
Income Tax	27.61	13.51	2.49	2.87	0
Profit after Tax	562.93	288.28	7.53	8.74	1.94
Dividend (including tax)	0	26.48	4.87	2.66	0
Retained Earnings	562.93	261.81	2.66	6.09	1.94

* From the date of incorporation of the company on 24-12-1999 to 31-03-2000.

ASSETS AND LIABILITIES

We also report that the Assets and Liabilities of the company as at the end of each four financial years ended on 31/03/2000, 31/03/2001, 31/03/2002, 31/03/2003 and for the nine months period ended 31/12/2003 are as set out below. These assets and liabilities read with Significant Accounting Policies and Notes Annexed hereto have been arrived at after making such regrouping as are, in our opinion, appropriate.

Rs. In lacs

PARTICULARS	Period ended 31.12.2003	Year Ended			Period ended 31-03-2000*
		31-03-2003	31-03-2002	31-03-2001	
ASSETS					
GROSS FIXED ASSETS	199.52	158.62	101.52	77.15	7.16
Less: Depreciation	83.16	60.38	35.50	16.20	0.08
Net Fixed Assets - (A)	116.36	98.23	66.02	60.95	7.08
INVESTMENTS:					
Fixed Deposits	229.19	103.27	71.69	129.10	0
JV/Subsidiaries	84.27	84.27	0	0	0
TOTAL - (B)	916.63	187.54	71.69	129.10	0
CURRENT ASSETS, LOANS & ADVANCES:					
Sundry Debtors	329.89	281.95	156.27	104.56	6.45
Loans & Advances	183.54	89.98	41.30	22.99	11.33
Other Current Assets	29.70	23.14	12.94	15.44	9.44
Cash & Bank Balance	630.56	187.96	37.89	34.77	26.07
TOTAL - (C)	1173.69	583.03	248.40	177.76	53.29
CURRENT LIABILITIES & PROVISIONS:					
Current Liabilities	6.54	12.67	4.54	3.03	2.26
Provisions	43.12	67.66	25.59	8.68	2.21
TOTAL - (D)	49.66	80.33	30.13	11.71	4.47
Net Current Assets - (C-D)	1124.04	502.71	218.27	166.05	48.82
Misc. Expenditure	69.74	12.25	96.81	21.56	1.09
TOTAL	2226.76	800.73	452.78	377.65	57.00
NET WORTH	2157.03	788.48	355.97	356.09	55.90
(Net of Misc. Expenditure)					
LIABILITIES					
PAID-UP EQUITY CAPITAL	1188.72	469.37	442.09	368.72	55.06
RESERVES & SURPLUS:					
General Reserve	44.30	0	0	0	0
Share Premium	430.81	58.87	0	0.91	0
Profit & Loss Account	562.93	272.50	10.69	8.03	1.94
TOTAL	2226.76	800.73	452.78	377.65	57.00

* From the date of incorporation of the company on 24-12-1999 to 31-03-2000.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. a) Accounting Convention

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

b) Revenue Recognition:

All expenses and income to be payable or receivable respectively are accounted on accrual basis.

c) Fixed Assets & Depreciation:

Fixed assets have been stated at original cost less depreciation.

d) Depreciation:

Depreciation has been provided in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956 and rules there on and in accordance with the period they are put to use.

However, depreciation in respect of individual items costing less than Rs. 5000/- was not fully written off in the year of their acquisition as per Sch –XIV of the Companies Act, 1956. If the same was provided, the Profit for the period under consideration would have been reduced by Rs. 297,582/-.

e) Inventories:

Inventories are valued at cost or Market Value whichever is less.

f) Investments:

Long term investments are stated at cost. The current investments are stated at lower of cost or market value in the Balance Sheet. Wherever, the market value is lower than the cost of acquisition, the difference (loss) in account has been charged off to Profit & Loss Account.

2. Additional particulars required to be furnished as per amendments to Part-II of Schedule-VI to the Companies Act, 1956 (As certified by the Management)

	Current Period Rs. ('000)	Previous Year Rs. ('000)
a) Particulars of opening, closing stocks Purchases and Sales		
EXPORT SALES		
On site development & Services	3,140	530
Software Products	98,366	71,904
DOMESTIC SALES		
On site Development & Services	2,757	738
b) Managerial Remuneration:		
Managing Director's Salary per month	20	NIL
Allowances (Telephone & Conveyance) per month	20	NIL
Medical Reimbursement per annum (LTA- As per Company's rules) (P.F. – 12% of Basic Pay)	20	NIL
c) Value of Imports on C.I.F. Basis	2,291	2,057
d) Expenditure in foreign currency	15,651	10,795
e) Amount remitted in foreign currency on account of dividends	1308	386
f) Earnings in foreign exchange	99,956	58,986

3. Claims against the Company not acknowledged as debts

NIL

NIL

4. Contingent liabilities not provided for

NIL

NIL

5. The Company has sent letters of confirmation of balance to the Debtors and the same is yet to be received. Necessary adjustments in the accounts arising out of reconciliation will be made after receipt of the confirmation.

No provision for doubtful debt has been made on the longstanding balance of Rs.43,69,218/- from SRI BAYANEMAS, Malaysia, as the company is confident of realising the same. If provided, the profit for the current period would be less by that amount.

6. Previous years' figures have been regrouped/rearranged wherever necessary to make them comparable. However the figures for the nine month Period ended 31st December, 2003, are not comparable with the figures of previous year ended 31-3-2003.
7. Office units admeasuring 4308 Sq.ft and 3554 Sq.ft have been allotted on 1-3-2000/8-11-02 respectively at Cyber Towers, Hitec City by L&T Infocity Limited with option for outright purchase or deferred payment purchase in accordance with commercial terms and conditions specified. The deposits and advances including the installments paid in accordance with the terms and conditions have been reflected as current assets in the Balance Sheet. Pending such exercise of option, the amounts so paid were neither capitalised nor written off to the profit and Loss a/c but were shown under loans and Advances in the balance sheet. The accumulated non-refundable advance with L&T Infocity Limited as on the date was Rs. 77,30,280/-. If the same was capitalized and the depreciation was provided on pro-rata basis, the profit as on 31-12-2003 would have been reduced by Rs. 5,28,145/-
8. Provision for Income Tax on Income from Other Sources and Domestic turnover has been provided and Export Income from Business is exempt to the extent of 90% u/s 10A of the IT Act, 1961, upto the Assessment year 2009-2010. The company has been registered with the Software Technology Park of India and hence entitled to tax holiday under the IT Act, 1961.
9. Foreign Currency Transactions
Transactions in Foreign Currency are recorded in the books by applying the average rate and any difference on realisation due to fluctuation in Foreign Currency treated as loss or gain on account of Foreign Exchange fluctuation and debited/credited to Profit & Loss Account, as the case may be. However, an amount of Rs. 21,44,462/- being the loss on account of difference in foreign exchange fluctuations in respect of monetary items as on date was not debited to the Profit and Loss A/c.
10. Segment Reporting:
The company has only one product and provides various types of services relating to that product. Hence only one segment from which revenues are realised i.e., Software product, license and related services. Whereas, Geographical segmentation is concerned, the revenues are generated in the following regions namely North America Rs. 970.06 lacs, Asia Pacific Rs.64.34 lacs and Europe Rs. 8.23 lacs.
11. Retirement Benefits:
1) Liability in respect of provident fund is provided on actual basis.
2) Liability on account of leave encashment for employees is provided on actual basis.
3) No liability is provided in respect of Gratuity and other superannuation benefits for the period ended 31/12/03. No Actuarial valuation is made as the company is only about four years old and so none of the employee is eligible for Gratuity till he/she completes five years of service. However, the liability on this account is Rs.8,31,942/- as on date, as computed by the management. Also liability for leave encashment for the period ended 31-12-03 will be Rs.3,05,318/-, as computed by the management and provision will be made in the accounts for the year ended 31-03-04. If provided, the profit for the current period would be less by those amounts.

12. Earning per share (EPS): As per AS-20 , the Basic Earning per share is as follows:

	AS AT	
	31/12/2003 Rs.	31/03/2003 Rs.
Net Profit available to Equity share holders	56,293,204	28,828,220
Weighted average no. of equity shares (Nos.) outstanding, considered for basic EPS (Weightage on the basis of fraction of month i.e., more than 15 days taken as full month and less than 15 days ignored)	17,964,581	13,585,926
Basic Earnings per share	3.13	2.12
Weighted average no. of equity shares (Nos.) outstanding, considered for basic EPS (Weightage on the basis of no. of days holding)	17,229,121	2.12
Basic Earnings per share	3.27	

13. Deferred Taxes:

No provision for deferred taxes has been made, as the timing differences existing as at 31st December, 2003 would would reverse within the tax holiday period of the company, as per the provisions of section 10A of the Income Tax Act, 1961.

14. Issue of shares under Sweat Equity: (Upto 31/12/03)

	No. of shares
Directors	7,526,900
Employees	<u>791,624</u>
TOTAL:	<u>8,318,524</u>

15. A sum of Rs. 41,92,860/-, & Rs. 2,25,14,655 being the Sweat Equity expenditure for the Financial Year 2002-03 and the nine months period ended 31/12/2003, respectively has been written off from the Share Premium account.

16. The company has invested in Four Soft International Inc and Four Soft LLC, USA and those investments have been approved by the RBI.

17. OPERATION OF BRANCHES:

The Company has Branches in Singapore and United Kingdom. These overseas branches are looking after the marketing operations of the company and the revenue is totally generated in India. The said Branch Accounts (Expenditure) have been incorporated in the accounts of the company. Hence, no separate statement of accounts have been annexed to the financial statements of the company.

18. FOUR SOFT LLC, USA (WOS):

It is a 100% subsidiary of Four Soft Limited and caters to the implementation and marketing aspects of the Four Soft Limited. The revenue operations of the subsidiary Four Soft LLC, USA., and the expenditure under relevant heads have been included in the accounts of the company. Hence, No separate statement of accounts have been annexed to the financial statements of the company. During the period under consideration the company has remitted Rs. 97.15 lacs to meet the expenses amounting to Rs.86.20 lacs.

19. FOUR SOFT INTERNATIONAL Inc., USA (J.V):

Four Soft Limited has invested 25% of the equity of Four Soft International Inc. and the volume of transactions during the period under consideration amounted to Rs. 6,079,500/- towards license sales, customisation and service charges. Out of this a sum of Rs.4,699,558/- is outstanding/recoverable from them as on 31/12/03. The said Joint Venture has made arrangements for filing the returns as and when statutorily due in that Country.

20. At the EGM held on 29/07/2003, the Authorised Share Capital of the Company of Rs. 12,00,00,000/- divided into 1,20,00,000 Equity Shares of Rs. 10/- each was sub divided/split into 2,40,00,000 Equity shares of Rs. 5/- each. Further at the EGM held on 29/09/03, the Authorised Share Capital of the company was increased by Rs. 8,00,00,000 divided in to 20,77,600 Equity Shares of Rs. 5/- each and 6,96,120- 14% Redeemable optionally convertible Preference Share of Rs. 100/- each and at the EGM held on 10/10/2003, the Authorised Share Capital of the company was increased by Rs.5,00,00,000 divided into 1,00,00,000 Equity shares of Rs.5/- each. After the aforesaid enhancement the Authorised Capital of the company stood at 36,077,600 Equity Shares of Rs.5/- each and 696,120 - 14% Redeemable optionally convertible cumulative Preference Shares of Rs.100/- each, as on the date of the Balance Sheet viz., 31-12-2003.

**Per our report of even date annexed
for A.G.S.REDDY & CO.,
Chartered Accountants,**

For and on behalf of the Board

**(A.G.SURENDRANATHA REDDY)
PROPRIETOR**

**(P.SRIKANTH REDDY)
MANAGING DIRECTOR**

**(P.MANGAMMA)
DIRECTOR**

Place : Hyderabad

Date : 8th January, 2004

STATEMENT OF DIVIDEND FOR IMMEDIATELY PRECEEDING FOUR FINANCIAL YEARS

Financial Year Ended	No. of shares on which dividend is paid (nos)	Rate of dividend %	Amount of dividend (Rs.)
31st March, 2000	NIL	NIL	NIL
31st March, 2001	3,740,212	1%	241,181
31st March, 2002	4,417,074	1%	441,707
31st March, 2003	4,693,667	5%	2,346,834

The Company was incorporated on 24-12-1999.

CAPITALISATION STATEMENT

	Pre-Issue at 31-12-03 (Rs.)	As adjusted for issue (Rs.)
DEBT		
Short Term Debt	NIL	NIL
Long Term Debt	NIL	NIL
SHAREHOLDERS FUNDS		
Share Capital	118,872,470	158,622,470
Reserves & Surplus (Net of Misc.Expenditure)	103,804,118	262,804,118
TOTAL	222,676,588	421,426,588
Long Term Debt/Equity	N.A	N.A

TAX SHELTER STATEMENT

PARTICULARS	Period Ended 31-12-2003 Rs. In lacs	Year Ended			Period* Ended 31-03-2000 Rs. In lacs
		31-03-2003 Rs. In lacs	31-03-2002 Rs. In lacs	31-03-2001 Rs. In lacs	
PROFIT BEFORE TAXES	590.54	301.79	10.02	11.61	1.94
Tax on Net Profits as per applicable Rates:	211.86	110.91	3.58	4.88	NIL
ADJUSTMENTS:					
Export Profits	496.93	262.28	3.26	5.61	NIL
Diff.between tax depn.& book depn.	(13.56)	4.08	NIL	NIL	NIL
Other Adjustments	(3.07)	NIL	NIL	NIL	NIL
NET ADJUSTMENTS	513.57	266.36	3.26	5.61	NIL
Tax saving thereon	184.24	97.89	1.16	2.22	NIL
Total Taxation (Tax Liability)	27.61	13.02	2.41	2.66	NIL
Taxation on Extraordinary items	NIL	NIL	NIL	NIL	NIL
Tax on profit before extraordinary items	27.61	13.02	2.41	2.66	NIL

* From the date of incorporation of the company on 24-12-1999 to 31-03-2000.

RATIO ANALYSIS

PARTICULARS	Period Ended 31-12-2003	Year Ended 31-03-2003	Year Ended 31-03-2002	Year Ended 31-03-2001	Period* Ended 31-03-00
Earnings Per Share (Rs.)	2.37	6.14	0.17	0.23	0.13
NAV per share (Rs.)	9.07	16.80	8.05	6.11	1.06
Return on Net worth (%)	27.38	38.28	2.81	3.26	3.47
No.of Equity shares **	23,774,494	4,693,667	4,417,074	3,740,212	1,477,000

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

NAV per share = Share Capital + Reserve & Surplus - Miscellaneous Expenditure Not yet written off/No. of shares outstanding as on 31st March of respective year.

Return on Net worth = Earnings before Interest & Tax during the year/Net worth as on 31st March of Respective year.

* From the date of incorporation of the company on 24-12-1999 to 31-03-2000.

** At the EGM held on 29/07/2003, the Authorised Share Capital of the Company of Rs.12,00,00,000/- divided into 1,20,00,000 Equity Shares of Rs.10/- each was sub divided/split into 2,40,00,000 Equity shares of Rs.5/- each.

C. STATUTORY AND OTHER INFORMATION

MINIMUM SUBSCRIPTION:

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act 1956.

EXPENSES OF THE ISSUE

The expenses of the Issue payable by Four Soft inclusive of brokerage, fees payable to the Lead Manager to the Issue, Registrar to the Issue, Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will not exceed Rs.135 Lacs, and will be met out of the proceeds of the present issue.

FEES PAYABLE TO THE LEAD MANAGER

The total fees payable to the Lead Managers is Rs. 35 lacs will be as per the Memorandum of Understanding signed with the respective Lead Managers, copies of which are available for inspection at the Registered Office of the Company.

FEES PAYABLE TO THE REGISTRARS TO THE ISSUE

The fees payable to the Registrars to the Issue, will be as set out in Memorandum of Understanding entered into with them kept open for inspection at the Registered Office of Four Soft Ltd.

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

BROKERAGE AND SELLING COMMISSION

Brokerage for the issue @ 1.25% of the Offer Price of the Equity Shares would be paid by Four Soft Ltd. on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/ Agents' codes on the application form, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

PAYMENT OR BENEFIT TO THE DIRECTORS AND OFFICERS OF THE COMPANY

All the directors of FSL may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committee thereof as well as to the extent of other remuneration and/or reimbursement of expenses payable to them under the Articles.

The Directors may also be regarded as interested in the shares, if any, held by or that may be subscribed by and allotted/ transferred to the companies, firms and trust, in which they are interested as Directors, Members, partners and or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by FSL with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

The Managing Director is interested to the extent of remuneration paid to him for services rendered to the Company. Further, the MD is interested to the extent of equity shares that he is holding and also to the extent of any dividend payable to him and other distributions in respect of the said Equity Shares.

Company has issued Sweat equity shares to Directors and Employees as per the provisions of the Companies Act, 1956 and Stock Options to Whole time Directors and Employees of the Company from the Four Soft Ltd. – Employee Welfare Trust to the extent permissible under the SEBI (ESOP & ESPS) Guidelines.

Except as stated otherwise in this Prospectus, the Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

PREVIOUS PUBLIC OR RIGHTS ISSUES

This is the first public issue of the Company. The company has not made any public issue previously.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

Four Soft Ltd. has not made any public or rights Issue since its inception and has not paid any commission or brokerage.

ISSUE OF SHARES OTHERWISE THAN FOR CASH

Four Soft Ltd. has not issued any equity shares for consideration other than cash. However, the company has issued sweat equity shares at Rs. 1 per share to promoters, directors and employees details of which have been given under Notes to Capital Structure in this document.

ISSUE OF DEBENTURES, REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS

Four Soft Ltd. has not made any public or rights Issue of Debentures, Redeemable Preference Shares or any other instruments.

OPTION TO SUBSCRIBE

As of the date of this document, there are no pending options to subscribe to equity shares or convertible instruments pending conversion into equity shares of any kind .

PURCHASE OF PROPERTY

Four soft is planning to purchase the existing leased office space of 7862 sq. ft. which is leased from L&T Infocity, Hyderabad. The Company is also planning to take on lease an additional space of 5,700 sq.ft.

Except as stated in "Objects of the Issue" in this Prospectus and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the Issue, there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- The contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- The amount of the purchase money is not material. Except as elsewhere stated in this Prospectus, the Company has not purchased any property in which any of its promoters and/or Directors, have any direct or indirect interest in any payment made thereof.

APPOINTMENT AND REMUNERATION OF MANAGING DIRECTOR

Mr. Palem Srikanth Reddy was re- appointed as Managing Director for a period of 5 years with effect from 18th July, 2003 on the following terms and conditions: -

- a) Salary Rs. 20,000/- per month.
- b) Perquisites:

Category – A:

- i) Provident fund @ 12% with equal contribution by the Company or as decided by the Board of Directors from time to time.
- ii) Reimbursement of Telephone Expenses upto Rs.10,000/- p.m
- iii) Medical reimbursement for self and family upto one month's salary per year.

Category – B

- iv) Reimbursement of conveyance expenses Rs. 10,000/- p.m.
- v) Leave Travel Concession : As per the rules of the Company.

Since inception of the Company Mr. Srikanth , the promoter has not taken any salary for the full time services rendered by him as Managing Director. Hence to compensate him for the efforts and success, he has been allotted sweat equity shares.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

The main provisions of the Articles of Association of the Company are given below:

8. 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 issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith. Provided that the Preference shareholders have voting power at a General Meeting like any other member holding equity shares on matters that directly affect their rights in the event the dividend on such preference shares are in arrears for not less than two years before the meeting, on all resolutions at every meeting of the Company.

15A Company to recognise Interest in dematerialised Securities under Depositories Act.

2. Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act.

Dematerialisation / Rematerialisation of Securities

3. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, dematerialise its securities in a dematerialised form pursuant to the Depositories Act and the rules framed thereunder, if any.

Securities in Depositories to be in fungible form

4. All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in sections 153, 153A, 153B, 187B, 372A of the Act shall apply to the Depository in respect of the securities held by it on behalf of the Beneficial Owners.

Rights Of Depositories and Beneficial Owners

5. (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be 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.

Beneficial Owner Deemed as absolute owner

6. Except as ordered by a court of competent jurisdiction or as required by law, the company shall be entitled to treat the person whose name appears on the register of Members as the holder of any share or where the name appears as the Beneficial Owners of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be Bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles Otherwise expressly provided) any right in respect of a share other than any other person whether or not it has express or implied notice thereof, but the Board shall be at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

Cancellation of certificates upon surrender by a person

7. Upon receipt of certificate of securities surrendered by a person who has entered into an Agreement with the Depository through a Depository participant, the Company shall cancel such certificate and substitute in its records the name of the Depository as the registered owner in respect of the said securities and shall inform the Depository accordingly.

Options for Investors

8. Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficiary permitted by law, in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Provisions of Articles to apply to shares held in Depository

9. Except as specifically provided in these Articles, the provisions relating to joint holders of shares, call lien on shares, forfeiture of shares and transfer and transmission of share shall be applicable to shares held in depository.

Register and index of Beneficial Owners

10. The Company shall cause to be kept a Register and Index of Members and a Register and Index of Debentureholders in accordance with sections 151 and 152 of the Companies Act respectively, and the Depositories Act, with details of shares and debenture held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under section 11 of the Depositories Act shall be deemed to be the Register and Index of Members and Register and Index of Debentureholders, as the case may be, for the purposes of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Members Resident in that state or country.

LIEN

16. (i) The company shall have a first and paramount lien
- (a) on every share (not being a fully-paid share), for all money (whether presently payable or not) called, or payable at a fixed time. in respect of that share: and
 - (b) on all shares (not being fully-paid shares) standing registered in the name of a single person, for all moneys presently payable by him or his estate to the Company:
- Provided that the Board of directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.
- (ii) The Company's lien, if any, on a share shall extend to all dividends payable thereof.
17. 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-
- (a) unless a sum in respect of which the lien exists is presently payable, or
 - (b) until the expiration of fourteen days 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.
18. (i) To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof.
- (ii) The purchaser shall be registered as the holder of the shares comprised in any such transfer.
 - (iii) 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.
19. (i) The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.
- (ii) 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 at the date of the sale.

CALLS ON SHARES

20. (i) The Board may, from time to time, make calls upon the members 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.
- Provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call.
- (ii) Each member shall, subject to receiving at least fourteen days' notice specifying the time or times, and place of payment, pay to the company, at the time or times and place so specified, the amount called on his.
 - (iii) A call may be revoked or postponed at the discretion of the Board.
21. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be required to be paid by instalments.
22. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
23. (i) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from who the sum is due shall pay interest thereof from the day appointed for payment thereof to the time of actual payment at fifteen percent per annum or at such lower rate, if any, as the Board may determine.
- (ii) The Board shall be at liberty to waive payment of any such interest wholly or in part.
24. (i) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall, for the purposes of these regulations, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.
- (ii) In case of non payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and noticed.

25. The Board

- (a) may, if it thinks fit, receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him; and
- (b) upon all or any of the moneys so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate not exceeding, unless the Company in general meeting shall otherwise direct, six percent per annum, as may be agreed upon between the Board and the member paying the sum in advance.

TRANSFER OF SHARES

26. (i) The instrument of transfer of any share in the company shall be executed by or on behalf of both the transferor and transferee.
- (ii) The transferors shall be deemed to remain a holder of the share until the name of the transfer is entered in the register of members in respect thereof.
27. Subject to the provisions of Section 108, the shares in the company shall be transferred,
28. The Board may, subject to the right of appeal conferred by section 111, decline to register-
- (i) the transfer of a share, not being a fully - paid share to a person of whom they do not approve: or
 - (ii) any transfer of shares on which the company has a lien.
29. The Board may also decline to recognise any instrument of transfer unless.
- (i) A fee of two rupees is paid to the company in respect thereof;
 - (ii) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer: and
 - (iii) the instrument of transfer is in respect of only one class of shares.
30. (i) Every endorsement upon the certificate of any share in favour of any transfer shall be signed by the Managing Director or by some other person for the time being duly authorised by the Board of Directors in this behalf, In case any transfer of a share apply for a new certificate in lieu of the old or existing certificate the transferee shall be entitled to receive a new certificate in respect of which the said transfer has been applied for and upon his delivering the cancelled old or existing certificate which is to be replaced by a new one.
- (ii) Not with standing any other provisions to the contrary in these presents no fee shall be charged for any of the following viz.,
- a) for registration of transfers of shares or debentures: or for transmission of shares and debentures:
 - b) for sub division and consolidation of share or debenture certificate and for sub-division of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations corresponding to the market units of trading.
 - c) for sub-division of renounceable letters of Rights:
 - d) for issue of certificates in replacement of those which are old decrepit or worn out, or where the cages on the reserve for recording transfers have been fully Utilised,
 - e) for registration of any power of attorney, probate, letters, of administration or similar the documents.
31. The company shall keep a book called the "Register of Members" and there in shall be entered the particulars of every transfer or transmission of any shares and all other particulars to shares required by the Act, to be entered in such Register.
32. The instrument of Transfer shall after registration remain in the custody of the Company. The Board may cause all transfer deeds living with the Company for a period of 6 years or more, to be destroyed.
33. The Board of Directors after giving not less than 7 days notice by advertisement in some news papers circulating in the district in which the Registered Office of the Company is situated close the Register of Members or the Register of Debenture holders for any period or periods not exceeding in the aggregate 45 days in each year but not exceeding 30 days at any one time.
34. The Company shall be entitled to charge a fee not exceeding two rupees on the registration of every probate, letters, of administration, certificate of death or marriage, power of attorney, or other instrument.
35. (i) The executor's or administrators of deceased member (not being one of several joint holders) shall be the only persons recognised by the company as having any title to the shares registered in the name of such member

and in the case of death of any one or more of the joint holders of any registered share, the survivors shall be the only persons recognised by the company as having any title to or interest in such shares.

Provided that if the member has been a member of joint Hindu undivided family the Board on being satisfied to that effect that the shares standing in his name, in fact belong to the joint family, may recognise the survivors or the Kartha thereof as having title to the shares register in the name of such member.

Provided further in any case it shall be lawful for the Board in their absolute discretion to dispense with the production of probate or letters of administration or other legal representation upon such terms as to indemnity or otherwise as the Board may deem just.

- (ii) Nothing in clause (1) shall release the estate of a deceased joint holder from any liability in respect of any shares which were jointly held with other persons.
36. (i) 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 subjects hereinafter provided, elect, either.
- (a) to be registered himself as holder of the share; or
 - (b) to make such transfer of the share as the deceased or insolvent member could have made.
- (ii) 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.
37. (1) 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.
- (2) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.
- (3) All the limitations, restrictions and provisions of these regulations 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.
38. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company: provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share, until the requirements of the notice have been complied with.
39. The Company shall incur no liability or responsibility whatever in consequence of their registering or giving to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same shares notwithstanding that the Company may have had notice of such equitable rights as referred thereto in any books of the Company and the company shall not be bound by or required to regard or attend to give effect to any notice which may be given to it of any equitable rights. Title or interest be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in the books of the Company, but the company shall nevertheless be at liberty to have regard and attend to any such notice and give effect thereto, if the Board shall think fit.

FORFEITURE OF SHARES

40. If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.
41. The notice aforesaid shall -
- (a) Name a further day (not being earlier than the expiry of fourteen days from the date of service of notice) on or before which the payment required by notice is to be made: and
 - (b) State that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made will be liable to be forfeited.

42. 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, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.
43. (i) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.
- (ii) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.
44. (i) 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.
- (ii) 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.
45. (i) A duly verified declaration in writing that the declarant is a director or 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 person claiming to be entitled to the share.
- (ii) 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.
- (iii) The transferee shall there upon 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.
46. The provisions of these regulations as to forfeiture shall apply in the case of nonpayment 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.

CONVERSION OF SHARES INTO STOCK

47. The company may, by ordinary resolution,
- (a) convert any paid-up shares into stock; and
- (b) reconvert any stock into paid-up shares of any denomination.
48. The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit:
- Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose.
49. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
50. Such of the regulations of the company (other than those relating to share warrants), as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" in those regulations shall include "stock" and "stock-holder" respectively.

SHARE WARRANTS

51. The company may issue share warrants subject to, and in accordance with, the provisions of sections 114 and 115: and accordingly the Board may in its discretion, with respect to any share which is fully paid up, on application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identity of the person signing the application, and on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.
52. (i) The bearer of a share warrant may at any time deposit the warrant at the office of the company, and so long as the warrant remains so deposited, the deposit shall have the same right of signing a requisition for calling a meeting of the company, and of attending and voting and exercising the other privileges of member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the register of members as the holder of the shares included in the deposited warrant.

- (ii) Not more than one person shall be recognised as depositor of the share warrant.
 - (iii) The Company shall on two days written notice, return the deposited share warrant to the depositor.
53. (i) Subject as herein otherwise expressly provided no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of company, or attend, or vote or exercise any other privileges of a member at a meeting of the company, or be entitled to receive any notices from the company.
- (ii) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the register of members as the holder of the shares included in the warrant, and he shall be a member of the Company.
54. The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.
- 54A. The Directors are authorised to issue equity shares or debentures (whether or not convertible into equity shares) for offer and allotment to such of the officers, employees and workers of the company as the Directors may select or the trustees of such trust as may be setup for the benefit of the officers, employees and workers in accordance with the terms and conditions of such scheme, plan or proposal as the Directors may formulate, Subject to the consent of the "Stock Exchanges" and of the Securities and Exchange Board of India, the directors may impose the condition that the shares in or debentures of the company so allotted shall not be transferable for a specified period.

ALTERATION OF CAPITAL

55. The company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution.
56. The company may, by ordinary resolution, -
- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares:
 - (b) subdivide 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 subsection (1) of section 94;
 - (c) 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.

REDUCTION OF CAPITAL

57. Subject to the confirmation of the Court, the Company may from time to time by special resolution and in a manner authorised by law, reduce (a) Its share Capital (b) any capital redemption reserve account or (c) share premium account in any way and in particular without prejudice may:
- a) Extinguish or reduce the liability on any of its shares in respect of share capital not paid up.
 - b) Either with or without extinguishing or reducing liability on, any of its shares, cancel any paid up share capital which is lost, or is unrepresented by available assets : or
 - c) Either with or without extinguishing or reducing liability on any of its shares, cancel the paid up Capital which is in excess of the wants of the Company, and may, in so far as is necessary, alter its memorandum by reducing the article does not derogate any power the Company would have if it were omitted.
 - d) Save as otherwise provided, the company is permitted to Buy-back its shares or other securities subject to the provisions of sub-se (tion(2) of section 77B of the Act.

GENERAL MEETINGS

58. The Company shall in addition to other meetings hold general meeting which shall be styled as its Annual General Meeting at intervals and in accordance with the provisions specified below :
- i) The annual general meeting of the Company shall be held once in every calender year within 6 months after the expiry of each financial year subject however to the power of the registrar of Companies to extend the time within which such a meeting can be held for period not exceeding 3 months and subject thereto not more than fifteen months shall elapse from the date of one annual general meeting and that of the next.
 - ii) Every Annual General Meeting shall be called for at time during the business hours of a day that is not a public holiday and shall be held either at the registered office of the company or some other place with in the city, town or village in which the registered office of the Company is situated.
 - iii) Notice calling such meeting shall specify them as the Annual General Meetings, A General meeting of the company may be called by giving not less than 21 days notice in writing.

- iv) All other meetings shall be referred to as Extra Ordinary General Meetings.
59. (1) The Board may, whenever it thinks fit, call an extraordinary general meeting.
- (2) If at any time there are not within India directors capable of acting who are sufficient in number to form a quorum. Any director or any two members of the company may call an extraordinary general meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board.

PROCEEDING AT GENERAL MEETINGS

60. (i) 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.
- (ii) Save as herein otherwise provided, five members present in person shall be a quorum.
61. The chairman, if any, of the Board shall preside as chairman at every general meeting of the company.
62. If there is no such chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairman of the meeting, the directors present shall elect one of their number to be chairman of the meeting.
63. 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 number to be chairman of the meeting.
64. A poll demanded on the election of chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time not being later than 48 hours from the time when demand was made as the chairman may direct.
65. (i) 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.
- (ii) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (iii) 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.
- (iv) 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.
66. 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 second or casting vote.
67. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

VOTES OF MEMBERS

68. Subject to any rights or restrictions for the time being attached to any class or classes of shares, -
- (a) On a show of hands, every member present in person shall have one vote; and
- (b) On a poll, the voting rights of members shall be in proportion to his share of paid-up capital in respect of his shares.
69. In the event of the Company issuing any preference share the holders of such preference shares shall have the voting rights set out in that behalf in Section 87 of the Act.
70. A demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than on which a poll had been demanded. The demand for a poll may be withdrawn at any time by the person who made the demand.
71. In the case of joint holders, the vote of the senior 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, seniority shall be determined by the order in which the names stand in the register of members.
72. 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,

73. 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.
74. On a poll, votes may be given either personally or by proxy,
75. (i) 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.
- (ii) Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.
76. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint any person whether a member or not as his proxy to attend and vote instead of himself, but the proxy so appointed shall not Unless he be a member, have any right to speak at the meeting and shall not be entitled to vote except on poll.
77. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarily 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 24 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.
78. (i) If the appointer is a corporate body (whether a Company within the meaning of the Act or not) may, if it is a member or a creditor or debenture holder of the Company, by the resolution of its Board of Directors or other governing body authorise such person at it thinks fit to act as its representative at any meeting of the Company or at any meeting of any creditor of the company held in pursuance of the provisions contained in or authorised by resolution as aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that creditor or holder of debentures of the Company.
- (ii) So long as an authorisation under clause above is in force, the power to appoint proxy shall be exercised only by the person so appointed as representative.
79. An instrument appointing a proxy shall be in either of the form in schedule IX to the Act or a form as near thereto as circumstances admit. A proxy need not be a member.
80. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given:
- Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.
81. Subject to the provisions of the Companies Act, 1956, the Chairman of a General Meeting shall be the sole and absolute judge of the validity of every vote tendered at such meeting, or at a poll demanded at such meeting and may allow or disallow any vote tendered, according as he shall be of opinion that the same is or is not valid.

DIRECTORS

82. The Company shall have not less than three and not more than twelve Directors unless otherwise determined by the members at a General meeting including all kinds of other directors if any.
83. The first Directors of the Company are :
- 1. PALEM SRIKANTH REDDY**
 - 2. SMT. PALEM MANGAMMA**
84. Any person whether a member of the Company or not, can be appointed as a Director of the Company and no qualification by way of share holding shall be required.
85. The Directors may elect one of their body to the office of the chairman of the Board of Directors, and the Director so elected as Chairman shall hold office for a period of two years subject to the pleasure of the Board and subject to his continuing as a Director and he shall preside over all the meetings of the Board and the General Meeting during tenure of office.
86. In case the Union Government or any State Government Financial institutions sponsored or financed by the above Governments and other institutions, Venture Capital institutions, Mutual funds etc. by way of grants, or loans

accepts participation or extends guarantees on behalf of the Capital of the Company such Government or institution shall,

If the agreement between it and the company so provides, be entitled so long as the Company is indebted to such Government or institution which continues to be interested in the Company as a shareholder or in any fiduciary capacity to nominate and from time to time substitute in place of such nominee one or more Directors to protect, the interest of each such Government or Corporation, on the Board of Directors and while holding such office such nominee shall not be liable to retire by rotation nor be liable to hold any qualification shares.

87. The Board shall have power to co-opt one or more persons to be Directors, but so that the total number shall not be below three and shall not exceed twelve. In the place of a Director who is about to leave or is absent from the state in which the meetings of Directors are generally held, the Board may appoint any person to be an alternate Director, provided such absence shall not be for lesser period than three months and such appointee while he holds office as an alternate Director shall be entitled to receive notice of all meetings of the Directors and to attend and vote there at and on all resolutions proposed in circulation, but he shall IPSO FACTO vacate office as Director if and when the original Director returns to the State in which the meeting are generally held.
88. Not less than two thirds of the total number of Directors of the Company shall be persons whose period of office is liable to determination by retirement of Directors by rotation and save as expressly provided in the Act and these articles, be appointed by the Company in general meeting. The remaining Directors shall be in accordance with these articles. The UTI A/c. ITVUS Scheme, shall appoint a nominee director, who shall not retire for an initial period of two years from the date of appointment, subject to such terms as defined under the Investment Agreement, and later shall be liable to retire by rotation thereafter. At every annual general meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or multiple of three, the number nearest to one-third shall retire from office.
89. Subject to the provisions of Section 262 (2) and Section 284 (5) of the Act, the Directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those who are to retire shall, be determined by lot.
90. Subject to the provisions of Section 256 of the Act if any meeting at which an election of Directors ought to take place, the place of the vacating Directors is not filled up and the meeting has not expressly resolved not to fill up the vacancy, the meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place, and if at the adjourned meeting the place of retiring Directors is not filled up and the meeting has also not expressly resolved not to fill up the vacancy then the retiring Directors or such of them as have not their places filled up shall be deemed to have been re-appointed at the adjourned meeting.
91. No Director of a Company shall, as a director, take any part in the discussion, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote his vote shall be void.
92. If any Director appointed by the general meeting vacates office as a Director before his term of office expires in the normal course, the resulting casual vacancy may be filled up by the Board at a meeting of the Board of Directors, but any person so appointed shall retain his office so long as the vacating director would have retained the same is no vacancy had occurred.

Provided that the Board of directors may not fill such a vacancy by appointing there to any person who has been removed from the office of Director under section 284 of the Companies Act, 1956.
93. Subject to the provisions of Section 314 of the Act, any Director shall be appointed in any other capacity of professional nature provided that the Central Government is of the opinion that the Director possess the requirement qualifications for the practice of the profession the Board of Directors may pay to such Directors such special remuneration as they think fit, which remuneration may be in the form of either salary, commission or a lump sum and may either be in addition to or in substitution of the remuneration specified in the article.
94. Subject to provisions of Section 198,309, 310 of the Act and subject to such approvals as may be necessary, the Board may appoint one of them to the office of Managing Director for five years term, subject to his continuing as a Director and on such a remuneration as per schedule XIII of the Companies Act, 1956 or as per the rates prescribed by Central Government from time to time and a Director so appointed shall not, while holding that office, be subject to retirement by rotation.
- 94A.1. The fee payable to a directors including the Chairman for attending a meeting of the Board or Committee thereof shall be such sum as shall from time to time be determined by the Board within the limits prescribed in that behalf from time to time by the Central Government under or pursuant to the Act. The Managing

Director, the Deputy Managing Director, if any and a Director who is not normally resident in India, shall not be entitled to receive any fee for attending a meeting of the Board or committee thereof, but a resident alternate Director for a director, who is not normally resident in India, shall be entitled to receive such fee as is provided herein, PROVIDED that where an Alternate Director is himself a director of the company he shall not be entitled to receive any fee in his capacity as alternate Director.

2. "The Board may follow and pay to any Director such sum as the Board may consider fair compensation for travelling, boarding, lodging and other expenses, incurred in connection with the business of the company, including attendance at a meeting of the Board or Committee thereof"
95. The Managing Director upon the request of any Director shall convene the meeting of the board. All meetings of the board of the Company shall, unless otherwise determined by the board, be held at the registered office of the Company, the quorum for a meeting shall be two directors or one third of the total strength (any fraction contained in one third being rounded off as one) which ever is higher the Board shall meet at least once in every three months and at least four meetings shall be held in every calendar year.

Provided that where at any time the number of interested directors exceeds or is equal to two thirds of the total strength, the number of the remaining directors, that is to say, the number of the directors who are not interested (present at the meeting being not less than two) shall be the quorum during such time.
96. Save as other wise expressly provided in the Act a resolution in writing signed by all or a majority of the members of the board or of committee thereof for the time being entitled to receive notice of a meeting of the Board been passed last Meeting of the Board or committee. duly convened and held. In the event signature of any one or more of the Directors to any such resolution being affixed on different dates the said resolution shall be deemed to be passed on the date of signature of the Directors signing last.
97. The office of a Director shall be vacated if:
 - i) He is found to be of unsound mind by a court of competent jurisdiction; or
 - ii) He applies to be adjudicated or is adjudged an insolvent;
 - iii) He fails to pay any call in respect of shares of the Company held by whether alone or jointly with others with in six months from the last date fixed for the payment of the call unless the central government has by notification in official gazette removed the disqualification incurred by such failure; or
 - iv) He is convicted by a court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months; or
 - v) He absents himself from three consecutive meetings of the Board or from all meetings of the Board for a continuous period of three months, which ever is longer without obtaining leave of absence from the Board; or
 - vi) He (whether by himself or by any person for his benefit or on his account or any firm in which he is partner or any private company of which he is a Director) accepts a loan, or any guarantee or security for a loan from the Company in Contravention of section 295; or
 - vii) He acts in contravention of Section 299; or
 - viii) He becomes disqualified by an order of court under section 203; or
 - ix) He is removed in pursuance of Section 284; or
 - x) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company provided that notwithstanding any thing in subclause (b), (d) and (h) above the disqualification referred to in those clauses shall not take effect:
 - a) for thirty days from the date of the adjudication sentence or order.
 - b) where any appeal or petition is in preferred within the thirty days aforesaid against the adjudication sentence or conviction resulting in the sentence or order Until the expiry of seven days from the date on which such appeal or petition is disposed off or
 - c) Where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication sentence, conviction or order and the appeal or petition if allowed would result in the removal of the disqualification until such further appeal or petition is disposed off or
 - d) Any of the disqualifications as may be prescribed by the Act from time to time.

POWERS OF THE BOARD

98. The business of the Company shall be managed by the Managing Director and other Directors. Subject to the provisions of this Act, the Board of directors of a company 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 or do any act or thing which is directed or required, whether by this or any other Act or by the memorandum or articles of the company or otherwise, to be exercised or done by the company in general meeting.

Provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions contained in that behalf in this or any other Act, or in the memorandum or articles of the Company, or in any regulations not inconsistent there with and duly made thereunder, including regulations made by the company in general meeting.

No regulation made by the company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

MANAGER OR SECRETARY

116. Subject to the provisions of the Act :-

- (i) A manager or secretary may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any manager or secretary so appointed may be removed by the Board.
- (ii) A director may be appointed as manager or secretary.

117. A provision of the Act or these regulations requiring or authorising a thing to be done by or to a director and the manager or secretary shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, the manager or secretary,

ACCOUNTS

- 118. (i) The Board shall from time to time determine whether and to what extent and at what times and places and under what 'conditions or regulations, the accounts, and books of the Company, or any of them, shall be open to the inspection of members not being directors.
 - (ii) No member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the Board or by the company in general meeting.
 - (iii) Notwithstanding (i) & (ii) above officers and authorised nominee of any financial institutions giving loan or any other form of financial assistance shall have a right to inspect the factory, records documents, registers, Books of Accounts and other relevant Statutory Books and obtain copies & extracts from them during normal working hours of the Company
119. Books of accounts shall be kept at Registered Office of the Company or at such other place in India as the Managing Director thinks fit.
120. Every account of the Company when audited and approved by a General Meeting shall be conclusive except as regards any error discovered therein before or at the audit of the next account shall be forthwith corrected and hence forth shall be conclusive.

SEAL

- 121. (i) The Board shall provide for the safe custody of the seal.
- (ii) The seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorised authority of a resolution of the Board or of a committee of the Board authorised by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person as aforesaid shall sign every instrument to which the seal of the Company is so affixed in their presence.
- (iii) Subject to the resolution passed at the Board, the common seal of the Company, may be taken outside the State of Registered Office for affixing on such contract agreements entered into from time to time.

DIVIDENDS AND RESERVE

122. The company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.
123. The Board may from time to time pay to the member such interim dividends as appear to it to be justified by the profits of the Company.
124. (i) 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.

- (ii) The Board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve.
125. (i) 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 share.
- (ii) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulations as paid on the share.
 - (iii) 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.
126. 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.
127. (i) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.
- (ii) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.
128. Any one of two or more joint holders of a share may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such share.
129. 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.
130. No dividend shall bear interest against the company.

CAPITALISATION OF PROFITS

131. (i) The Company in general meeting may, upon the recommendation of the Board, resolve-
- (a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company's reserve accounts or to the credit of the profit and loss account, or otherwise available for distribution; and
 - (b) that such sum be accordingly set free for distribution in the manner specified in clause (ii) amongst the members who would have been entitled thereto. if distributed by way of dividend and in the same proportions.
- (ii) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (3), either in or towards-
- (a) paying up any amounts for the time being unpaid on any shares held by such members respectively;
 - (b) paying up in full, unissued shares of the company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid; or
 - (c) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).
- (iii) A share premium account and a capital redemption reserve account may, for the purposes of this regulation, only be applied in the paying up of un issued shares to be issued to members of the company as fully paid bonus shares.
- (iv) The Board shall give effect to the resolution passed by the company in pursuance of this regulation.
132. (1) whenever such a resolution as aforesaid shall have been passed, the Board shall-
- (a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby. an all allotments and issues of fully paid shares if any; and
 - (b) generally do all acts and things required to give effect thereto.
- (2) The Board shall have full power-
- (a) to make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it think fit, for the case of shares or debentures becoming distributable in fractions; and also

- (b) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalisation, or (as the case may require for the payment up by the company on their behalf, by the application thereto of their respective proportions of the Profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares.

(3) Any agreement made under such authority shall be effective and binding on all such members.

WINDING UP

133. (i) If the company shall be wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.
- (ii) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.
- (iii) The Liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

134. Every officer or agent for the time being of the Company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 633 in which relief is granted to him by the court.

ARBITRATION

135. Whenever any difference of dispute arises between the Company on one hand any of the members or either their heirs executors administrators or assignors on the other hand, or between the members interest touching the true intent or construction of the incidents or consequences of these presents or the statutes. or touching any thing when or there after done, executed, omitted resuffered in pursuances of these presents or of the statutes or touching any breach or otherwise relating to the promises or to these presents or to any stature affecting the company or to any of the officers of the Company, every such differences or disputes shall be referred to the decision of an arbitrator or be appointed by the parties to the dispute or in difference or if they cannot agree upon a single arbitrator, to the decisions of two Arbitrators, of whom one shall be appointed by each of the parties to the dispute or in difference, such arbitration will be governed by the laws for the time being in force.

SECRECY

136. Every Director, Manager, Employee shall maintain and observe strict secrecy in regard to all transactions of the company and to pledge by means of declaration as may be needed not to reveal any of the matters which come to their knowledge in discharge of duties.

REVALUATION OF ASSETS

The Company has not revalued any of its assets since its inception.

E. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts not being contracts entered in the ordinary course of business carried on by Four Soft Limited which are or may be deemed material contracts have been attached to the copy of this Prospectus delivered to the Registrar of Companies, Andhra Pradesh, at Hyderabad. for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of Four Soft Limited at 5 Q1, A3, 5th Floor, Cyber Tower, Hitec City, Madhapur, Hyderabad – 500 033 between 11.00 a.m. to 5.00 p.m. on any working day from the date of the Prospectus to until the date of closing of the issue.

I. MATERIAL CONTRACTS

1. Memorandum of Understanding dated April 1, 2003 with UTI Securities Limited, appointing them as Lead Managers to the issue.
2. Memorandum of Understanding dated April 7, 2003 with Centrum Finance Limited, appointing them as Co-Lead Managers to the issue.
3. Memorandum of Understanding dated July 25, 2003 signed with Karvy Consultants Limited, appointing them as Registrar to the issue.
4. Consent Letter of V. S. Raju 15th October 2003 as Legal Advisor to the Issue
5. Tripartite Agreement dated October 16, 2003 between the Company, Karvy Consultants Ltd. and NSDL.
6. Tripartite Agreement dated November 24, 2003 between the Company, Karvy Consultants Ltd and CDSL.
7. Copy of Land Lease Deed with L& T Infocity dated February 25, 2000 and November 8, 2002.
8. Channel Partnership agreement dated 6th March, 2002 with Four soft International
9. Alliance Partnership Agreement dated 8th May, 2002 with Satyam Software Services Ltd.
10. Copies of agreements with existing customers.

II. DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of Four Soft Limited.
2. Certificate of Incorporation of the company dated December 24, 1999 and the fresh certificate of incorporation dated April 23, 2003 issued on conversion into public limited company and change of name.
3. Resolution passed under Section 81(1A) of the Act, at the EGM of the Company held on October 13, 2003.
4. Resolution Passed by the Board of Directors at their meeting held on October 6, 2003 for the proposed Public Issue.
5. Consent from the Directors, Compliance Officer, Auditor, Lead Managers, Registrars to the issue, Bankers to the issue, Bankers to the Company and Legal Advisor to act in their respective capacities.
6. Certificate dated August 5, 2003 from M/s. A.G. S. Reddy & Co., Auditors of the Company detailing the of tax benefits.
7. Auditor's report dated January 8, 2004 included in the Prospectus and copies of the Balance Sheet referred in the said report.
8. Copy of the Auditors Certificate regarding the Sources and Deployment of Funds as on December 31, 2003.
9. Listing Application made to NSE & BSE.
10. In-principal approvals from NSE & BSE dated January 12, 2004 and January 15, 2004 respectively.
11. Copies of the Resolution dated 18th July 2003 appointing Mr. Palem Srikanth Reddy as Managing Director.
12. Copies of Power of Attorneys from Directors to sign the prospectus on their behalf.
13. Copies of Quotation Obtained and Purchase Orders placed for office equipments and computers.
14. SEBI Acknowledgement Card dated January 28, 2004 and compliance report of Lead Managers dated 29th January 2004 & 30th January 2004.
15. Project Appraisal Report prepared by UTI Securities Ltd. dated October 13, 2003.

PART III

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the government or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be.

We, the directors of Four Soft Limited, hereby declare and confirm that no information / material likely to have a bearing on the decision of the investors in respect of the equity shares issued in terms of the Prospectus has been suppressed / withheld and / or incorporated in the manner that would amount to misstatement / misrepresentation.

SIGNED BY THE DIRECTORS

Mr. Palem Srikanth Reddy

Mr. Koh Boon Hwee
(By his constituted Power of Attorney Mr. P.Srikanth Reddy)

Mr. David Ian Beatson
(By his constituted Power of Attorney Mr. P.Srikanth Reddy)

Mr. Douglas Terence Ash
(By his constituted Power of Attorney Mr. P.Srikanth Reddy)

Mr. Suresh C Rajpal
(By his constituted Power of Attorney Mr. P.Srikanth Reddy)

Mr. WalterJ Sousa Jr.
(By his constituted Power of Attorney Mr. P.Srikanth Reddy)

Ms. Palem Mangamma
(By her constituted Power of Attorney Mr. P.Srikanth Reddy)

Date: February 3, 2004.

Place : Hyderabad.