

OFFER DOCUMENT

(Comprising Letter of Offer for The Rights Issue Component and
Prospectus for The Public Issue Component)

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

(Incorporated as Kadambari Leasing Limited w.e.f. 20/03/1984 under Companies Act, 1956. The name of the Company was changed to Spanco Telesystems And Solutions Limited w.e.f. 11/11/1999 under the Companies Act, 1956, and a fresh Certificate of Incorporation was received from the Registrar of Companies, Maharashtra, Mumbai.)

Registered Office :

B-22, Krishna Bhuvan, B. S. Deoshi Marg, Deonar, Mumbai – 400 088
Tel: (022) 5597 5566, 2555 7201; Fax: (022) 5597 5599;
e-mail: contact@spancotele.com
www.spancotele.com

COMPOSITE ISSUE AGGREGATING TO RS. 2500.00 LACS COMPRISING OF:

- RIGHTS ISSUE** OF 69,85,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS.15/- PER SHARE (i.e. AT A PRICE OF RS.25/- PER SHARE) AGGREGATING TO RS. 1746.25 LACS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF 1(one) EQUITY SHARE FOR EVERY EQUITY SHARE HELD i.e.(1:1) AS ON 15/09/2004 (RECORD DATE)
- PUBLIC ISSUE** OF 30,15,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS.15/- PER SHARE (i.e. AT A PRICE OF RS.25/- PER SHARE) AGGREGATING TO RS. 753.75 LACS

GENERAL RISKS

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 Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or the adequacy of this document. **The attention of investors is drawn to the statement of Risk Factors appearing on page nos. iv to vii of this Offer Document.**

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Offer Document contains all information with regard to the Issuer and the Issue, which is material in context of the Issue, that the information contained in this Offer Document 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 existing equity shares of the company are listed on The Stock Exchange, Mumbai (BSE). The Company has received in-principle approval from BSE for listing of the equity shares issued pursuant to the Rights Issue vide their letter no. Dcs/smg/sdm/rk/vm/04 dated 22/05/2004. The company has received an in principle approval for listing of the equity shares issued pursuant to the Public Issue from BSE vide their letter no. DCS/SG/SM/2004 dated 13/09/2004. Applications will be made to BSE for permission to deal in and for official quotation in respect of equity shares being issued in terms of this Offer Document.

LEAD MANAGER TO THE ISSUE

KEYNOTE

CORPORATE SERVICES LTD

307, Regent Chambers,
Nariman Point, Mumbai - 400 021
Tel.: (022) 2202 5230 Fax: (022) 2283 5467
E-mail: mbd@keynoteindia.net
SEBI Regn. No.: INM 000003606
AMBI Regn No: AMBI/040

REGISTRAR TO THE ISSUE



BIGSHARE SERVICES PVT. LTD.

E/2, Ansa Industrial Estate, Saki Vihar Road,
Sakinaka, Andheri(E), Mumbai – 400 072.
Tel.: (022) 2847 3474/0652 Fax: (022) 2847 5207
e-mail : bigshare@bom7.vsnl.net.in
SEBI Regn. No.: INR000001385

RIGHTS ISSUE

PUBLIC ISSUE

OPENS ON : FRIDAY, OCTOBER 8, 2004

**LAST DATE FOR RECEIVING
REQUESTS FOR SPLIT FORMS** : SATURDAY, OCTOBER 23, 2004

CLOSES ON : MONDAY, NOVEMBER 8, 2004

OPENS ON : MONDAY, NOVEMBER 1, 2004

CLOSES ON : MONDAY, NOVEMBER 8, 2004

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SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

DEFINITIONS/ABBREVIATIONS	
ACD	: Automatic Call Distribution
Act	: The Companies Act, 1956 & subsequent amendments thereto.
Articles	: Articles of Association of Spanco Telesystems And Solutions Limited
Board	: Board of Directors of Spanco Telesystems And Solutions Limited
BPO	: Business Process Outsourcing
BSE/Designated Stock Exchange	: The Stock Exchange, Mumbai.
CAF	: Composite Application Form
CDSL	: Central Depository (India) Services Ltd.
Company / Spanco	: Spanco Telesystems and Solutions Limited
CIM	: Customer Integration Management
CRM	: Customer Relationship Management
CSA	: Customer Service Associate
CTI	: Computer Telephony Integration
CWDM	: Coarse Wave Division Multiplexing
DSL	: Digital Subscribers Line
EGM	: Extra Ordinary General Meeting
EMEA	: Europe Middle East Africa
EPS	: Earning Per Share
FEMA	: The Foreign Exchange Management Act, 1999
FERA	: Foreign Exchange Regulation Act, 1973
FII	: Foreign Institutional Investor
ISPAN	: Internet Service Provider Access network
ITES	: IT Enabled Services
IVRS	: Interactive Voice Response Statement
LAN	: Local Area Network
MCU	: Multichannel Conferencing Unit
Memorandum	: Memorandum of Association of Spanco Telesystems And Solutions Limited
NRI	: Non-Resident Indian.
NSDL	: National Securities Depository Ltd.
OCB	: Overseas Corporate Bodies
Offer / Issue	: a. Rights Issue of 69,85,000 equity shares of Rs. 10/- each for cash at a premium of Rs.15/- per share aggregating to Rs. 1746.25 lacs on a Rights basis to the existing equity shareholders of the company in the ratio of 1 equity share for every equity share held (i.e. 1:1) as on 15/09/2004 (record date) and b. Public Issue of 30,15,000 equity shares of Rs. 10/- each for cash at a premium of Rs.15/- per share aggregating to Rs. 753.75 lacs.
PAN	: Permanent Account Number
Offer Document	: This Offer Document dated 17/09/2004
PSU	: Public Sector Undertaking
RBI	: Reserve Bank of India
ROC	: Registrar of Companies, Maharashtra, Mumbai
RONW	: Return on Networth
RTA	: Registrar & Transfer Agent
SDL	: Service Delivery Leader
SEBI	: Securities and Exchange Board of India.
SI	: System Integration
SMS	: Short Messaging Service
STP	: Software Technology Park
USA	: United States of America
UK	: United Kingdom
WAN	: Wide Area Network

SECTION I: RISK FACTORS

RISK FACTORS ENVISAGED BY MANAGEMENT AND MANAGEMENT'S PROPOSALS TO ADDRESS THE RISKS

An investment in equity shares involves high degree of risk. You should carefully consider all of the information in this Offer document, including the risks and uncertainties described below, before making an investment in Equity Shares of Spanco.

A. SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY

1. Promoters/directors of the Spanco have received a show cause notice no. EAD/562/04 dated 15/07/2004 from SEBI under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. The said notice has been issued for non compliance with Regulation 3(4) of the SEBI (SAST) Regulations, 1997 in respect of the preferential allotment made to the Promoters / Directors by Spanco on 24/02/2000. (For details of the allottees please refer para under 'Litigations, Disputes & Defaults' on page no. 56 of this offer document).

2. The company is relatively a new entrant into the business of ITES and Call Centre and is promoted by first generation entrepreneurs.

Management Proposal

The company is already in the ITES and Call Centre business since last two years, and has full knowledge of the technology used in this business. The revenue stream on account of this activity has been stabilised and its consistency is established over this period. The company has set up various call centers for other corporates. Even though this venture is relatively new, the promoters are fully aware of the nitty gritty involved in the business.

3. The Company is operating from the leased premises at all the locations and not from the owned premises. This may cause problems associated with relocation & involve huge costs at a later stage.

Management Proposal

This is a general trend in the call centre business. Many BPO companies are conducting the business from leased premises. The company has taken premises on long term lease and there is no likelihood of the same being terminated by the lessors. In the event of relocation not much expenditure is involved, as all the hardware and the furniture fixtures can be just moved to new premises. Besides, in the present expansion project the management of the company proposes to buy its own premises.

4. The expansion project has not been appraised by any bank or financial institution and deployment of funds would be at the sole discretion of the management. Major part of the expansion is to be financed through the present issue of equity shares. The company has not made arrangements for alternative means of financing the project

Management Proposal

The present project consists of two phases 510 seats and 400 seats. The first phase in which the bank loan has been taken has been appraised by Bank of India, and a sum of Rs. 1170.00 lacs has been sanctioned. An amount of Rs.974.40 lacs has already been disbursed. In respect of second phase no bank loan is being taken. The management has over the years developed core competency in providing services involving telecom system integration and has acquired expertise in setting up and maintaining call centres. The cost estimates have been drawn by the management with assistance from a team of professionals having experience in the domain and the estimates for equipment, computers, electrification and furniture and fixtures are based on quotations received by the company. The company has already acquired leased premises for setting up call centres at Gurgaon and Mumbai. The management does not foresee any major cost escalation requiring alternative means of financing.

5. The company is yet to place orders for equipment required for the domestic call centre amounting to Rs. 802.82 lacs (20.40% of the total project cost) . Orders for furniture & fixtures amounting to Rs. 83.99 lacs are yet to be placed by the company (2.13% of the total project cost).

Management Proposal

The company is in the process of implementing the project and has already spent an amount of Rs.2,173.51 lacs upto 31/08/2004 as certified by RSM & Co., Statutory Auditors of the Company. The same is financed partly by disbursement from bank, unsecured loans from promoters and internal accruals. The management is confident of implementing the project in time.

6. ITES-BPO is a rapidly evolving sector witnessing new technological breakthroughs rendering the existing technology /infrastructure redundant.

Management Proposal

Though this sector has seen a rapid growth in the past few years there has been very little change on the technology front. The management does not foresee any major technological breakthroughs in the near future. Any advancement in the technology will have to be adapted by the company in order to render the most competitive service and the company does not envisage any major constraints in upgrading from time to time. However, a sturdy technological infrastructure is the back bone of operations in the ITES-BPO sector.

7. Any delay in implementation of the project may lead to cost and time overrun.

Management Proposal

The company has already spent Rs. 2,173.51 lacs towards the project and 510 seats have been installed. The management is confident that there will not be any delay in the implementation of the project. As per the schedule of implementation the additional 400 seats will be completed by December, 2004 as envisaged. The balance seats will be installed as per the schedule drawn.

8. There are no standard valuation methodologies or accounting practices in the internet related industries. The financials of the company are not comparable with the other players in the industry segment.

Management Proposal

The ITES-BPO sector is a new and evolving sector. Due to the recently witnessed rapid growth, companies in this sector command high valuations. As such there is no time proven and tried methodology for valuation of firms operating in this sector. There are also limitations to the availability of financial data on the operations of the companies and hence there is a difficulty in drawing a comparison between them.

9. Valuations in IT industry are presently high and may not be sustained in future and may also not be reflective of future valuations in the industry.
10. Contingent Liabilities not provided for as per the audited financial results include:

(Rs. In Lacs)

	Particulars	Period ended 30/06/2004	31/03/2004
a)	Letters of Credit issued by Bankers	180.709	416.09
b)	Counter guarantees given to bankers against guarantees issued by them	289.25	143.99

Management Proposal

- The letters of credit issued by the bankers are in the normal course of business. It is a usual business practice to obtain letter of credit, which has to be squared off on the due date. Only in case of devolvement of letter of credit, the liability on the company will accrue. Till such time it is a contingent liability and the Auditors always include such liabilities as contingent liabilities as the same depends on happening of some future event.
- The Bank Guarantees issued are for the purposes of earnest money deposit in respect of various tenders and performance guarantees for projects undertaken by the company. It is a normal banking practice that whenever Bank Guarantee is issued, it is backed by a Counter Guarantee of the borrower. Only in case of invocation of the Bank Guarantee, the said Counter Guarantee is invoked by the Bank. Till such time it is a contingent liability and is always mentioned by the Auditors under contingent liabilities.

11. There has been a wide fluctuation in the values of key financial ratios of the Spanco. Fluctuation in the past three years are as follows:

Particulars	2002	Variation over Previous Year (%)	2003	Variation over Previous Year (%)	2004	Variation over Previous Year (%)
EPS (Rs.)	3.81	33.22	2.76	(27.56)	9.05	227.89
RONW (%)	10.91	(38.05)	8.72	(20.07)	22.22	154.82
NAV (Rs.)	34.95	115.08	31.71	(9.27)	40.75	28.51

(figures in brackets indicate negative variation)

12. Out of the total revenues of Rs.903.75 lacs earned by the domestic call centre segment as on 31/03/2004 around Rs.75.20 lacs (83.21%) have been earned through services rendered to top five clients.
13. The present issue of equity shares is being made to fund the proposed expansion in the domestic & international call centre capacity. However this segment has contributed to 39.98% of the total revenues earned during the year 2003-04 and the balance 60.02% of the revenues is derived from Telecom System Integration Segment.
14. Global Respondez Inc., Spanco (S) Pte. Ltd. subsidiaries of Spanco and Global Respondez Services Limited (GRSL), one of the other ventures of Promoters is also engaged in the business of providing IT enabled services. This may lead to conflict of interest between Spanco and these companies.

Management Proposal

Global Respondez Inc., subsidiary of Spanco having office in USA is engaged in marketing activities and does not provide call centre services. Spanco (S) Pte. Ltd., the Singapore subsidiary is engaged in procurement of telecom equipments to be exported to countries other than India. Since both the above companies are 100% subsidiaries of the company, formed with a specific purpose, there is no conflict of interest as the revenue generated by these companies will ultimately form part of the Issuer Company.

Global Respondez Services Limited (GRSL), one of the other ventures of Promoters of Spanco, was originally set up as a subsidiary of Spanco to carry on call center activities. Subsequently this business was taken over by Spanco and GRSL was hived off as a separate company. GRSL continues to complete the old contracts which could not be transferred to Spanco. No fresh contracts are being undertaken by GRSL. Hence there is no conflict of interest between the two companies.

15. Global Respondez Inc, subsidiary of the company has incurred a loss of Rs. 1.04 lacs in the year 2002-03. As a result the company has reported a negative Earnings Per Share and Book Value for the corresponding period. Spanco (S) Pte. Ltd., subsidiary of Spanco has incurred a loss of S \$37 for the period of seven months from 01/09/2003 to 31/03/2004.

Management Proposal

Global Respondez Inc. was incorporated on 07/01/2003. The year 2002-03 being the first year of operation of the subsidiary, no significant business was transacted in the company. The losses are mainly attributed to the registration/administrative expenses of the company. Spanco (S) Pte Ltd. has been incorporated on 01/09/2003 and has not completed one year of operation as on 31/03/2004.

16. SEBI has issued a show cause notice no. IVD/ID3/PKB/JS/STSL/23502/03 dated 12/12/2003 against one of the associate companies of Spanco namely Neha Equisearch Private Limited under section 11B read with Section 11(4) of SEBI Act, 1992 read with Regulation 11 and 12 of SEBI (Prohibition of fraudulent and unfair trade practices relating to Securities Market) Regulations, 1995. The show cause notice has been given in terms of the investigation by SEBI in the trading in the shares of Spanco.

Management Proposal

Neha Equisearch Private Ltd. has submitted its reply to SEBI vide letter dated 30/12/2003. Neha Equisearch Private Ltd. is termed as associate only on account of personal relationship of Chairman of Spanco with the Directors of Neha Equisearch Private Ltd. There is no other relationship or transaction of Spanco with Neha Equisearch Private Ltd. As such any action against Neha Equisearch Private Ltd. by SEBI will not have any adverse impact on Spanco.

17. Neha Equisearch Pvt. Ltd. has received a show cause notice no. EAD/562/04 dated 15/07/2004 from SEBI under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. The said notice has been issued for non compliance with Regulation 3(4) of the SEBI (SAST) Regulations, 1997 in respect of the preferential allotment made to them by Spanco on 24/02/2000.
18. Till such time as the allotment money is paid, the equity shares proposed to be issued through this offer document shall be considered as partly paid up. Partly paid up shares, if any, will be listed and traded under a separate ISIN Number granted by the depositories. The process of corporate action for credit of fully paid up shares to the demat account of the shareholders may take about 2 weeks from the date of the payment of the amount payable on call. During this period shareholders who pay the amount payable on Call for the partly paid shares will not be able to trade in those shares.

B. EXTERNAL AND BEYOND THE CONTROL OF THE COMPANY

1. Lack of adequate infrastructure such as telecommunications, power, road, airport etc. may cause bottlenecks in expansion of capacity and thereby will effect the profitability of the companies operating in the ITES-BPO sector.

Management Proposal:

The Government of India has made significant allocation to the infrastructure development. The investments in mega projects such as Golden quadrilateral road project indicate the desire to create an enabling structure that would support change. This industry is relatively new, and management do not foresee any adverse effect on the profitability of the company on account of lack of infrastructure.

2. Fluctuation in the exchange rates may effect the profitability of the companies operating in this sector.

Management Proposal:

The management plans its foreign exchange risks by appropriate hedging in terms of forward cover.

3. Companies operating in the BPO sector, especially those involved in offshore outsourcing, are exposed to a high degree of political risk.

Management Proposal:

Political risk is an inherent risk faced by all the businesses operating on a global scale. Hurdles presently faced by companies in the BPO sector in some countries, apart from being short term in nature may not close out the business prospects from other parts of the world

4. The ITES-BPO industry involves high initial capital investment and long gestation periods. A fall in the billing rates owing to intense competition currently witnessed in this sector have lead to shrinking in the profit margins. This may lead to long pay-back period for new projects undertaken.

Management Proposal:

Spanco started its operations by supplying telecommunication equipment and gradually entered into the business of setting up call centres for its clients. The company ventured into providing call centre services in the year 2001. Its progress into this field has been graduated and hence the capital investment has been proportionate with its revenues at every stage. Thus the company has not been subjected to long gestation period and slow recovery of initial investment. The current expansion is also backed by managements estimates on the basis of experience gained in the past. Since the company has already

developed the technological strength and has contracts on hand the gestation period as such is envisaged to be minimal.

5. Large customers seek leading and established operators in the field who can provide end-to-end solutions. Hence there is an increasing need to scale up operations and at the same time climb up the value chain in a short span of time. Smaller players may find this difficult to implement in face of the shrinking margins and increasing competition

Management Proposal:

The present exponential growth in the BPO sector is backed by an increasing awareness of the importance of outsourcing. More and more companies, globally, are resorting to outsourcing in order to be competitive and cost effective. Though larger customers would seek established firms providing end-to-end solutions, there will be ample opportunities for smaller players as more and more companies seek these services. The company has felt the need to expand its operations by providing end-to-end solutions and hence the present expansion is being undertaken. Spanco is an established player in this sector and with the present expansion the company will be better placed to face the competition.

6. The company faces competition from large established players in the industry. The industry structure is skewed with major part of the business being captured by a few large players who can command a premium for the services rendered. This is opposed to the increasing competition and massive price cutting faced by the smaller players who attract only a small share of the entire business. This has rendered small businesses unviable and is responsible for a major shakeout in the industry.

Management Proposal:

There is a distinct increase on the demand side for outsourcing as more and more companies are becoming aware of the benefits of outsourcing. With this increase in demand there will be ample opportunities for growth of small to mid-size firms in the sector. The industry is witnessing consolidation which will be beneficial as only serious players will continue to operate. The management is striving to make Spanco a major player in the segment. The present expansion will also help the company in climbing up the value chain.

7. Companies operating in the ITES/BPO sectors witness a high employee turnover. The cost of retention of skilled manpower can be very high.

Management Proposal:

The company has taken several steps to reduce the attrition rate and has been quite successful in the same. Moreover the company is continuously making efforts to engage new talent and train them to suit the needs of the company.

8. Bills passed by various states in the USA opposing the outsourcing of government contracts to firms of developing countries signals the growing sentiment within USA against outsourcing. This is a matter of concern for companies operating in the BPO segment as their profitability may be impacted if this sentiment gains strength.

Management Proposal:

Spanco does not deal with the government contracts and hence do not foresee any weakening of the sentiments in the industry. On the contrary the confidence of the management has been boosted by the increase in the business from US.

(Refer para on US backlash against outsourcing on page no. 49 of this offer document)

9. The international call centre/BPO segment is largely dependent on overseas clients and is thus subject to adverse changes/events impacting the political scene of the concerned countries or the global economy as a whole.

Management Proposal:

With liberalization of the economies worldwide, all businesses operating at a global scale are exposed to political and economy risk. Spanco is one of such companies and is well equipped to face such challenges

NOTES :

1.	Preissue Networth (as on 31/03/2004)	Rs. 2,846.05 Lacs
	Preissue Networth (three months period ended on 30/06/2004)	Rs. 2,977.37 Lacs
	Issue Size :	a. Rights Issue of 69,85,000 equity shares of Rs. 10/- each for cash at a premium of Rs.15/- per share aggregating to Rs. 1746.25 lacs on a Rights basis to the existing equity shareholders of the company in the ratio of 1 equity share for EVERY equity share held (i.e. 1:1) as on 15/09/2004 (record date), and b. Public Issue of 30,15,000 equity shares of Rs. 10/- each for cash at a premium of Rs.15/- per share aggregating to Rs. 753.75 lacs.
	Cost per share to the promoter	Rs. 28.21
	Book Value per share (as on 31/03/2004)	Rs. 40.75
	Book Value per share (three months period ended on 30/06/2004)	Rs. 42.63

2. There is no interest of promoters/directors/key management personnel other than reimbursement of expenses incurred or normal remuneration or benefits.
3. Related party disclosures under Accounting Standard 18 issued by the Institute of Chartered Accountants of India.
 - i. The following are the names of related parties and description of relationship:
 - a. Key management personnel: Mr. Kapil Puri (Chairman), Mr. Rajesh Chhabria (Managing Director)
 - b. Subsidiary: Global Respondez Inc., U.S.A., Spanco (S) Pte. Ltd., Singapore
 - c. Associate: Global Respondez Services Limited.
 - ii. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

(Rs. in Lacs)

Particulars	31/03/2004			31/03/2003			31/03/2002		
	Key Management Personnel	Subsidiary	Associate	Key Management Personnel	Subsidiary	Associate	Key Management Personnel	Subsidiary	Associate
Remuneration	14.68	—	—	21.88	—	—	—	—	—
Loans Received	311.05	—	—	200.00	—	—	—	—	—
Investment in Equity Shares	—	3.31	—	—	—	161.40	—	—	229.00
Sales	—	367.63	84.32	—	5.06	148.02	—	—	50.69
Purchases	—	196.66	—	—	—	304.00	—	—	—
Purchase of Fixed Assets	—	—	187.00	—	—	—	—	—	—
Lease Line Charges Paid	—	—	111.32	—	—	—	—	—	—
Loans given	—	26.26	—	—	13.93	—	—	—	284.73
Sundry Debtors	—	109.14	73.77	—	5.06	9.09	—	—	—

4. The lead manger as well as the Company shall update this Offer document and keep the shareholders/public informed of any material changes till the listing and trading commencement.
5. The ITES-BPO sector is a new and evolving sector. Due to the recently witnessed rapid growth, companies in this sector command high valuations. As such there is no time proven and tried methodology for valuation of firms operating in this sector. There are also limitations to the availability of financial data on the operations of the companies and hence there is a difficulty in drawing a comparison between them.
6. Contingent Liabilities not provided for include:

(Rs. In Lacs)

	Particulars	Period ended 30/06/2004	31/03/2004
a	Letters of Credit issued by Bankers	180.70	416.09
b	Counter guarantees given to bankers against guarantees issued by them	289.25	143.99

- The letters of credit issued by the bankers are in the normal course of business. It is a usual business practice to obtain letter of credit, which has to be squared off on the due date. Only in case of devolvement of letter of credit, the liability on the company will accrue. Till such time it is a contingent liability and the Auditors always include such liabilities as contingent liabilities as the same depends on happening of some future event.
 - The Bank Guarantees issued are for the purposes of earnest money deposit in respect of various tenders and performance guarantees for projects undertaken by the company. It is a normal banking practice that whenever Bank Guarantee is issued, it is backed by a Counter Guarantee of the borrower. Only in case of invocation of the Bank Guarantee, the said Counter Guarantee is invoked by the Bank. Till such time it is a contingent liability and is always mentioned by the Auditors under contingent liabilities.
7. The company, its directors, company's associates or group companies have not been prohibited from accessing the capital market under any order or direction passed by SEBI. The promoters, their relatives, issuer, group companies, associate companies are not detained as willful defaulters by RBI/Government authorities and there are no violations of securities laws committed in the past or pending against them.

SECTION II: INTRODUCTION

THE ISSUE

This is a composite issue of 1,00,00,000 equity shares of Rs. 10/- each at a price of Rs. 25/- per share through a single offer document on Rights cum Public basis.

As per clause 1.2.1 (vii) of SEBI DIP Guidelines composite issue means an issue of securities by a listed company on a public cum rights basis offered through a single offer document wherein the allotment for both public and rights components of the issue is proposed to be made simultaneously.

Equity Shares offered :	
On Rights basis	69,85,000 Equity Shares of Rs. 10/- each
To Public	30,15,000 Equity Shares of Rs. 10/- each
Total Equity Shares	1,00,00,000 Equity Shares of Rs. 10/- each
of which :	
Existing Equity Shareholders as on 15/09/2004 (Record date)	69,85,000 Equity Shares of Rs. 10/- each
Public	30,15,000 Equity Shares of Rs. 10/- each
Equity Shares outstanding prior to the Issue	69,85,000 Equity Shares of Rs. 10/- each
Equity Shares outstanding after the Issue	1,69,85,000 Equity Shares of Rs. 10/- each
Use of Issue proceeds	The present issue is being made to part finance the capital expenditure to be incurred for enhancing the existing operational facilities of the Company.

GENERAL INFORMATION

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

(Incorporated as Kadambari Leasing Limited w.e.f. 20/03/1984 under Companies Act, 1956. The name of the Company was changed to Spanco Telesystems And Solutions Limited w.e.f. 11/11/1999 under the Companies Act, 1956 and a fresh certificate of Incorporation was received from the Registrar of Companies, Maharashtra, Mumbai.)

Registered Office :

B-22, Krishna Bhuvan, B. S. Deoshi Marg, Deonar, Mumbai – 400 088
Tel: (022) 5597 5566, 2555 7201; Fax: (022) 5597 5599; e-mail: contact@spancotele.com

AUTHORITY FOR THE ISSUE

The shareholders of the company, vide a special resolution passed under section 81 & 81(1A) of the Companies Act, 1956 at the Extraordinary General Meeting held on 31/01/2004, have authorised the issue of equity shares.

The Board of Directors of the Company (hereinafter referred to as "The Board") pursuant to a resolution passed at the Meeting held on 30/03/2004 have decided to offer 69,85,000 equity shares of Rs. 10/- each for cash at premium of Rs. 15/- per equity share, aggregating to Rs. 1746.25 Lacs to the existing equity shareholders of the Company on rights basis in the ratio of One equity share for every equity share (i.e 1:1) held as on 15/09/2004 (hereinafter referred to as "Record Date") AND 30,15,000 equity shares of Rs.10/- each for cash at premium of Rs. 15/- per share aggregating to Rs. 753.75 lacs to Public.

PROHIBITION BY SEBI

The Company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

ELIGIBILITY

For Rights Issue:

Spanco is an existing listed Company. It is eligible to offer this Rights Issue in terms of Clause 2.4(iv) of the SEBI (DIP) Guidelines, 2000.

For Public Issue:

In terms of clause 2.3.1 Spanco is eligible to make public issue of equity shares as the aggregate of the proposed issue size i.e.2500.00 lacs does not exceed 5 times its pre-issue network of Rs.2846.05 lacs as per the audited balance sheet of last financial year ended on 31/03/2004. The Company has not made any other issue of equity shares in the same financial year.

DISCLAIMER CLAUSE

As required a copy of this Offer Document has been submitted to SEBI. It is to be distinctly understood that the submission of this Offer Document to SEBI should not, in any way, be deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the issue is proposed to be made, or for the correctness of the statements made or opinions expressed in the offer document. Lead Manager M/s. Keynote Corporate Services Limited has certified that the disclosures made in the Offer Document are generally adequate and are in conformity with 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, M/s. Keynote Corporate Services Limited has furnished to SEBI a Due Diligence Certificate dated 19/04/2004 in accordance with SEBI (Merchant Bankers) Regulation 1992 which reads as follows:

- (i) We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc. and other materials in connection with the finalisation of the 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 Offer Document forwarded to 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 another 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 the investment in the proposed issue.
- (iii) We confirm that besides ourselves, all the Intermediaries named in the Offer Document are registered with SEBI and that till date such registration is valid.

The filing of the 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 for any irregularities or lapses in the Offer Document.

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

The promoters / directors of Spanco Telesystems & Solutions Ltd. viz. Mr. Kapil Puri, Mr. Rajesh Chabria, Mr. Ramesh Sharma, Mr. Deepak Bhagchandaney, Mr. Rajkumar Bahri, Mr. Adarsh Bagaria and Mr. Prakash Desai 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 Offer Document 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 in time till allotment/refund, as the case may be, that any information/material has been suppressed/with held and/ or amounts to a mis-statement/misrepresentation, the promoters/directors undertake to refund the entire application monies to all subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

DISCLAIMER IN RESPECT OF JURISDICTION

This Offer is being 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 authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law (who are authorised under their constitution to hold and invest in shares) and to NRIs, FIIs as defined under the Indian laws. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any other jurisdiction. Any person into whose possession this Offer Document comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Offer Document has been submitted to the SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Offer Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Offer Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Spanco since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI (DESIGNATED STOCK EXCHANGE)

The Stock Exchange, Mumbai (BSE) has given the permission to Spanco Telesystems And Solutions Limited vide their letter dated 22/05/2004 & 13/09/2004 to use their name in this Offer Document as the stock exchange on which the equity shares are proposed to be listed. The Stock Exchange, Mumbai has scrutinized this Offer Document for their limited internal purpose of deciding on the matter of granting the aforesaid permission to Spanco Telesystems And Solutions Limited. 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 the 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 Spanco Telesystems And Solutions Limited, its promoters, its management or any scheme or project of Spanco Telesystems And Solutions Limited.

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 issuer may do so pursuant to an independent inquiry or any investigation and analysis and shall not have any claim against the exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

CAUTION STATEMENT / COMPANY DISCLAIMER

The Issuer Company accepts no responsibility for statements made otherwise than in this Offer Document or in the advertisement or in any other material issued by or at the instance of the company and the Lead Manager and any one placing reliance on any other source of information would be doing so at his/her/their own risks.

ACCESS TO FUNDS

Subscription received against the public cum rights issue will be kept in specific bank accounts. The company will not have access to the funds received under rights issue component unless it has received minimum subscription of 90% of the application money towards both the rights and public issue component and the permission of BSE is obtained to use the amount of subscription. The company will obtain the permission of BSE by producing sufficient documentary evidence of subscription of 90% or more on closure of the issue to utilise the funds collected as per the present rules.

The company will not have access to the funds received against the public issue component until it has received approval for allotment from BSE and listing and trading permission is received from BSE.

DECLARATION

The Board of Directors of Spanco state that: -

- i) All the complaints in respect of the Composite Issue shall be attended to by the Company expeditiously and satisfactorily.
- ii) That the Company shall take all necessary steps for completion of necessary formalities for listing and commencement of trading at all stock exchanges where the equity shares are to be listed within seven working days of finalization of basis of allotment.
- iii) That the Company shall apply in advance for the listing of equity shares.
- iv) That the funds required for despatch of refund orders/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue by the Company.
- v) That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time.
- vi) That no further issue of securities shall be made till the securities offered through this offer document are listed or till the application money is refunded on account of non-listing, undersubscription etc.
- vii) Disclosures made in this offer document are in compliance with the provisions of SEBI (DIP) Guidelines 2000.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors of Spanco state that: -

- a) All monies received against this issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act, 1956.
- b) Details of all monies utilised out of 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 utilised; and
- c) Details of all unutilised monies out of the present issue, if any, shall be disclosed under an appropriate separate head in the Balance Sheet of the company indicating the form in which such unutilised monies have been invested.
- d) The Utilisation of monies received under the promoters contribution shall be disclosed under an appropriate head in the balance sheet of the company indicating the purpose for which such monies have been utilized.
- e) The details of all monies unutilized out of the funds received under promoters contribution shall be disclosed under a separate head in the balance sheet of the company indicating the form in which the unutilized money has been invested.

FILING

A copy of this Offer Document has been filed with SEBI, Mumbai, Registrar of Companies Maharashtra, Mumbai and The Stock Exchange, Mumbai (BSE), where the existing equity shares of the company are listed.

APPLICATION IN FICTITIOUS NAMES

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

For Non Underwritten Rights Issue:

If the Company does not receive application money for atleast 90% of the issued amount, the entire subscription will be refunded to the applicants within forty-two days from the date of closure of the issue. If there is a delay in the refund of application money by more than 8 days after the Company becomes liable to pay the amount (i.e. forty two days after the closure of the issue), the company will pay interest for the delayed period, at prescribed rates in sub-section (2) and (2A) of Section 73 of the Companies Act, 1956.

For Non Underwritten Public Issue:

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 been returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act.

The Lead Manager to the Issue shall ensure that the requirement of “Minimum Subscription” is satisfied both jointly and severally i.e independently for both rights and public issue.

If the company does not receive the minimum subscription in either of the issues the company shall refund the entire subscription received.

LISTING

The existing equity shares of the company are listed on The Stock Exchange, Mumbai (BSE). The Company has received in-principle approval from BSE for listing of the equity shares issued pursuant to the Rights Issue vide their letter no. Dcs/smg/sdm/rk/vm/04 dated 22/05/2004. The company has received an in principle approval for listing of the equity shares issued pursuant to the Public Issue from BSE vide their letter no. DCS/SG/SM/2004 dated 13/09/2004. Applications will be made to BSE for permission to deal in and for official quotation in respect of equity shares being issued in terms of this Offer Document.

If the permissions to deal in and for an official quotation of the equity shares are not granted by the stock exchange, the Company shall forthwith repay, without interest, all monies received from the applicants. In case of delay interest shall be paid in accordance with the provisions of Section 73 of the Act.

ISSUE SCHEDULE

RIGHTS ISSUE OPENS ON	FRIDAY, OCTOBER 8, 2004
LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	SATURDAY, OCTOBER 23, 2004
RIGHTS ISSUE CLOSES ON	MONDAY, NOVEMBER 8, 2004
PUBLIC ISSUE OPENS ON	MONDAY, NOVEMBER 1, 2004
PUBLIC ISSUE CLOSES ON	MONDAY, NOVEMBER 8, 2004

ISSUE MANAGEMENT TEAM

Lead Manager To The Issue

KEYNOTE
CORPORATE SERVICES LTD

307, Regent Chambers
Nariman Point, Mumbai – 400 021
Tel: (022) 22025230, Fax: (022) 22835467
E-mail: mbd@keynoteindia.net
Sebi Regn No: INM 000003606
Contact Person: Ms. Sangya Mishr

Registrars to the Issue

BIGSHARE SERVICES PVT. LTD.

E/2, Ansa Industrial Estate, Saki Vihar Road,
Sakinaka, Andheri(E), Mumbai – 400 072.
Tel.: (022) 2847 3474 /0652 Fax: (022) 2847 5207
e-mail : bigshare@bom7.vsnl.net.in
SEBI Regn. No.: INR000001385
Contact Person: Mr. Mahendra

Auditors to the Company

RSM & Co.

Chartered Accountants

Ambit RSM House, 449, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013
Tel: (022) 3982 1819; Fax: (022) 3982 3020

Compliance Officer

Mr. Kairav Trivedi

General Manager- Finance, Accounts and Company Secretary

B-22, Krishna Bhuvan,
B. S. Deoshi Marg, Deonar, Mumbai – 400 088
Tel: (022) 5597 5566, 2555 7201; Fax: (022) 5597 5599;
e-mail: kairav@spancotele.com

* The investors may contact the aforesaid compliance officer in case of any pre-issue/post-issue related problems.

Bankers to the Company

Bank of India

Andheri Corporate Banking Branch
M.D.I. Building, 1st floor,
28, S. V. Road, Andheri (w)
Mumbai-400 058
Tel : (022) 26202346 / 26713720
Fax 26247655

State Bank of India

Commercial Branch (Advances)
N. G. N. Vaidya Marg
P. B. No. 10141, M-23
Fort, Mumbai -
Tel: (022) 2662205
Fax: (022) 2659589

UCO Bank

Post Box No. 833,
UCO Bank Building,
Dr. D.N. Raod,
Mumbai – 400 021.
Tel: (022) 22870256
Fax: (022) 22870003

Bankers to the Issue

Corporation Bank

Capital Market Branch
4th Floor, Nariman Bhavan,
Nariman Point,
Mumbai - 400021
Tel: (022) 22023304 / 22022926
Fax: (022) 22851715

HDFC Bank Ltd.

2nd Floor, Trade World,
New Building, Kamala Mills,
Senapati Bapat Marg, Lower Parel,
Mumbai - 400013
Tel : (022) 2498 8484
Fax : (022) 2496 3871

CREDIT RATING/DEBENTURE TRUSTEE

This being an Issue of Equity Shares, no Credit Rating or appointment of Debenture Trustee is required.

UNDERWRITING/ STANDBY SUPPORT

The present composite issue is not underwritten

BROKERS TO THE ISSUE

The members of the recognized stock exchanges in India shall be eligible to act Brokers o the public issue portion of the composite issue.

SECTION III: CAPITAL STRUCTURE

	Particulars	Nominal Value (Rs.)
A	AUTHORISED 2,20,00,000 equity shares of Rs. 10/- each 30,00,000 preference shares of Rs. 10/- each	22,00,00,000 3,00,00,000
B	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL 69,85,000 equity shares of Rs. 10/- each	6,98,50,000
C	PRESENT ISSUE CONSISTING OF : I. RIGHTS ISSUE OF: 69,85,000 equity shares of Rs. 10/- each at a premium of Rs. 15/- per share (i.e. price of Rs.25/- per share) being issued on a rights basis in the ratio of One equity share for every equity share (1:1) held as on 15/09/2004 (Record Date) in terms of Offer document. II. PUBLIC ISSUE OF: 30,15,000 equity shares of Rs. 10/- each at a premium of Rs. 15/- per share (i.e. price of Rs.25/- per share) in terms of Offer document. Out of which: a) 3,01,500 equity shares of Rs. 10/- each at a premium of Rs. 15/- per share (i.e. price of Rs.25/- per share) are reserved for permanent/ regular employees of the company on competitive basis. b) 13,56,500 equity shares of Rs. 10/- each at a premium of Rs. 15/- per share (i.e. price of Rs.25/- per share) are reserved for FII's / NRI's on competitive basis.	6,98,50,000 3,01,50,000 30,15,000 1,35,65,000
D	NET OFFER TO PUBLIC 13,57,000 equity shares of Rs. 10/- each at a premium of Rs. 15/- per share (i.e. price of Rs.25/- per share) in terms of Offer document.	1,35,70,000
E	TOTAL PAID UP CAPITAL BEFORE COMPOSITE ISSUE 69,85,000 equity shares of Rs. 10/- each	6,98,50,000
F	TOTAL PAID UP CAPITAL AFTER COMPOSITE ISSUE 1,69,85,000 equity shares of Rs. 10/- each	16,98,50,000
G	TOTAL PREMIUM BEFORE COMPOSITE ISSUE	9,22,50,000
H	TOTAL PREMIUM AFTER COMPOSITE ISSUE	24,22,50,000
Note: i) Any undersubscription in either C (II)(a) or C (II)(b) will be adjusted interse amongst C (II)(a)&(b). ii) Unsubscribed portion, if any, out of C (II)(a)&(b) after such interse adjustments above will be added back to Net offer to the Public as mentioned in point 'D' above. iii) In case of undersubscription in the net offer to the public portion, spill –over to the extent of undersubscription shall be made from C (II)(a) & (b) to the net public offer portion. iv) The authorised share capital of the company was increased from Rs. 500.00 Lacs to Rs. 1000.00 Lacs vide special resolution dated 25/09/2000 and was enhanced to Rs.1500.00 Lacs vide special resolution passed at the EGM of the members held on 24/02/2003. The authorised equity share capital of the company has been further increased to Rs. 2500.00 lacs comprising 2,20,00,000 equity shares of Rs. 10/- each and 30,00,000 preference shares of Rs. 10/- each vide special resolution passed at EGM dated 31/01/2004. The company has completed all relevant ROC formalities in this regard.		

Notes to the Capital Structure:

1. Details of present Equity Share Capital of the Company are as follows:

Sr. No.	Date of Allotment	Face Value (Rs.)	Issue Price (Rs.)	No. of Shares	Type of Issue	Premium Build up (Rs.)	Consideration	% to Post Issue Capital
1.	Upto 1999	10	10	7,35,000	Capital build up since inception	—	Cash	4.33
2.	17/01/2000	10	10	10,00,000	Preferential Issue*	—	Cash	5.89
3.	24/02/2000	10	15	22,50,000	Preferential Issue**	1,12,50,000	Cash	13.25
4.	25/08/2001	10	37	30,00,000	Preferential Issue***	8,10,00,000	Cash	17.66
	Total			69,85,000		9,22,50,000		41.13

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*M/s Dhirajlal Desai & Co., Chartered Accountants, have certified vide their certificate dated 9/12/1999 that the issue of equity shares at par has been made as per the guidelines issued by SEBI on preferential issues.

**M/s Dhirajlal Desai & Co., Chartered Accountants, have certified vide their certificate dated 14/02/2000 that the issue of equity shares at a premium of Rs.5/- per share has been made as per the guidelines issued by SEBI on preferential issues.

***M/s Dhirajlal Desai & Co., Chartered Accountants, have certified vide their certificate dated 30/04/2001 that the issue of equity shares issued by the company through preferential allotment at a premium of Rs.27/- per share has been issued in accordance with clause 4 of the guidelines for preferential issue issued by SEBI.

2. Present Issue

Type of Issue	Type of Instrument	Face Value (Rs.)	No. of equity shares	Issue Price (Rs.)	Consideration
(I) Rights Issue	Equity Shares	10/-	69,85,000	25/-	Cash
(II) Public Issue	Equity Shares	10/-	30,15,000	25/-	Cash

3. Existing shareholding pattern of the Company is given below:-

Particulars	Pre-Issue		Post Issue pursuant to Rights Issue		Post Issue pursuant to composite Issue*	
	No. of equity shares	% to present share capital	No. of equity shares	% of post issue capital	No. of equity shares	% of post issue capital
Promoter/directors & other persons in promoter group	30,40,341	43.53	60,80,682	43.53	60,80,682	35.80
Institutional Investors	—	—	78,89,318	56.47	1,09,04,318	64.20
Mutual Funds & UTI	—	—				
Banks, Financial	500	negligible				
Institutions & insurance Companies	—	—				
FIIS	—	—				
Private Corporate Bodies	3093042	44.28				
Indian Public	825466	11.82				
NRIS/OCBS.	21,800	0.31				
Others (Trust)	4351	0.06				
Total	69,85,000	100.00	1,39,70,000	100.00	1,69,85,000	100.00

* The public issue component is 30,15,000 equity shares out of the composite issue. The promoters are not contributing in the public issue. Hence holding post composite issue is shown.

4. The shareholding pattern of the promoter group is as detailed below:

Particulars	Present		Post Rights Issue		Post Composite Issue*	
	No. of equity shares	% to present share capital	No. of equity shares	% of post issue capital	No. of equity shares	% of post issue capital
a) Promoter/Directors	23,94,734	34.28	47,89,468	34.28	47,89,468	28.20
b) Immediate relatives of promoter/ Director (Spouse, parent, child, brother, sister)	6,45,607	9.25	12,91,214	9.25	12,91,214	7.60
c) Company in which 10% or more of the share capital is held by the promoter his immediate relative firm or HUF in which the promoter or his immediate relative is a member	—	—	—	—	—	—
d) Company in which the Company mentioned in (c) above holds 10% or more of the share capital	—	—	—	—	—	—
e) HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total	—	—	—	—	—	—
Total	30,40,341	43.53	60,80,682	43.53	60,80,682	35.80

* The public issue component is 30,15,000 equity shares out of the composite issue. The promoters are not contributing in the public issue. Hence holding post composite issue is shown.

5. Promoters holding and lock-in

Name of Promoter	Date of allotment	Consideration	No. of shares	Face Value (Rs.)	Issue Price (Rs.)	% to post Issue capital	Lock-in Upto (see note below)
Rajesh Chhabria	17/01/2000	Cash	1,00,000	10/-	10/-	0.59	Nil
	24/02/2000	Cash	2,30,000	10/-	15/-	1.35	Nil
	25/08/2001	Cash	4,17,000	10/-	37/-	2.46	Nil
	25/08/2001	Cash	3,03,000	10/-	37/-	1.78	3 years
	Rights entitlement	Cash	10,50,000	10/-	25/-	3.24	Nil
Kapil Puri	24/02/2000	Cash	5,90,000	10/-	15/-	3.47	Nil
	25/08/2001	Cash	4,20,000	10/-	37/-	2.47	Nil
	25/08/2001	Cash	3,00,000	10/-	37/-	1.77	3 years
	Rights entitlement	Cash	13,10,000	10/-	25/-	7.71	Nil
Total			47,20,000			27.79	

Note:

This being a composite issue the provisions of clause 4.4 of chapter IV of SEBI (DIP) Guidelines is applicable. As per the provisions of lock-in under clause 4.4 of the SEBI (DIP) Guidelines, 2000, in case of a composite issue of a listed company the promoters contribution shall at the option of the promoters be either 20% of the proposed public issue or 20% of the post issue capital. The rights issue component shall be excluded while calculating the post issue capital. The promoters have opted for 20% of the proposed public issue i.e.6,03,000 equity shares of Rs. 10/- each being 20% of 30,15,000 equity shares offered to public. As per clause 4.11.1 of the Guidelines the said minimum promoters contribution is to be locked in for a period of 3 years.

Accordingly, 6,03,000 equity shares of Rs. 10/- each already held by promoters being 20% of the proposed public issue out of their existing holding are being offered for lock in for a period of three years. The lock-in shall start from the date of allotment in the proposed composite issue and the last date for the lock in shall be reckoned as three years from the date of allotment.

These shares under lock in may be transferred to and 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 (SAST) Regulations, 1997 as applicable.

6. The promoters/ relatives of promoters/directors are holding 30,40,341 equity shares of Rs.10/- each forming 43.53% of the preissue capital of the company. The promoters/directors have undertaken to subscribe to their entitlement in the rights issue in full. In case of under subscription in the rights issue component of the present Rights cum Public Issue promoters and persons in control of the management have undertaken to subscribe to entire unsubscribed portion therein.

Assuming that no subscription is received from the existing shareholders in the Rights Issue and promoters subscribe to the entire unsubscribed portion the holding of the promoters/directors will be as follows:

Particulars	Present		Post Rights Issue		Post Composite Issue*	
	No. of equity shares of Rs. 10/- each	% to present capital	No. of equity shares of Rs. 10/- each	% of post issue capital	No. of equity shares of	% of post issue capital
Promoters	30,40,341	43.53	1,00,25,341	71.76	1,00,25,341	59.02

Since equity shares have been reserved for allotment to promoters in the public issue the promoters holding pursuant to composite issue has been shown.

The allotment to the promoters or the persons in control of the management even if they subscribe to unsubscribed portion as undertaken will not result in public shareholding falling below the permissible minimum level. Thus the provisions of clause 17 of SEBI (Delisting of Securities) Guidelines 2003 are not applicable.

The promoters/directors have part financed the expansion project by way of unsecured loans to the extent of Rs.751.05 lacs. The promoters/directors, vide their letter dated 13/04/2004, have consented for the conversion of the unsecured loans into equity shares towards their rights entitlement and under-subscribed portion in the rights issue, if any. Details of the unsecured loan brought in by the promoters is as follows:

(Rs. in lacs)

Name of the promoter/director	Amount of Loan
Rajesh Chhabria	255.00
Kapil Puri	454.05
Deepak Bhagchandaney	10.00
Kavita Puri	30.00
Total	751.05

The unsecured loans advanced by the promoters will be adjusted against the share application money due from them towards their subscription in the rights issue component. The said unsecured loans are brought in to part finance the proposed project and no interest is payable on said loan.

7. The company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further equity shares of the company.
8. The market lot of the equity shares is 1 (One share).
9. Shares have not been issued for consideration other than cash or out of revaluation reserves at any point of time.

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

10. The ten largest shareholders two years prior to the date of filing of this Offer document with ROC are as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of issued Capital
1.	Shyam Telecom Limited	15,60,000	22.33
2.	Kapil Puri	13,10,000	18.75
3.	Rajesh Chhabria	10,50,000	15.03
4.	Kavita Puri	5,61,837	8.04
5.	Mahendra Shah	4,00,000	5.73
6.	Shanti Sarup Agarwal	3,25,000	4.65
7.	Amiti Ketan Vadalia	1,10,051	1.57
8.	Amrit Sales Promotion Pvt.Ltd.	1,00,000	1.43
9.	Shankar Sales Promotion Pvt.Ltd.	1,00,000	1.43
10.	Sunny Mercantile Pvt.Ltd.	1,00,000	1.43
	Total	56,16,888	80.39

11. The ten largest shareholders as on 10 days prior to the date of filing of the Offer document with ROC are as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of issued Capital
1.	Shyam Telecom Limited	15,60,000	22.33
2.	Kapil Puri	13,10,000	18.75
3.	Rajesh Chhabria	10,50,000	15.03
4.	Kavita Puri	5,68,937	8.15
5.	B. Lodha Securities Ltd.	2,26,873	3.24
6.	Subhkam Securities Pvt. Ltd.	2,22,205	3.18
7.	Sunny Mercantile Ltd.	2,00,000	2.86
8.	Mansoul Commercial Pvt. Ltd.	1,23,380	1.77
9.	Subhkam Monetary Services Pvt. Ltd.	1,13,473	1.62
10.	Prasad R. Deshpande	76,605	1.09
	Total	54,51,473	78.00

12. The ten largest shareholders as on the date of filing of the Offer document with ROC are as follows:

Sr. No.	Name of the Shareholder	Number of Shares	% of issued Capital
1.	Shyam Telecom Limited	15,60,000	22.33
2.	Kapil Puri	13,10,000	18.75
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7.	Sunny Mercantile Ltd.	2,00,000	2.86
8.	Mansoul Commercial Pvt. Ltd.	1,23,380	1.77
9.	Subhkam Monetary Services Pvt. Ltd.	1,13,473	1.62
10.	Prasad R. Deshpande	76,605	1.09
	Total	54,51,473	78.00

13. The Company/Promoters/Directors/Lead Merchant Bankers have not entered into buyback or similar arrangements for purchase of securities issued by the Company.
14. Total number of shareholders as on date is 875.
15. There are no transactions in the equity shares of the company by the promoter group during the last six months. There are no other transactions in the securities of the Company during preceding 6 months which were financed directly or indirectly by the promoters, their relatives, their group companies or associates or by the above entities directly or indirectly through other persons.
16. There are no bridge loans or any other financial arrangements made for incurring expenditure on the project, which will be repaid out of the proceeds of the current issue.
17. At any given time there shall be only one denomination for the shares of the Company and the disclosures and accounting norms specified by SEBI from time to time shall be complied with.
18. The Company shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from the submission of the offer document to SEBI for the Rights Issue cum Public Issue till the securities referred in the aforesaid have been listed or application money refunded on account of failure of the issue.
19. The Company does not propose to alter the capital structure by way of split or consolidation of the denomination of the shares or the issue of shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities within a period of six months from the date of opening of the present issue.

SECTION IV : PARTICULARS OF THE RIGHTS ISSUE

Dear Shareholder(s)

BASIS OF OFFER

69,85,000 equity shares of Rs.10/- each for cash at a premium of Rs. 15 /- per share are being offered to the Members of the Company whose names appear on the Register of Members of the Company on 15/09/2004, being the record date fixed by the Company in consultation with The Stock Exchange, Mumbai, on Rights Basis in the ratio of One equity share for every equity share (i.e.1:1) held in the Company.

FRACTIONAL ENTITLEMENT

The ratio in which the equity shares are being issued in the present rights issue will not lead to any fractional entitlement.

RIGHTS ENTITLEMENT

As your name appears in the Register of Members of the Company on the Record Date, you are entitled to this Rights Offer on the basis mentioned above. The number of equity shares to which you are entitled as a Shareholder of the Company is shown in Part A of the CAF.

OFFER TO NON RESIDENT/FIIs SHAREHOLDERS

Presently 21,800 equity shares aggregating to 0.31 % of the present issued capital are held by NRIs on repatriation basis. Under the Foreign Exchange Management Act, 1999 (FEMA) general permission is granted to the companies vide notification no. FEMA/20/2000-RB dated 03/05/2000 to issue and export securities to NRI's subject to the terms and conditions stipulated therein. In case NRI shareholders wish to apply for additional shares over and above their entitlement they need not seek any specific approval from RBI. However, allotment to them for additional shares will be subject to RBI permission and availability of equity shares for allotment. The Companies are required to file the declaration in the prescribed form to the concerned Regional Office of RBI within 30 days from the date of issue of shares for allotment to NRIs with repatriation basis. Shareholder wishes to renounce his/her entitlement the renunciation price, if any, received by the said shareholders shall be subject to applicable taxes and RBI permission for repatriation, if any, of the process.

NOMINATION

In terms Section 109 (A) of the Companies Act 1956 nomination facility is available. The applicant may nominate any person by filling the relevant details in the CAF at the space provided for the purpose.

TERMS OF OFFER

The equity shares now offered are subject to the terms of this Letter of Offer, CAF, Memorandum and Articles of Association of the Company (hereinafter referred to as "The Articles"), the Guidelines issued from time to time by the Government of India and Securities and Exchange Board of India, the relevant provisions of the Act as amended from time to time and such terms and conditions as may be incorporated in the share certificates or any deed or document executed by the Company regarding the Rights Issue.

ACCEPTANCE OF OFFER

You may accept and apply for the equity shares hereby offered to you either wholly or in part by filling the enclosed CAF and submitting the same along with application money to the Bankers to the Issue or their branches mentioned in the application form before the close of bank hours on 8/11/2004. The Board will have the right to extend the last date for receipt of CAF for such period as they may deem fit but in no case would the offer for subscription to the issue be kept open for more than 60 (sixty) days.

TERMS OF PAYMENT

	Towards Share Capital (Rs)	Towards Premium (Rs.)	Total Amount Payable (Rs.)
On Application	5.00	7.50	12.50
On Allotment	5.00	7.50	12.50
Total	10.00	15.00	25.00

Where an applicant is allotted lesser number of shares than he has applied for, the excess amount paid on application will be adjusted towards the allotment money payable if any on the Equity Shares allotted to him/her, and the balance amount, if any remaining thereafter, will be refunded to applicant.

APPLICATION FOR ADDITIONAL EQUITY SHARES

You are also eligible to apply for additional equity shares over and above the number of equity shares offered to you, provided that you have applied for all the equity shares offered without renouncing them in whole or in part in favour of any other person(s). However, the additional equity shares cannot be renounced in full or in part, in favour of any other person(s).

If you desire to apply for additional equity shares, you may fill in the number of additional equity shares in Part A of the CAF. The allotment of additional equity shares will be at the sole discretion of the Board on an equitable basis with reference to the number of Equity Shares held by you on the Record Date in consultation with The Stock Exchange, Mumbai. In the case of requests for additional equity shares by Non Residents, the allotment will be subject to the approval of Reserve Bank of India. The Board may reject any application for additional equity shares without assigning any reasons thereof.

RENUNCIATION

You may renounce all or any of the equity shares you are entitled to in favour of any individual, limited Companies, or statutory corporations / institutions. However renunciation in favour of more than three persons as joint holders, trust or society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable trust laws and is authorised under its

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constitution to hold shares in a Company), minors (unless acting through natural or legal guardians), Partnership Firms, or their nominees, or any of them will not be accepted.

Any renunciation from Resident(s) to Non- Resident(s) is subject to the renouncer(s)/ renounee(s) obtaining requisite approval(s) of the Reserve Bank of India (RBI) and the said permission must be attached to the CAF.

PROCEDURE FOR RENUNCIATION

(i) To Renounce in WHOLE

If you wish to renounce this offer in whole, please complete PART 'B' of the CAF enclosed with the Letter of Offer for the number of equity shares renounced and deliver the CAF duly signed to the person(s) in whose favour the equity shares are so renounced. All joint holders must sign as per specimen signatures recorded with the Company at the place provided for the purpose and in the same order.

The person(s), in whose favour the offer has been renounced (renounees) should complete and sign PART C of the CAF. In case of joint renounees, all joint renounees must sign.

(ii) To Renounce in PART

If you wish to either accept this offer in part or renounce the balance of this offer the CAF must first be split into the requisite number of forms, by applying to the Registrars to the Issue. Please indicate your requirement of split forms in the space provided for this purpose in PART D of the CAF and return the entire CAF to the Registrars to the Issue so as to reach them latest by the close of business hours on or before the last date for receiving requests for split forms i.e.23/10/2004.

If you wish to apply for equity shares jointly with any person(s) who is/are not already joint holder(s) with you, then it would amount to renunciation and the procedure of renunciation as mentioned above shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure as stated above shall have to be followed.

Further, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute and unqualified discretion to reject any such request for allotment of equity shares from renounee(s) without assigning any reason thereof save where the equity shares have been renounced in favour of a person who is already a member of the Company.

Please note that:

- a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.
- b) Only the person to whom this Letter of Offer has been addressed and NOT the renounees shall be entitled to split forms. Forms once split cannot be resplit.

REQUEST FOR SPILT FORMS:

- Request for Split Forms should be addressed to the Registrars to the issue so as to reach them on or before the last date for receiving of request for split forms by filling in PART D of the CAF.
- Requests for Split Forms will be entertained only once.

HOW TO APPLY

You may apply for the equity shares offered wholly or in part by filling in the enclosed CAF and submitting the same along with the application money to the Bankers to the Issue or its designated branches on or before the closure of the subscription list. The CAF should be complete in all respects, as explained in the INSTRUCTIONS indicated in the CAF. The CAF should not be detached under any circumstances, otherwise the application(s) will be rejected forthwith.

All applications should be made only on the printed CAF provided by the Company or on blank paper in case of non-receipt of CAF.

You may exercise any one of the following options with regard to the equity shares offered to you, using the enclosed CAF:

Sr. No.	Options available	Action Required
1.	Accept whole or part of the equity shares offered to you without renouncing the balance	Fill in and sign Part A indicating in Block III of Part A the number of equity shares accepted. If you accept all the equity share offered in Block II of Part A you may apply for additional equity shares. Indicate in Block IV the additional equity shares applied for.
2.	Renounce all the equity shares offered to you to one person (joint renounees are deemed as one person) without your applying for any of the equity shares offered to you.	Fill in and sign Part B indicating the number of equity shares renounced in Block VII & handover the ENTIRE FORM to the renounee. The renounee/ joint renounee(s) must fill in and sign Part C of CAF.
3.	Accept a part of your entitlement and renounce the balance or part of it to one or more Renounee(s).	Fill in and sign Part D for the Split Form and send the ENTIRE CAF to the Registrar to the Issue.
	OR	On receipt of Split Forms :
4.	Renounce your entitlement or part of it to one or more persons (joint renounees are deemed as one person).	<ol style="list-style-type: none"> a. For the equity shares you are accepting, fill in & sign Part A. b. For the equity shares you are renouncing fill in and sign Part B indicating the number of equity shares renounced in Block VII. Each of the renounees should fill in and sign Part C.

Note: If application is made jointly with any other person(s) who is/are not already joint holders, or change in the sequence of names of joint holders, it will amount to renunciation and the procedure mentioned in (2) above will have to be followed.

APPLICATION ON PLAIN PAPER

Shareholders who have neither received the original CAF(s) nor are in a position to obtain the duplicate CAF(s) may make an application to subscribe to the Rights Issue on plain paper along with an Account Payee Cheque/demand draft payable at Mumbai to be drawn in favour of "Spanco-Rights Issue" and marked "A/c Payee" and send the same by Registered Post directly to the Registrar to the Issue, so as to reach them on or before the closure of the issue. The envelope should be superscribed "Spanco-Rights".

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimens recorded with the company should contain the following particulars :

1. Name of the shareholder including joint-holders
2. Address of sole/first holder
3. Folio No./DP ID Number and Client ID Number
4. Number of shares held as on 15/09/2004 (Record Date)
5. Certificate numbers and Distinctive numbers, if held in physical form
6. Number of shares to which entitled
7. Number of shares applied for, out of entitlement
8. Number of additional shares applied for, if any
9. Total number of shares applied for.
10. Amount payable on application
11. Particulars of Cheque/Draft enclosed
12. Savings/Current Account Number and Name and Address of the Bank
13. PAN/GIR number and Income tax Circle/ward/District of the sole /all the joint applicants where the application is for shares of a value of Rs. 50,000/- or more.
14. In case of Non-Resident shareholders, NRE/FCNR/NRO Account No., name and address of the bank and branch. Copy of RBI Approval received in this regard is also to be enclosed.
15. Signature of shareholders in the same order as appearing in the records of the company.

Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilise the CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications. The company shall refund such application amount to the applicant without any interest thereon.

MODE OF PAYMENT

For Resident Applicants

Payment(s) must be made by cheque/demand draft payable to "**SPANCO – RIGHTS ISSUE**" drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the Bankers' Clearing House located at the centre where the CAF is submitted. A separate cheque/draft must accompany each CAF. Only one mode of payment should be used. Money orders, postal orders and outstation cheques will not be accepted and applications accompanied by any such instruments will be rejected.

Shareholders/Applicants residing at places other than those mentioned in the CAF and applicants who wish to send their applications but not having collection centres should send their application by Registered Post, ONLY to the Registrar to the Issue, Bigshare Services Pvt. Ltd., enclosing a demand draft drawn on a clearing Bank and payable at Mumbai ONLY net of bank charges and postal charges, before the closure of the issue.

Such cheque/drafts should be made payable to "**SPANCO – RIGHTS ISSUE**". All cheques/ drafts must be crossed 'A/c Payee only. No receipt will be issued for the application money received. However, the Collection Centre receiving the application will acknowledge receipt of the application by stamping and returning the acknowledgement slip at the bottom of each CAF. The Company is not responsible for any postal delay/ loss in transit on this account.

Application will not be accepted by the Lead Manager or by the Company

For Non-Resident Applicants

Payments by Non-Resident Shareholders will be accepted by Indian Rupee Drafts purchased abroad or cheques /drafts drawn on Non-Resident External Account (NRE Account) or Foreign Currency Non-Resident Account (FCNR Account) maintained anywhere in India but payable at Mumbai or by Telegraphic Transfer in favour of the collecting Bankers by the concerned shareholders.

However, in case shares are held on a non-repatriable basis, payment may also be made by cheque /draft drawn on Non-Resident Ordinary Account (NRO A/c.) maintained anywhere in India but payable at Mumbai. Such cheques/drafts should be drawn in favour of "**SPANCO - RIGHTS ISSUE - NRO**" payable at Mumbai, India and shall be crossed A/c. Payee Only, Banker's Certificate regarding source of payment must be submitted with the CAFs wherever necessary.

The CAF alongwith cheques/drafts should be deposited with any of the branches of the Bankers to the Issue nominated for this purpose. The certificate of inward remittance, if any, must be sent only to the Registrars to the Issue, Bigshare Services Pvt. Ltd., quoting the details of folio no. and the name and address of the branch of the Bankers to the Issue where CAF has been deposited before the closure of the issue.

QUOTING OF PAN/GIR NO. IN THE APPLICATION FORMS

Where an application is for allotment of securities in response to a rights issue, for a total value of Rs. 50,000/- or more i.e. the total number of securities applied for multiplied by the issue price, is Rs. 50,000/- or more the applicant or in the case of applications in joint names, each of the applicants, should mention his/her permanent account number (PAN) allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number and the Income-Tax Circle/Ward/District. In case neither the permanent account number nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the application forms. Application forms without this information will be considered incomplete and is liable to be rejected.

NOTE ON CASH PAYMENT (SECTION 269 (SS))

Having regard to the provisions of Section 269 (SS) of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

STOCKINVEST

RBI has withdrawn the Stockinvest Scheme vide notification no. DBOD.NO.FSC.BC.42/24.47.001/2003-04 dated November 5, 2003.

LAST DATE FOR SUBMISSION OF CAF

The last date for receipt of CAF by the Bankers to the Issue together with the amount payable on application is 8/11/2004. If the relevant CAF together with amount payable thereunder is not received by the Bankers/Registrar to the Issue on or before the close of banking hours on the aforesaid last date the offer contained in this offer document shall be deemed to have been declined and the Board shall be at liberty to dispose of the equity shares hereby offered as provided under "Basis of Allotment".

INCOMPLETE APPLICATION

CAFs, which are not complete or are not accompanied with the application money amount payable are liable to be rejected.

MINIMUM SUBSCRIPTION

The minimum subscription which must be raised by this issue of equity shares on Rights basis is 90% of the total issue of Rs. 1746.25 Lacs being the aggregate issue size of 69,85,000 equity shares of Rs. 10/- each for cash at a premium of Rs. 15/- per share offered. The Board of Directors will proceed to allot the shares on receipt of the application money payable on 90% of the 69,85,000 equity shares.

However this being a composite issue the requirement of "Minimum Subscription" shall be satisfied both jointly and severally i.e independently for both rights and public issue. If the company does not receive the minimum subscription in either of the issues the company shall refund the entire subscription received.

BASIS OF ALLOTMENT

In the event of the issue being oversubscribed, the basis of allotment will be made only within the overall size of the Rights Issue, as stated in the Letter of Offer and the Board will proceed to allot the equity shares in consultation with The Stock Exchange, Mumbai in the following order of priority:

1. Full allotment to the Shareholders who have applied for their Rights entitlement, either in full or in part and also the renounee(s) who have applied for equity shares renounced in their favour either in full or in part (subject to the other provisions contained under the paragraph titled "Renunciation").
2. Allotment to the shareholders who have applied for additional equity shares provided that they have applied for all the equity shares offered to them, provided there is a surplus after making full allotment under (1) above. The allotment of such additional equity shares will be made as far as possible on equitable basis having due regard to number of shares held by them on the record date provided there is under subscribed portion after making full allotment in (1) above.
3. Allotment to the renounees who have applied for all the equity shares renounced in their favour and have applied for additional equity shares, as the Board may in its absolute discretion deem fit, provided there is a surplus after making full allotment (1) and (2) above.
4. Allotment to any other person as the Board may in their absolute discretion deem fit, provided there is a surplus after making full allotment under (1), (2), (3) above.

The unsubscribed portion of the equity shares, if any, offered to the shareholders after considering the application for Rights/Renunciation and additional equity shares, as above, shall be disposed off at the sole discretion of the Board of Directors of the Company.

In case of oversubscription the allotment would be done in a proportionate manner in consultation with The Stock Exchange, Mumbai. Further the allotment for both Public & Rights component of the issue is proposed to be made simultaneously.

DISPOSAL OF APPLICATION AND APPLICATION MONEY

No receipt will be issued for application money received. However, the Bankers to the Issue receiving the CAF(s) will acknowledge its receipt by stamping and returning the acknowledgement slip at the bottom of each CAF. In the event of shares not being allotted in full, the excess amount paid on application will be refunded to the applicant within six weeks of the date of closure of the issue. The Board reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason. In case an application is rejected in full, the whole of the application money received will be refunded and where an application is accepted in part the excess money will be refunded after adjusting the money payable for the shares allotted. All refunds will be made within six weeks of the date of closing of the Subscription List.

ALLOTMENT CUM CALL

After the finalisation of the basis of allotment the company shall send out an allotment cum call money advise to the applicants intimating them of the number of shares allotted and the balance allotment money due from them.

FORFEITURE

The equity shares shall be made fully paid up within a period of 12 months from the date of allotment in the issue.

RANKING OF EQUITY SHARES

The Equity Shares offered and allotted through this offer document shall be subject to the Memorandum and Articles of Association of the company and shall rank *pari passu* with the existing Equity Shares in all respects including dividend, if any, declared.

RIGHTS OF EQUITY SHAREHOLDERS

The Shareholders are entitled to receive dividend, as and when declared, bonus and rights shares, as and when issued. Further, the rights of the above and other holders of shares are subject to the provisions of the Companies Act, the Memorandum and the Articles, the terms of this Letter of Offer and other laws as applicable from time to time.

ALLOTMENTS/REFUNDS

A) For applications made by Cheques/Drafts

The company will issue and dispatch letter of allotment/securities certificate and/or letters of regret alongwith the refund orders or

credit the allotted securities to the respective beneficiaries account, if any, within a period of six weeks from the date of closure of issue. If such money is not repaid within 8 days from the day the company becomes liable to pay it, the company shall pay that money with interest as stipulated under Section 73 of the Companies Act, 1956. Refunds, if any, will be made alongwith Allotment Letters and/or Regret Letters by refund order / pay order drawn on the Bankers to the Company and will be despatched within 6 weeks from the date of closure of Issue, by Registered Post if the amount of such refund exceeds Rs.1500/-. However, refund orders for value not exceeding Rs.1500/- shall be sent to the applicant under postal certificate. Such cheque refund order / pay order will be payable at par during their validity period at all centers where the applications are received. In case of joint applications, Refund Orders, if any, will be made out in the First applicant's name and all communication will be addressed to the person whose name appears on the CAF.

B) For application by Non-Resident Indians / Foreign Institutional Investors (FIIs)

In case of Non-Resident Indians/FIIs who remit their application money from funds held in NRE/FCNR/NRO Accounts, refund/ payment of interest and other disbursements, if any, shall be credited to such account, details of which should be furnished in the column provided for that purpose in the CAF. In case of non-residents who remit their application money through Indian Rupee drafts purchased from abroad, refunds/payments of interest and other disbursements, if any, will be made in US dollars at the exchange rate prevailing at such time, subject to the permission of the RBI. The Company will not be responsible for any loss on account of exchange fluctuations for converting the Indian Rupees amount into US Dollars.

ALLOTMENT / DESPATCH OF REFUND ORDERS

The subscription received in respect of the issue will be kept in Separate Bank Account(s). The Company would not have access to such funds unless it has received the minimum subscription of 90% of the issue and the permission of The Stock Exchange, Mumbai to use the amount of subscription.

The Company agrees that allotment of securities offered to the public shall be made within 30 days of the closure of the issue.

INTEREST IN CASE OF DELAY IN ALLOTMENT / DESPATCH

As far as possible the Company agrees that allotment of securities offered on the Rights basis shall be made within 30 days of the closure of the issue. The company further agrees that it shall pay interest at the rate of 15% per annum if the allotment letters/ refund orders have not been despatched to the applicants within 30 days from the date of the closure of the issue.

All the pay orders / refund orders and Letter(s) of Allotment / Share Certificates will be despatched to the first named / sole applicant at his / her own risk. The Refund Orders will be payable at par in India at all the centres where the applications were originally accepted. The instruments will be marked "Account Payee Only" and in the name of the sole/first applicant. Bank charges, if any, for encashing such refund orders / pay orders will be payable by the applicants.

The Company has given an undertaking that the requisite funds will be made available to the Registrar for complying with the requirement of despatch of refund orders / allotment letters. The Company shall ensure despatch of refund orders of value over Rs.1,500/- by Registered Post only and adequate funds will be made available to the Registrar.

APPLICATION UNDER POWER OF ATTORNEY

In case of applications under Power of Attorney or by Limited Companies or Bodies Corporates or Societies registered under the applicable laws, a certified copy of the Power of Attorney or the relevant authority, as the case may be, along with the certified copy of the Memorandum and Articles of Association or Bye-laws, as the case may be, must be lodged separately by registered post at the office of the Registrar to the Issue simultaneously with the submission of the CAF, indicating the serial number of the CAF and the name of the bank and the branch office where the application is submitted within 10 days of closure of the offer, failing which the application is liable to be rejected. In case the Power of Attorney is already registered with the Company, then the same need not be furnished again. However, the serial number of the Registration under which the Power of Attorney has been registered with the Company must be mentioned below the signature of the Applicant.

BANK DETAILS OF THE APPLICANT

The applicant must fill in the relevant column in the CAF giving particulars of Savings Bank/Current Account Number and the name of the Bank with whom such accounts is held, to enable the Registrar to the Issue to print the said details in the Refund Orders, if any, after the name of the payees. **Please note that provision of Bank Account details has now been made mandatory and applications not containing such details are liable to be rejected.**

APPLICATION NUMBER ON THE CHEQUE/DEMAND DRAFT

To avoid any misuse of instruments, the applicants are advised to write the application number and name of the first applicant on the reverse of the cheque / demand draft.

GENERAL

- (a) All applications should be made on the printed CAF provided by the Company and should be complete in all respects. Applications, which are not complete in all respects or are made otherwise than as herein provided or not accompanied by proper application money in respect thereof will be refunded without interest.
- (b) Please read the instructions in the enclosed CAF carefully.
- (c) **ALL COMMUNICATIONS IN CONNECTION WITH YOUR APPLICATION FOR THE EQUITY SHARES INCLUDING ANY CHANGE IN YOUR REGISTERED ADDRESS SHOULD BE ADDRESSED TO THE REGISTRAR TO THE ISSUE.**
- (d) Application Forms must be filled in ENGLISH in BLOCK LETTERS.
- (e) Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the constitution of India. Signatures other than in the aforementioned languages or thumb impressions must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
- (f) In case of Joint Holders, all joint holders must sign the relevant parts of the Application Form in the same order and as per the specimen signature recorded with the Company.
- (g) In case of joint applicants, refunds and all payments will be made to the person whose name appears first on the application form and all communications will be addressed to him/her. To prevent any fraudulent encashment of refund orders by third parties, the Sole/First Applicant must indicate Saving / Current Account number and the name of the bank and its branch with whom such account is held in the space provided in the CAF for the purpose so that Refund Orders are printed with these details after the name. Applications without this information are liable to be rejected.

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- (h) The Application Form should be presented to the Bank in its entirety. If any of the Part(s) A, B, C and D of the Application Form(s) is /are detached or separated, such application will forthwith be rejected.
- (i) All shareholders must submit the CAF along with remittance only to the Bankers to the Issue mentioned elsewhere in this offer document and not to the Company, the Registrar or the Lead Manager.
- (j) Any dispute or suit action or proceedings arising out of or in relation to this Letter of Offer or in respect of any matter or thing herein contained and claimed by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court where Registered Office of the Company is situated.
- (k) The last date for receipt of CAF alongwith the amount payable is 08/11/2004. However, the Board will have the right to extend the same for such period as it may determine from time to time, but not exceeding 60 days from the date of opening of the subscription list. If the CAF together with the amount payable there under is not received by the bankers to the issue on or before the closure of the banking hours on the aforesaid date, or such date as may be extended by the Board, the offer contained in this offer document shall be deemed to have been declined and the Board shall be at liberty to dispose the Rights hereby offered.

For further instructions please read CAF carefully.

DEMATERIALIZATION

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The equity shares of Spanco are traded in the compulsory demat mode. The Company has entered into a tripartite agreement dated 31/03/2004 with the National Depository Services Ltd. (NSDL) and Bigshare Services Pvt. Ltd (Registrar and Transfer Agent) for dematerialisation of the equity shares of the company. The Company has also entered into a tripartite agreement dated 19/03/2004 with the Central Depository Services Limited (CDSL) and Bigshare Services Pvt. Ltd. for dematerialisation of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is INE360B01018.

An applicant has the option to seek allotment in physical or demat mode. An applicant who seeks allotment in demat mode must have atleast one Beneficiary Account with any of the Depository Participants (DP) of NSDL or CDSL registered with SEBI, prior to the application. Such applicants must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the head "Request for shares in electronic form" in the CAF.

Applicant must indicate in the CAF, the no. of shares they wish to receive in electronic form out of the total no. of equity shares applied for. In case of partial allotment, shares will first be allotted in electronic form and the balance, if any, will be allotted in physical form. However, Investor's should note that trading in securities of the Company shall be in dematerialised form only.

Names in the CAF should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.

No separate application for demat and physical shares are to be made. If such applications are made the application for physical shares will be treated as multiple application and rejected accordingly. It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL.

Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to the Issue

BIGSHARE SERVICES PVT. LTD.

E/2, Ansa Industrial Estate, Saki Vihar Road,
Sakinaka, Andheri(E), Mumbai – 400 072.
Tel.: (022) 28473474/ 28470652 Fax: (022) 28475207
e-mail : bigshare@bom7.vsnl.net.in
SEBI Regn. No.: INR000001385
Contact Person: Mr. Mahendra

The applicant is responsible for the correctness of the applicants demographic details given in the share application form vis-à-vis those with his/her DP. Equity shares allotted in demat mode will be credited directly to the respective Beneficiary Account.

SECTION V: PARTICULARS OF PUBLIC ISSUE

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

The equity shares being issued are subject to terms of this offer document, the terms and conditions contained in the application form, the Memorandum and Articles of Association of the Company, provisions of the Act and letters of Allotments/ Equity Share Certificates or other documents and the guidelines issued from time to time by the Govt. of India and Securities & Exchange Board of India.

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

The Company agrees that -

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

RANKING OF EQUITY SHARES

The equity shares to be issued shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu with the existing equity shares of the Company in all respect.

RIGHTS OF THE EQUITY SHAREHOLDERS

The Equity Shares now being issued shall rank pari-passu in all respects with the existing Equity Shares. The Shareholders are entitled to receive dividend as and when declared, bonus and rights shares as and when made. The instrument holder shall also be entitled to the rights given under Section 206(A) of the Act and any other rights under the law.

DENOMINATION OF SHARES

The equity shares of the Company are issued in denomination of Rs. 10/- which is a standard denomination of shares. At any time there shall be only one denomination for the shares of the Company and the Company shall comply with such disclosures and accounting norms as may be specified by SEBI from time to time in this respect.

WHO CAN APPLY

- ◆ Indian National Resident of India.
- ◆ Hindu Undivided Families (HUF) through the Karta of the HUF. (Applications by HUF would be given the same treatment as that to applications by individuals)
- ◆ Companies, Body Corporate and Societies registered under the applicable laws in India and authorised to invest in the shares.
- ◆ Scientific and/or Industrial Research Organisations, which are authorised to invest in the equity shares.
- ◆ Indian Mutual Funds registered with SEBI.
- ◆ Indian Financial Institutions & Banks.
- ◆ Trusts who are registered under the Societies Registration Act, 1860 or any other Trust Law and are authorised under their constitution to hold and invest in shares subject to provisions of Section 3A of the Bank Nationalisation Act.
- ◆ Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India.
- ◆ Permanent and Regular employees/Working Directors of the Bank.
- ◆ Non Resident Indians (NRIs) /FII's on repatriation basis.

TERMS OF PAYMENT

a) For Indian Resident Public/Employees

The application (**WHITE in colour**) must be for a minimum of 200 equity shares and thereafter in multiples of 200 shares. The amount payable per share is as under.

	Towards Share Capital (Rs)	Towards Premium (Rs)	Total Amount Payable (Rs)
On Application	5.00	7.50	12.50
On Allotment	5.00	7.50	12.50
Total	10.00	15.00	25.00

The employees of the company shall use separate application form (**BLUE in colour**) for applying in the employees reservation.

Where an applicant is allotted lesser number of shares than he has applied for, the excess amount paid on application will be adjusted towards the allotment money payable if any on the Equity Shares allotted to him/her, and the balance amount, if any remaining thereafter.

An applicant in the public category can make application for that number of shares only which is offered to the public for subscription.

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

b) For Non-Resident Indians (NRI's) / Foreign Institutional Investor (FII's)

The application (**RED in colour**) must be for a minimum of 200 equity shares and thereafter in multiples of 200 shares. The amount payable per share is as under.

	Towards Share Capital (Rs)	Towards Premium (Rs)	Total Amount Payable (Rs)
On Applicaton	10.00	15.00	25.00
Total	10.00	15.00	25.00

Where an applicant is allotted lesser number of shares than he has applied for, the excess amount paid on application will be adjusted towards the allotment money payable if any on the Equity Shares allotted to him/her, and the balance amount, if any remaining thereafter.

An applicant in the public category can make application for that number of shares only which is offered to the public for subscription.

c) For Indian Financial Institution/Mutual Funds/Banks

The application (**WHITE in colour**) to tick appropriate column must be for a minimum of 10,000 equity shares and thereafter in multiples of 1000 shares. The amount payable per share is as under.

	Towards Share Capital (Rs)	Towards Premium (Rs)	Total Amount Payable (Rs)
On Applicaton	10.00	15.00	25.00
Total	10.00	15.00	25.00

NOMINATION

In terms Section 109 (A) of the Companies Act 1956 nomination facility is available in case of equity shares. The applicant may nominate any person by filling the relevant details in the application form at the space provided for the purpose.

APPLICATION MONEY

The sums received in respect of the Public Issue will be kept in separate Bank account in accordance with the provision of the Section 73 of the Companies Act and the Company shall not utilise the fund till listing and trading permission is obtained from BSE.

ALLOTMENT CUM CALL

After the finalisation of the basis of allotment the company shall send out an allotment cum call money advise to the applicants intimating them of the number of shares allotted and the balance allotment money due from them.

Till such time as the allotment money is paid, the equity shares shall be considered as partly paid up. The process of corporate action for credit of fully paid up equity shares to the demat account of the shareholders may take about 2 weeks from the date of the payment of the amount payable on call. During this period shareholders who pay the amount payable on Call for the partly paid shares will not be able to trade in those shares. A separate ISIN No. will be allotted to the partly paid up shares. Lead Manager will approach the stock exchange of procuring a proper ticker to differentiate partly paid up shares from fully paid up shares.

FORFEITURE

The equity shares shall be made fully paid up within a period of 12 months from the date of allotment in the issue.

HOW TO APPLY:

GENERAL INSTRUCTIONS

AVAILABILITY OF APPLICATION FORMS AND OFFER DOCUMENT

Application forms with Memorandum containing salient features of the offer document and copies of the offer document under Section 56(3) of the Act may be obtained from the Registered Office of the Company, the Lead Managers to the issue, Brokers to the issue and the Bankers to the issue named herein or from their branches as stated on the reverse of the application form.

PROCEDURE FOR APPLICATION

APPLICATION BY RESIDENT INDIAN PUBLIC

1. Application must be made only :
 - a. On the prescribed Application Form (**WHITE in colour**) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made.
 - b. For a minimum of 200 Equity Shares and in multiples of 200 thereafter.
 - c. In single name or joint names (not more than three);
 - d. By Indian Nationals resident in India, and
 - e. In the names of individuals, limited companies or statutory corporations/institutions and NOT in the names of Minors, Foreign Nationals, Non-Residents, trusts, (unless the Trust is registered under the Societies Registration Act, 1860 or

any other applicable Trust laws and is authorised under its constitution to hold shares and debentures in a Company), Hindu undivided Families, partnership firms or their nominees. In case of HUF's application shall be made by the Karta of the HUF.

2. An applicant can apply for that many number of shares that are being issued to public in terms of this issue. Payment should be made in cash or by cheque/Bank Draft 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 is submitted.
3. A separate cheque or Bank draft accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.
4. All Cheques or Bank Drafts must be payable to any of the Bankers to the Issue with whom the application is lodged and marked "A/c- Spanco - Public Issue" and crossed "Account Payee Only" (**e.g. Corporation Bank A/c – Spanco - Public Issue**).
5. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Managers to the Issue or to the Registrars to the Issue.
6. No receipt will be issued for the application money. However, Bankers to the Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.
7. When an application for Equity Shares is for a total value of Rs.50,000/- or more, the applicant or in the case of application in joint names each applicant should mention his/her Permanent Account Number(PAN) allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle, Ward, District. In case neither PAN, GIR Number has been allotted mention of "Not Allotted" must be made in the place provided. Application Form without this information will be considered incomplete and is liable to be rejected.
8. All Cheques/Bank Drafts accompanying the application form should contain the Application Form Number on the reverse of the instrument.
9. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.
10. Applicants residing at places where the designated branches of the Banker to the Issue are not located may submit/mail their applications at their sole risk alongwith Demand Draft payable at Mumbai only payable to "**Spanco - Public Issue**" or
11. For further instructions please read Application Form carefully.

APPLICATION BY EMPLOYEES

Reservation on competitive basis has been made in the public issue to the permanent employees including working directors of the company. Reservation on competitive basis shall mean reservation wherein allotment of shares is made in proportion to the shares applied for.

1. Application must be made only :
 - a. On the prescribed Application Form (**BLUE** in colour) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made.
 - b. For a minimum of 200 Equity Shares and in multiples of 200 thereafter.
 - c. In single name or joint names (not more than three);
2. A single applicant in the reserved category can make an application for a number of shares that are being issued to employees in terms of this issue. Payment should be made in cash or by cheque/Bank Draft 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 is submitted.
3. A separate cheque or Bank draft shall accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.
4. All Cheques or Bank Drafts must be payable to any of the Bankers to the Issue with whom the application is lodged and marked "A/c- Spanco – Public Issue - Employees" and crossed "Account Payee Only" (**e.g. Corporation Bank A/c – Spanco - Public Issue - Employees**).
5. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Managers to the Issue or to the Registrars to the Issue.
6. No receipt will be issued for the application money. However, Bankers to the Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.
7. When an application for Equity Shares is for a total value of Rs.50,000/- or more, the applicant or in the case of application in joint names each applicant should mention his/her Permanent Account Number(PAN) allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle, Ward, District. In case neither PAN, GIR Number has been allotted mention of "Not Allotted" must be made in the place provided. Application Form without this information will be considered incomplete and is liable to be rejected.
8. All Cheques/Bank Drafts accompanying the application form should contain the Application Form Number on the reverse of the instrument.

9. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.
10. Applicants residing at places where designated branches of the Banker to the Issue are not located may submit/mail their applications at a their sole risk alongwith Demand Draft payable at Mumbai only payable to **"Spanco - Public Issue - Employees"** or

For further instructions please read Application Form carefully.

APPLICATION BY NON RESIDENT INDIANS (NRIs)/ FOREIGN INSTITUTIONAL INVESTOR (FIIs)

1. Applications by Non-Resident Indians/ FIIs must be made only:
 - a. In the prescribed Application Form (**RED** in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained herein and in the Application Form. Applications not so made are liable to be rejected.
 - b. For a minimum of 200 Shares and in multiples of 200 thereof.
 - c. In single or joint names (not more than three).
 - d. In the names of individuals, (not in the names of minors or their nominees) of Indian nationality/origin.
2. Application forms properly completed together with cheques/bank drafts for the amount payable on application at the rate of Indian Rs.25/- or equivalent of Indian Rs.25/- remitted through normal banking channels or funds held in Non-Resident External (NRE) Accounts/Foreign Currency Non-Resident (FCNR) Accounts maintained with banks authorised to deal in foreign exchange in India along with documentary evidence in support of the remittance, must be delivered before the close of the subscription list to those branches of the Bankers to the Issue at places mentioned against their names in the application forms.

NRIs wishing to pay through NR (O) Accounts shall not use the form meant for NRIs and must apply only in the form meant for Resident Indian Public.
4. All cheques/bank drafts should be made payable to the Bankers to the Issue with whom the application forms are lodged. All cheques or bank drafts should be crossed "A/c Payee Only". All cheques/bank drafts should be marked "**(HDFC Bank) Spanco - Public Issue - NRIs /FIIs**". A separate cheque/bank draft must accompany each application form. NRI application forms can be obtained, on request, from the Registered Office of the Company and the Lead Managers to the Issue.
5. Allotment of Equity Shares to Non-Resident Indians shall be subject to the approval of the Reserve Bank of India.
6. Applicants are requested to mention the number of application form on the reverse of the instrument to avoid misuse of instrument submitted along with the application for shares. Applicants are advised in their own interest, to indicate the name of the bank and the savings or current a/c no in the application form. In case of refund, the refund order will indicate these details after the name of the payee. The refund order will be sent directly to the payee's address.

For further instructions please read the Application Form carefully.

APPLICATION BY INDIAN FINANCIAL INSTITUTIONS (FIs) /MUTUAL FUNDS/ BANKS

1. Application by Indian Financial Institutions, Banks & Mutual Funds must be made only :
 - (i) In the prescribed application form (**WHITE** in colour) completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained herein and in the Application Form.
 - (ii) For a minimum of 10000 equity shares and in multiples of 1000 thereafter.
 - (iii) Allotment will be made on competitive basis.
 - (iv) Applications made otherwise are liable to be rejected.
2. Payment shall be made in cash or by cheque or by bank draft. Cheques or bank drafts should be drawn on any bank (including a Co-operative Bank) which is situated at and is member or sub-member of the Banker's Clearing House located at the centre where the Application Form is submitted. Outstation cheques or bank drafts will not be accepted and application form accompanied by such cheques or bank drafts will be rejected. Money orders/Postal orders will not be accepted.
3. Cheques/bank drafts should be crossed "Account Payee Only" and should be made payable to any of the Bankers to the issue with whom the application is to be lodged and marked "**A/c Spanco - Public Issue – FIIs/Banks/MFs**" (e.g. "**HDFC Bank A/c Spanco - Public Issue - FIIs/ Banks/MFs - which ever applicable**). A separate cheque or bank draft should accompany each Application Form.
4. All application forms duly completed together with cash/cheque/Bank Draft (Money orders/ Postal orders will NOT be accepted) for the amount payable on application at the rate of Rs.25/- per equity share must be delivered before the close of the Subscription List to any of Bankers to the issue named herein or to any of their branches mentioned in the Application Form and NOT to the Company or Registrars or Lead Managers to the issue.
5. No receipt will be issued for the application money. However, the Bankers to the issue or their branches receiving the applications will acknowledge receipt by stamping and returning to the applicants, the acknowledgment slip at the bottom of each application form.
6. The application form number should be mentioned on the reverse of the instrument through which the payment is made. Applicants are advised, in their own interest, to indicate the name of their bank and the savings / current account number in the application form. In case of refund, the refund order will indicate these details after the name of the payee. The refund order will be sent directly to the payee's address.

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

APPLICATIONS WHICH ARE NOT COMPLETE IN EVERY RESPECT OR ARE IN CONTRAVENTION OF ANY PROVISIONS/ INSTRUCTIONS CONTAINED IN THIS OFFER DOCUMENT OR IN THE MEMORANDUM CONTAINING SALIENT FEATURES OF PROSPECTUS ARE LIABLE TO BE REJECTED. INVESTORS MAY NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMAT MODE.

GENERAL INFORMATION

STOCKINVEST

RBI has withdrawn the Stockinvest Scheme vide notification no. DBOD.NO.FSC.BC.42/24.47.001/2003-04 dated November 5, 2003.

JOINT APPLICATIONS:

An application may be made in single or in joint names (not more than three). In the case of joint application, refund/pay order (if any), dividend/interest warrants etc., will be made out in the name of the first applicant and all communications will be addressed to the applicant whose name appears first and at his/her address stated in the Application.

MULTIPLE APPLICATIONS:

An applicant should submit only one application (and not more than one) for the total number of Equity shares required. Two or more applications in single and/or joint names will be deemed to be multiple applications if the sole and/or first applicant is one and the same. The Board of Directors reserves the right to reject in its absolute discretion all or any multiple applications without assigning any reason. However employees may apply in the public offer.

In case of applications by Mutual Funds, a separate application must 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 applications, made by the Asset Management Company/Trustees/Custodian clearly indicate their intention as to the scheme for which the application has been made.

Application made by permanent/regular employees of the company both under the reserved category for employees as well as in the net public offer shall not be treated as multiple applications. A separate single cheque/draft must accompany each application form.

APPLICATION UNDER POWER OF ATTORNEY OR BY LIMITED COMPANIES:

In the case of applications under Power of Attorney or by Limited Companies or Corporate Bodies, the relevant power of attorney or the relevant authority as the case may be, or a duly certified copy thereof must be attached to the application form or must be lodged separately at the office of the Registrars to the Issue, simultaneously with the submission of the application form mentioning the serial number of the application form and the bank branch where the application has been submitted, failing which the application is liable to be rejected.

Thumb impression or signature in languages other than the languages specified in the eighth schedule must be attested by Magistrate or Notary Public or a special Executive Magistrate under his official seal.

APPLICATION (S) WILL NOT BE ACCEPTED BY THE LEAD MANAGERS OR REGISTRARS TO THE ISSUE

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY:

No receipt will be issued for the application money. However, the bankers/collection centre to the issue and/or their branches receiving the applications will acknowledge the receipt of the applications by stamping and returning to the applicant the acknowledgment receipt at the bottom portion of each application form. The Company will inform the applicants in respect of allotments made or applications rejected by despatch of allotment letter or regret letter and/or pay orders of value over Rs.1500/-, if any, by Registered Post within 10 weeks of the date of closure of the subscription list. Refunds of value not over Rs.1500/- will be dispatched under Certificate of Posting. Such refund Cheques or Demand Drafts will be payable at par at all centers where the applications were received. Bank Charges, if any, for en-cashing refund pay orders/cheques at any other place will be payable by the applicant.

The Board of Directors reserves, at its sole, absolute and unqualified discretion, the right to reject any application in full or in part without assigning any reason. If an application is rejected in full, the whole of the application money will be refunded to the applicant and in case of Joint applications, to the first named applicant. Where an application is rejected in part, the excess application money will be refunded to the applicant in accordance with the provisions of Section 73 of the Act. In case of any delay in sending the refund orders by more than eight days beyond 10 weeks from the date of closing of the subscription list, interest will be paid at the rates prescribed under Section 73 of the Act, to such applicants. However the Company shall as far as possible despatch the Share Certificates & Refund Orders within 30 days.

The Company undertakes to make available to the Registrars to the issue, adequate funds for allotment letters/share certificates to be sent by registered post.

The sums received in respect of the Public Issue will be kept in separate Bank account(s) and the Company will not appropriate the funds unless approval of the Designated Stock Exchange i.e. BSE is obtained for allotment and no utilisation shall be made till listing approval is obtained from BSE where the shares are proposed to be listed.

BASIS OF ALLOTMENT

Allotment will be made in consultation with BSE. Further the allotment for both public & rights components of the issue is proposed to be made simultaneously.

Allotment will be done on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size of 200 shares as given below:

- a. Applicants will be categorised according to the number of Shares applied for.
- b. 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 multiplied by the inverse of the oversubscription ratio (number of applicants in the category x number of Shares applied for).

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

- c. The number of Shares to be allotted to the successful allottees will be arrived at on a proportionate basis (i.e. Total number of Shares applied for into the inverse of the oversubscription ratio).
- d. For applications where the proportionate allotment works out to less than 200 Shares the allotment will be made as follows:
 - (i) each successful applicant shall be allotted 200 Shares; and
 - (ii) the successful applicants out of the total applicants for that category shall be determined by the drawing 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 (b) above.
- e. If the proportionate allotment to an applicant works out to a number that is not a multiple of 200, the applicant would be allotted Shares by rounding off to the nearest multiple of 200.
- f. 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 category, where the allocated Shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance Shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for the minimum number of Shares
- g. If the process of rounding off to the nearest multiple of 200 results in the actual allotment being higher than the shares offered, the final allotment may be higher at the sole discretion of the Board of Directors, upto 110% of the size of the offering offer specified under Para D to the Capital Structure mentioned in the prospectus.
- h. The above proportionate allotment of shares in an issue that is oversubscribed shall be subject to the reservation for small individual applicants as described below:
 - i) A minimum of 50% of the net offer of shares to the Public shall initially be made available for allotment to retail individual investors as the case may be.
 - ii) The balance net offer of shares to the public shall be made available for allotment to a) individual applicants other than retails individual investors and b) other investors, including Corporate Bodies/ Institutions irrespective of number of shares applied for.
 - iii) The unsubscribed portion of the net offer to any one of the categories specified in (i) or (ii) shall/may be made available for allotment to applicants in the other category, if so required.

'Retail individual investor' means an investor who applies for shares of value of not more than Rs. 50,000/-

Investors may note that in case of over - subscription allotment shall be on proportionate basis and will be finalised in consultation with BSE. The drawing of lots (where required) to finalise the basis of allotment shall be done in the presence of a public representative on the governing board of the BSE.

The Executive Director / Managing Director of the Designated Stock Exchange in addition to Lead Merchant Banker and Registrar 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 SEBI Guidelines.

DEMATERIALISATION

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The equity shares of Spanco are traded in the compulsory demat mode. The Company has entered into a tripartite agreement dated 31/03/2004 with the National Depository Services Ltd. (NSDL) and Bigshare Services Pvt. Ltd (Registrar and Transfer Agent) for dematerialisation of the equity shares of the company. The Company has also entered into a tripartite agreement dated 19/03/2004 with the Central Depository Services Limited (CDSL) and Bigshare Services Pvt. Ltd. for dematerialisation of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is INE360B01018.

An applicant has the option to seek allotment of shares in electronic and / or physical mode.

HOWEVER, INVESTORS SHOULD NOTE THAT TRADING IN SECURITIES OF THE COMPANY SHALL BE IN DEMATERIALISED FORM ONLY.

- The application form will contain space for indicating number of shares subscribed for in demat and physical shares or both.
- No separate applications for demat and physical is to be made. If such applications are made the applications for physical shares will be treated as multiple applications and rejected accordingly.
- In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance if any will be allotted in physical shares.
- Separate applications for electronic and physical shares by the same applicant would amount to multiple applications. Every applicant should make only one application either for physical holding or for electronic holding.
- The applicant seeking allotment of shares in the electronic form must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the heading "Request for shares in electronic form".
- An applicant who wishes to apply for shares in the electronic form must have atleast one Beneficiary Account with any of the Depository Participant (DP) of NSDL/CDSL registered with SEBI, prior to the application.
- Shares allotted to an applicant in the electronic form will be credited directly to the respective Beneficiary Account (with a DP).
- For subscription in electronic form, names in the shares application form should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.

-
- Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to the present Issue,
BIGSHARE SERVICES PVT. LTD.
E/2, Ansa Industrial Estate, Saki Vihar Road,
Sakinaka, Andheri(E), Mumbai – 400 072.
Tel.: (022) 28473474/28470652 Fax: (022) 28475207
e-mail : bigshare@bom7.vsnl.net.in
SEBI Regn. No.: INR000001385
Contact Person: Mr. Mahendra
 - Incomplete/ incorrect details given under the heading “Request for shares in electronic form” in the application form will be treated as an application for shareholding in the physical form.
 - The applicant is responsible for the correctness of the applicant demographic details given in the share application form vis-à-vis those with his/her DP.
 - It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL/ CDSL.

SECTION 269 SS OF INCOME TAX, 1961

In respect of all the categories eligible to apply in this issue, having regard to the provisions of Sec 269SS of the Income Tax Act, 1961 the subscriptions against these applications should not be effected in cash and must be effected by an Account Payee Cheques/Draft/Stockinvest, if the amount payable is Rs. 20000/- or more. In case the payment is effected in contravention of this provision, the applications are liable to be rejected.

DISCLOSURE OF P.A.N. / G.I.R. NUMBER:

Where an application for allotment of securities is for a total value of Rs.50,000/- or more i.e., the total number of securities applied for multiplied by the issue price is Rs.50,000/- or more the applicant or in case of application in joint names, each of the applicants, should mention his / her permanent account number allotted under the Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the Income Tax Circle / Ward / District. In case where neither the permanent account number nor GIR Number has been allotted, the fact of non-allotment should be mentioned in the application form. Application forms without this information will be considered incomplete and will be liable to be rejected.

Further to this, if the amount payable on application is Rs.20,000/- or more, such payment should not be effected in cash and must be effected only by way of an Account Payee cheque or an Account Payee draft, in terms of Section 269 SS of the Income Tax Act, 1961. Otherwise the application will be rejected and application money refunded without any interest.

PARTICULARS RELATING TO SAVING BANK / CURRENT ACCOUNT NUMBER:

The applicant shall have to mention particulars relating to his saving bank / current account number and the name of the bank with whom such account is held in the respective spaces provided in the application form, to enable the registrars to print the said details in the refund orders after the names of the payee to prevent fraudulent encashment of refund order(s). **Application forms without this information will be considered incomplete and will be liable to be rejected.**

ACCESS TO THE FUNDS :

Subscription received against the public issue portion would be kept in a separate bank account and the Company will not have access to these funds so collected until it has received approval for allotment from BSE and listing and trading permission is received from BSE where listing is proposed in terms of this prospectus.

ALLOTMENTS / REFUNDS

Refunds, if any, will be made alongwith Allotment Letters / Share Certificates and / or regret letters by Refund Orders drawn on the Bank nominated for this purpose by the Company and will be dispatched within 10 weeks from the date of closure of Issue, by Registered Post if the amount of such refund exceeds Rs.1500/-, such refund orders will be payable at par during their validity period at all centres where the applications are received or such places as may be approved by BSE. In case of joint applications, Refund Orders, if any, will be made out in the First applicant's name and all communication will be addressed to the person whose name appears on the Application form.

The Company has undertaken that:

- a) The complaints received in respect of the Issue shall be attended to by the company expeditiously and satisfactorily,
- b) The company shall take necessary steps for the purpose of getting the shares listed on the concerned stock exchanges within the specified time.
- c) The Company shall apply in advance for the listing of equity shares
- d) The funds required for despatch of refund orders/allotment letters/certificates by registered post shall be made available to the Registrar to the issue.
- e) The certificates of shares to the allottees and non resident Indians if any shall be despatched within specified time
- f) No further issue of shares/securities shall be made till the shares offered through this offer document are listed or till the application moneys are refunded on account of non listing/under subscription etc.

The Company shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner during the period commencing from the submission of offer document of SEBI for composite issue till the securities referred in the offer document have been listed or application moneys refunded on account of failure of issue.

SECTION VI: ABOUT US

HISTORY OF COMPANY

The company was incorporated as Kadambari Leasing Ltd., under the Companies Act, 1956 on 20/03/1984 under the registration number 11-32422. The main activities of the company were leasing and hire purchase. In the year 1984 the company made its first issue of equity shares to the public at par and issued further shares on a rights basis in the year 1991.

In the year 1999 the company acquired the telecommunication business from M/s Spanco Telesystems Ltd., a company engaged in a wide range of activities related to telecommunication and computers. The Object Clause of the company was altered so as to incorporate activities relating to telecommunication. The name of the company was changed to Spanco Telesystems and Solutions Ltd w.e.f. 11/11/1999. The company was engaged in supply of radio communication equipment and setting up of VSAT Communication system on turnkey basis.

The company issued 10,00,000 equity shares of Rs. 10/- each at par on preferential basis to Mr. Kapil Puri & his associates vide a special resolution passed at an Extra Ordinary General Meeting (EGM) of shareholders dated 11/12/1999 and at the same EGM a resolution regarding change in management control from Bahari Group to Kapil Puri group was also approved.

The Registered Office of the company was changed from A/501, Bezzola Complex, Sion- Trombay Road, Opp. Suman Nagar, Chembur, Mumbai – 400 071 to its present address at B-22, Krishna Bhavan, D. S. Deoshi Marg, Deonar, Mumbai – 400 088 w.e.f. 15/01/2001. The object clause of the company was further changed vide special resolution dated 24/02/2003 so as to include IT Enabled Services (ITES).

The company has, over the years, developed a core competency in offering telecom system integration. Telecom System Integration refers to setting up of infrastructure for communication and transfer of voice, data and video by bringing the different mediums of communication together. The company also offers support services post-integration in India and abroad.

Spanco entered into the business by providing telecom system integration services to the Defense sector as well as Indian public sector and multinational organizations. Having developed a core competency in telecom system integration, setting up of call centers was a step further towards vertical integration and hence the management made a decision to branch into the call center business. Presently, the company enjoys total employee strength in excess of 1500.

Spanco entered into business as a telecom system integration service provider in 1999-2000 with a project for upcoming customer contact centers. Over the years, the company leveraged its deep technology expertise and emerged as India's leading turnkey solutions provider for customer contact centers. Spanco commissions and maintains the infrastructure and provides services, leading to an end-to-end solution to domestic and international customers in the call center industry.

In response to the speed of industry evolution, the company commissioned about 1370 seats in five call centers supported by 10 marketing offices in India and one in USA. The call centres are located at Mumbai, Pune, Kolkata, Bangalore and Gurgaon

Spanco has been certified as an ISO 9001:2000 company by KPMG, Quality Registrar, vide their certificate of registration no. 02101146 dated 23/12/2002 i.e. its quality system is in accordance to the ISO 9001:2000 standard. Scope of this certification includes Integration, Installation, Implementation and Maintenance of Telecom Networking LAN/WAN solutions, Satellite and Radio Communication Systems for call centres and other related services. The said certification is valid upto 18/12/2005.

MAIN OBJECT OF THE COMPANY

The main objects of the company are as follows:

(As set out in the Memorandum and Articles of Association of the Company)

1. To carry on all or any of the business of broadcasting, producing, buying, selling, trading, distributing, exhibiting, transmitting, telecasting and exporting programs, produced in-house or taken on franchise, through various media including video, satellite, direct to home, direct to operator, satellite television, cable television and radio and to provide, install, operate and maintain, buy, sell, import, export, exchange, design, develop, renovate, discover, research, improve, relay, distribute, redistribute, transmit, receive, broadcast, exhibit all kinds of communication, cable operations, wireless, networking, wireless communication, telephonic and telegraphic communication, wave communication, underwater communication, service network media, satellite communication, including value-added services such as interactive television, internet; email, V-sat, telephony, video shopping, entertainment, infotainment, tele-shopping, e-commerce, games, data transmission, computer networking, video conferencing, etc. And to establish links via satellite uplink and downlink through available reception systems.
2. To manufacture, assemble, buy, sell, import, export, exchange, design, develop, renovate, discover, research and improve satellite communication, equipments for individual users as well as cable television networks, antennas, dish-antennas, digital switching and such other parts, instruments and equipment required for transmission, telecasting and broadcasting and to engage into the production of multimedia kits, compact disks, cd-roms, digital disks, receivers, coders and decoders, modems and other instruments and apparatuses for electronic data transmission and usage.
 - 2A To carry on in India or elsewhere the business of manufacturing, processing, designing, assembling, developing, fabricating, improving, importing, exporting, distributing, buying, selling, trading, operating, maintaining, setting, marketing, installing, infrastructure provider in (a) Tele-communication equipments, telephone exchange, rural telephone exchanges, single channel / multi channel UHF/VHF equipments, cordless exchanges, public telephone exchange system (automatic and manual) systems, trunk or toll exchanges, frequency signaling equipment, private telephone systems (automatic and manual) with or without exchange service, inter communicating systems, carner telephone and telegraph equipments, cellular phone systems, telecommunication wires and cables, telecommunication software composite telephone and telegraph equipments, telephone repeater equipments. Voice frequency telegraph and telephone systems (multi channel) loudspeaking telephones and telegraph equipments, cordless telephones, voice telephone apparatus for telephone and general purposes, telephone sets and associated apparatus their components and accessories, telephone equipments, components, accessories required for information technology. Radio wireless equipments, satellite communication services of all types including Data / Voice and Video conferencing based on Handsets and /or Very Small Aperture Terminal (VSAT), Network, service receivers and antenna, data / voice satellite communications terminals / earth stations cable wave guides, communication satellites, digital transmission equipment, pulse code modulation equipment, signal compression equipment, packet switching equipment, time division multiplexing time division multiple access (TDM/TDMA) equipment and frequency division multiple access (FDMA) equipment and

single channel per carrier / Demand Assignment Multiple Access (SCPC/DAMA) equipment in conjunction with Handset / VSAT based network.

- 2B. To carry on in India or elsewhere the business of manufacturing, processing, designing, assembling, developing, fabricating, improving, importing, exporting, distributing, buying, selling, trading, operating, maintaining, setting, marketing, installing, infrastructure provider in LAN/WAN networking, WLL, Internet Service Provider (ISP), wireless, microwave, fibre optics, DSL, cable modems, dial-up telephone lines and to establish internet gateways, internet exchange, Data center, portals, e-mail services, Broad band internet, e-commerce, e-lottery, payment Gateways, Web hosting, co-location, Distance Education services, multicasting, unicasting, voice over IP, streaming, news gathering, uplinking or downlinking of data, video and audio signals, hiring, leasing, acquiring, purchasing and renting satellite, satellite transponder and bandwidth. Cellular phones to provide complete cellular phone services, including construction of the cellular system network, operation and maintenance of the cellular systems network, marketing of cellular and other related services.
- 2C. To carry out in India or elsewhere globally, the business of telemarketing campaigns, list management and list marketing campaigns, direct marketing campaigns, direct mail campaigns, DRTV campaigns, launch financial products, financial products sales program and campaigns, credit card and debit card selling and campaigns, health and medicals benefit program campaigns, buying and selling telemarketing leads, travel program campaigns and management, fulfillment services, back office processing, business processing outsourcing, inbound customer support, out bound tele marketing, tele survey and help desk. Telecom activation processing, telecom provisioning, voice-mail services, broadcasting services, both within India and outside India, the business of setting, maintaining, marketing, consulting for operating call centers services, telecom services including installation, maintenance and servicing of equipments like Multiplexers, Predictive Dailers, Switch, PBX ACD for providing information, assistance, support, services, replies, response, answers, data, utilities to various clients, customers, companies, industries, Governments, Government authorities, Boards, individuals, bodies corporate whether incorporated or not, association of persons, body of individuals, societies, organizations and for that purpose to employ, utilize, take assistance of all available scientific, technological and communication equipment, internet, electronic data processing facilities and all other types of communication and other media.

The main object of the memorandum of association of the company enables the company to undertake the activities it has been carrying out till date.

LICENSES AND OTHER APPROVALS

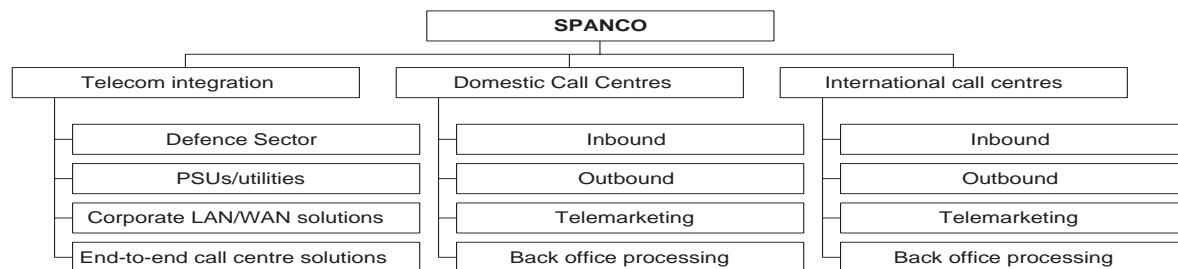
The important licenses and approvals procured by the Company are as follows:

- 1) The Company has received letters STPI/MUM/VIII(A)(870)/2001(08)1850 dated 28/08/2001 from STP/(Ministry of Information Technology Govt. of India) granting permission to set up unit under STP Scheme. The said permission was enhanced by STPI vide their letter no. STPI/MUM/VIII(A)(870)/2001(08)/3472 dated 03/06/2004.
- 2) The company has been granted Registration No. 10-448/2002-OSP by GOI, Ministry of Communications & Information Technology Dept of Telecommunications, Other Service Provider Cell, 20-Ashok Road, Sanchar Bhavan, New Delhi - 110001 vide letter dated 2/12/2002 for setting up International Call Centre.
- 3) The company has received approval for enhancement of Capital Goods Limit from STPI, Navi Mumbai vide their letter no. STPI/MUM/VIII(A)(870)/2001(08)/4847 dated 28/07/2003 for importing capital goods upto Rs. 603.91 lacs.
- 4) The company has been granted Registration No. 10-635/2003-OSP by GOI, Ministry of Communications & Information Technology Dept of Telecommunications, Other Service Provider Cell, 20-Ashok Road, Sanchar Bhavan, New Delhi - 110001 vide letter dated 25/07/2003 for setting up Domestic Call Centre.

Besides above company is not required to obtain any license/approval/permission etc. to operate in ITES BPO segment. The Company has received all the necessary permissions and approvals from the Government and various non-Government agencies for conducting business. No further approvals from any Government Authority are required by the Company to undertake the activities save and except those approvals, which may be required to be taken in the normal course of business from time to time. It must be understood that in granting the above approvals the Government of India and Reserve Bank of India does not undertake any responsibility for the financial soundness of the undertaking or for the correctness of any of the statements made or opinions expressed in this regard.

BUSINESS MODEL & INFRASTRUCTURE

Presently Spanco's business is divided into distinct divisions as depicted below :



TELECOM INTEGRATION

The term - **to integrate** - means to make into a whole by bringing all parts together. Telecom System Integration refers to setting up of infrastructure for communication and transfer of voice, data and video by bringing the different mediums of communication together.

Telecom System Integration involves providing solutions to meet the networking infrastructure requirements of the clients. This may involve networking between one or more locations which are not geographically spread out over a large area or could be setting up connectivity solutions for organizations spread out in different states.

Spanco Telesystems and Solutions Limited, is an active player in the field of **Telecom System Integration** for carriers in India, providing solutions to meet the networking infrastructure requirements of its clients. Apart from catering to the carrier requirements of setting up access networks on fiber, copper and wireless, Spanco is actively involved in various major network infrastructure projects with utilities like Railways, Oil companies, Indian Defence etc.

Milestones achieved by Spanco in this segment are as follows :

1995: Entered business as a company dealing in telecom equipment company catering to EPABX, paging and cellular segments.

1997: Added analogue and digital products. Introduced its own product for point to multipoint wireless communication by the name ISPAN (Internet Service Providers Access Network) to cater to access requirements of service providers for the last mile provisioning.

1998: Created a Turnkey Solutions Group to provide complete solutions to PSUs/utilities with project management and execution offerings.

1999: Increased offerings to meet access network needs of telecom carriers.

2000: Carrier networking and data networking with solutions based on MSP. Spearheaded the setting up of WANs for international and domestic centres to carry voice/data/video over a multi-services network.

2001-02: Evolved into a customer contact solutions provider. Started customer contact management solutions.

Spanco's projects comprises the commissioning of complex infrastructure for communication and the transfer of voice, data and video. The company provides radio communication integration, Satellite communication integration, terrestrial communication integration, carrier networking and CRM integration. The company also offers post-integration support services in India and abroad. The solutions offered include:

Access Network Solutions

Providing connectivity solutions in the last mile from the point of presence to the Customer Premises Equipment on diverse media.

Multi Services WAN

Implementing networks catering to voice, data and video applications using high-end multi-service performers. Support a diverse range of interfaces like E-1/T1, E3/T3, STM-1, STM-4 etc. and support a wide range of WAN technologies like IP, Frame, Relay, ATM etc. Deployment involves a thorough understanding of networking technology and traffic analysis.

Radio Communication Solutions

Caters to media needs using Wireless Radio Technology and following types:

Point-to-Point Communication solution in various frequency bands like UHF, VHF, Microwave (2.4 Ghz, 5.7 Ghz etc.)

Point to Multipoint in ISM band.

Broadband like access technology like LMDS (Local Multipoint Deployment System) for point-to -point Multipoint access in 10.5 Ghz to 36 Ghz.

Satellite Communication Solutions

Delivers a complete satellite solution using the HUB facility of various VSAT service providers and integrating various components like up-down converters, Low Noise Amplifiers, Solid State Power Amplifiers, Antenna Control Unit and Grid Parabolic Antenna.

Campus Wide Networking Solutions

Builds campus networks using high-end optical Ethernet Switches to create SDH or CWDM rings to carry high capacity voice data and video traffics in a redundant self-healing ring topology.

DSL Solution

The exploitation of existing underground copper wires to deliver high capacity data access through DSL Technology.

WAN Solutions

Wide Area networking solutions to carry voice data and video traffic across geographically dispersed locations using networking devices like Routers and Frame Relay Switches.

Video Conferencing Solutions

Video Conferencing Solutions - group-based or personal desktop-based – for the needs of Multisite, Multi Conference, Video Systems using high-end devices like MCU with feature rich end point systems.

The various activities that constitute the implementation are :

- Laying of copper or Fiber optic cables
- Setting up of microwave wireless links
- Supplying the end equipment boxes
- Integrating various boxes and technologies to form a seamless network

- Complete installation testing and commissioning of the network
- Handing over the network to the client
- Warranty Support

Spanco has necessary skill set and sub contractors to execute the media provisioning activity in the form of copper and fiber laying. In addition Spanco has strategic alliances with multinational principals like Nortel Networks, Alcatel, Verint, Telrad etc. to supply the carrier class products trained manpower resources to integrate these products for a complete solution.

The company offers services in four distinct areas in this segment. A brief description of these operations is given below:

DEFENCE :

The Company earned a revenue of Rs. 71.82 lacs from solutions to the Defence sector in 2003-04. The Company offers services related to telecom, Network integration i.e. setting up LAN/WAN for the Government of India's Defence department. As a proactive initiative, the company has ramped up its marketing team in order to promote and educate Defence personnel on the viability of Spanco's technological solution, integration with legacy systems and how it can improve communication links between different departments. During the year 2002-03 the company executed the first phase of a contract for the commissioning of a data network backbone across different terrains for an Army Command.

PSU/UTILITIES :

The Company earned a revenue of Rs. 259.72 lacs from this segment in 2003-04. This comprised 4.19 per cent of the company's revenues during the year .

The company offers solutions related to radio, satellite and terrestrial communication to public sector units and utilities like oil companies and the Indian Railways. These organizations, with their units scattered across the country, need to communicate continuously with each other and their central offices, which is done through networked radio, satellite and terrestrial communication equipment. The company do not provide call centre services to PSU's/utilities. It helps in setting up call centres for PSU's. In 2002-03 the company set up over 10 call centers for various PSUs/utilities spread across various locations like Bombay, Bangalore, Hyderabad, Chennai, and Delhi in India.

CORPORATE WAN AND LAN :

The company earned a revenue of Rs. 500 lacs from this sector, 10.64 per cent of its revenue for 2002-03.

Local Area Network (LAN)

Any company be it finance, manufacturing, service etc. needs a network for the purpose of communication in the form of voice data and radio. Spanco possesses the requisite skills set to build such networks which address the corporate communication needs at the same time effectively reducing the costs.

Wide Area Network (WAN)

Intranet, currently the preferred mode of communication by corporates, facilitates data and voice communication. It is a cost and time-effective mode of communication between the different departments of a multi-locational organization. Spanco designs, provides, installs and maintains the network.

END-TO-END CALL CENTRE SOLUTIONS:

Typically any call center comprises of three major components from the Technology point of view viz: Call Collection, Call Delivery and Call handling. SPANCO is having expertise in integrating end to end call center solution comprising of all the three components. The company would configure the entire call center solution by blending the various technology domains and integrating them in such a manner so as to optimize various call center processes. The complete solution would warrant liaison International carriers for call collection at the international end, WAN integration to carry calls from US to India in the most optimal and efficient manner and finally handing over these calls to the call center agents in the most scientific manner for maximum productivity. This effectively means handing over these calls to call center agents taking into account the busytime and idle time calculation of agents using high end algorithms and software which in effect will result in proper utilisation of resources thereby yielding high productivity. Thus Spanco undertakes complete end to end call center integration activity which comprise of following components :-

WAN integration : The setting up the Wide Area Network for transportation of calls from distant locations like USA/UK to India where the agents will attend these calls.

LAN integration : This includes setting up local area network for connectivity among all the agent desktops as well as various application servers.

Switch with ACD : This is high end EPABX for handling international voice calls. The ACD software implemented on the switch does the automated distribution of calls to the call center agents based on the busy time and idle time calculations as done by the ACD software.

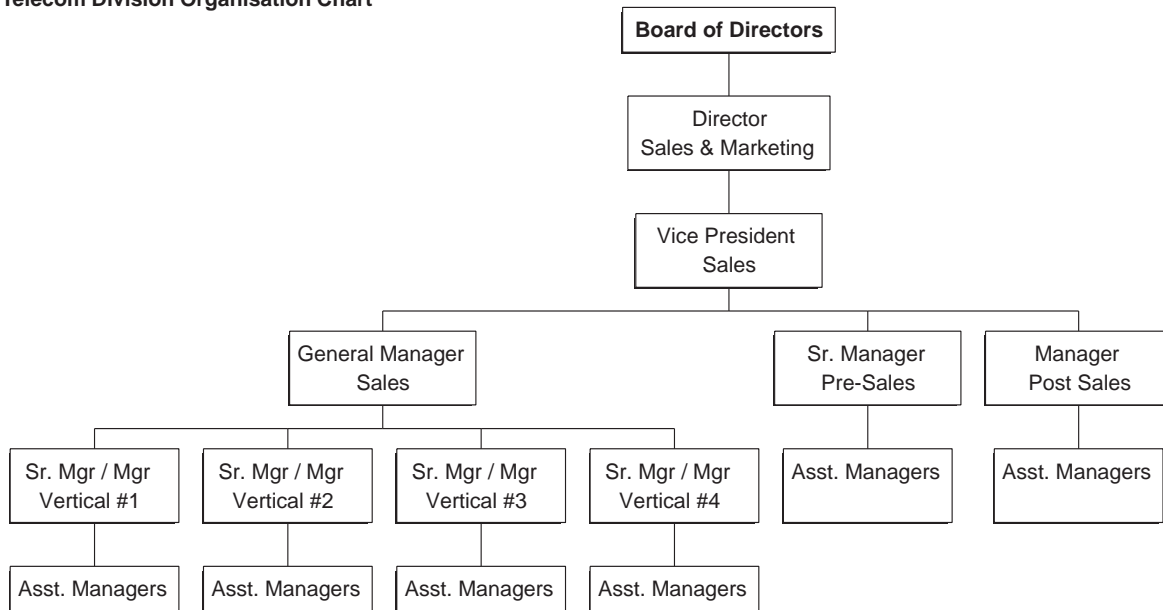
CRM :Customer Relationship Management is the software for capturing the customer related data for historical purposes to yield better customer services.

IVRS Integration : This involves integration of interactive voice response systems for automated response without involving manual intervention.

Predictive Dialler : This equipment is utilized for outbound calling companies. This device makes automated outbound calls to the manual free agents whenever calls matures.

Report Generation : Deployment of report generation software in a customised format as per the needs of the end customer.

Telecom Division Organisation Chart



DOMESTIC CALL CENTRE-SPARSH

Customer interaction management (CIM) is a specialized activity requiring different skill sets, technologies and management, which permits companies to focus on their core operations but outsource non-core activities.

The CIM is a new version of the traditional Customer Relationship Management (CRM) technologies that have been adapted to the Internet and the growing number of personal communication devices. Therefore, CIM is comprised of parts of CRM solutions with the addition of Web-based interaction solutions and wireless device transaction management.

A CIM solution comprises of :

1. E-mail response management: The e-mail response management (ERM) system must be able to provide both automated responses to e-mail as well as partially automated responses routed to agents for review, processing, and reply.
2. Web site response management: Web site response management is essential to building relationships with a core set of customers by providing an assisted capability that enables the clients business partners or customers to interact with a live agent using chat facilities incorporated into a Web site.
3. Community forum management: Using chat rooms, online communities can be created that establish customer-interest forums for a target customer base. These chat rooms can also be used to set up virtual training on products or services, seminars on industry topics and issues, and virtual group consultative selling meetings.
4. Telephony Response Management :This traditional contact channel is still vital for maintaining dynamic customer communication. When conducting direct marketing campaigns, the combination of e-mail, voice and post-mail is used to elicit a response from your targeted segment.

Spanco was well positioned to capitalize on and cater to this market segment because of the technology background and relevant know how of latest call delivery and call handling mechanism. Understanding the need of time in terms of a focused and organized player in the domestic outsourced services market, Spanco launched "SPARSH", a network of five-call centers spread across a country at locations like Bombay, Pune, Kolkatta, Bangalore and Gurgaon for centralized as well as distributed customer call handling. Today "SPARSH" provides a complete customer interaction management experience offering a corporate business entity a platform for customer interaction through multiple touch points like phone, faxes, mail, chat, web etc.

As on date Sparsh provides only call centre services to customers. Outsourcing of business process in the International market has seen tremendous growth in the recent past. Back home in India the Domestic market is not untouched by this phenomenon of outsourcing. Organizations are keen to leverage their core competencies in the focused areas of operation and outsource the non-core activities to the specialists in the respective fields. However, with a skill set to Integrate as well as operate Call centers, Sparsh today is well placed to take on the challenges of emerging and ever growing markets of outsourcing of critical Business processes in the Domestic scenario.

Sparsh is a focused and organized player in the call center industry and fills a void for specialized companies focused on customer interaction management as against paging companies, direct selling agents (DSAs) of banks and loan companies, in-house call centers of FMCG companies or government utilities.

Spanco has powered this opportunity by establishing 1150 functional seats across the country servicing the telecom, insurance, media and entertainment verticals. Revenues earned from each of these sectors as on 31/03/2004 is as follows:

(Rs. in lacs)

Verticals	Amount
Banking	23.31
Insurance	26.96
Media	34.44
Telecom	793.27
Others	25.76

Sparsh has generated revenues of Rs. 903.74 lacs in the FY ended on 31/03/2004.

Call-Centre Architecture

Sparsh is one of the few solutions providers in India to offer the flexibility of a centralized call centre or distributed architecture depending on customer requirements.

The centralized architecture involves a centrally located infrastructure to handle countrywide call traffic. The practice as regards centralized architecture followed by call centers involves carrying the calls on the network to reach a centralized destination. This single location architecture leads to reduction in cost on account of training, monitoring and traveling. An alternate infrastructure at different site is also provided as a 100% disaster back-up.

The practices followed in distributed architecture involves collection of incoming calls at regional centres and serving them to the nearest centre. The distributed architecture possesses a switch-based ACD and CTI infrastructure at the identified regional locations. Any call overflows are diverted to the next nearest available centre. The call traffic is monitored at the regional call centres and distributed.

The distributed architecture has certain benefits such as the distributed nodes provide full disaster recovery which is critical to banking. It provides superior coverage of regional languages leading to sensitive call management. It also enhances service capability and reduces call set up time as compared to regional PoPs.

Benefits of distributed architecture

1. Distributed nodes to provide full disaster recovery, critical to banking.
2. Superior coverage of regional languages, leading to a sensitive call management.
3. Rationalised bandwidth use and cost of call handling.
4. Call set-up time is low compared to regional PoPs.
5. Capacity pooling from regional PoPs enhances service capability.
6. Redundancy leads to better uptime.

Technology proposition:

Technology use: Spanco has developed in-house technology widely used in call center.

Cost-effective: Spanco's technology being developed in-house results in cost effectiveness over a period of time.

Operational effectiveness: Sparsh's tools enable the operations team to make effective decision making and controlling operations.

In-house system integration: Spanco has trained manpower & skilled resources for in house maintenance & support of the technology set up results in high uptime.

Key technologies deployed:

- (I) ACD – PBX – Meridian switches from Nortel Networks.
- (II) Symposium Call Centre Software from Nortel Networks.
- (III) CORAL TADIRAN
- (IV) Routers and Data switch from Cisco with VLAN capability.
- (V) Server and desktops from Compaq.
- (VI) Data leased line with ISDN backup for Internet connectivity.

Major technology components

1. Wide area network

- a. PSTN connectivity from multiple service providers with OFC in local loop.
- b. Support for national toll-free / local number routing.
- c. Intercity network of leased lines to carry voice calls.
- d. Support for both E1 and PRI signaling.
- e. Alcatel multiplexers with 1:8 compression for toll quality voice.
- f. Internet connectivity of 256 KBPS over a dedicated leased line.
- g. 100 MBPS Ethernet LAN based on Nortel switches.
- h. Data Network with Cisco routers to link to client networks with ISDN backup.

2. Switching technologies

- a. Carrier Class Switch with open standards for CTI support.
- b. Non-blocking switching fabric for high volume call handling.
- c. Fully redundant hardware with control and power redundancies.
- d. Modular scalable architecture for future expansion.

3. IVRS and ACD

- a. IVRS-based on Intel Dialogic platform.
- b. Multithreaded architecture for a superior performance.
- c. Intelligent ACD for call routing.
- d. Screen pop-up with CRM integration.
- e. Preview dialing for automated calling applications.
- f. Fax-on-demand capability.
- g. Online call monitoring with traffic and ACD statistics.
- h. Support for SMS integration.
- i. Call recording facility with selective as well as complete recording.

4. Other supporting applications

- a. Strong in-house software team for support applications.
- b. In-house developed integrated decision support system.
- c. Online monitoring capabilities for supervisors.
- d. Extensive reporting capabilities for online and historical reports.
- e. Tools developed in-house for all major process steps.

Infrastructure

Spanco's existing infrastructure in terms of real estate and technology can be summarized as follows:

Geographically dispersed: Present in five Indian locations for distributed and centralised call handling.

World standard Integrated Internet and voice-based support.

Critical mass: Occupied capacity of over 100 seats at each of the facility.

Self-sufficient: Each facility capable of standalone and networked operations. Fully equipped with sufficient management resources for operations, HR, administration, quality and business development.

Design: Unique modular workspace with PC (standard and customized software) and hands-free telephone equipment.

Customer-centric: Spaces dedicated for clients.

Adequate: State-of-the-art switching system, advanced ACD, CTI & CRM softwares, Dialogic – Intel Based IVR system, alternate call routing facility, Alcatel (Newbridge) and bandwidth managers.

Support: Power back-up at all facilities, fiber termination at all centers for high capacity and reliable last mile connectivity, 100Mbps LAN with Gigabit uplinks.

Safe and secure: Online monitoring through cameras, swipe card access system, well-defined fire exits and advanced fire-protection systems.

Recreation: 24x7 cafeteria.

Data confidentiality

Sparsh provides a secure working experience which protects the clients' privileged information and thereby maintaining their competitive position in the marketplace. With multinationals being very sensitive about data confidentiality it is possible to do business only if companies demonstrate adequacy of measures for data confidentiality. Spanco realises that ensuring data confidentiality and security is critical to win clients confidence.

Data security system consists:

1. Physical security

2. Security on network

3. Security against virus

1. Physical security

- Entry controlled by an access cards, need-based access, multi-level passwords and security schemes customized to criticality.
- The use of close-circuit television cameras.
- The blocking of output devices; restricted carriage of storage media outside the premises; accounted use of offline storage media.
- A close monitor of sensitive hardware changes; data contained in corrupt hardware subjected to a security audit.
- Dedicated 24x7 security personnel.

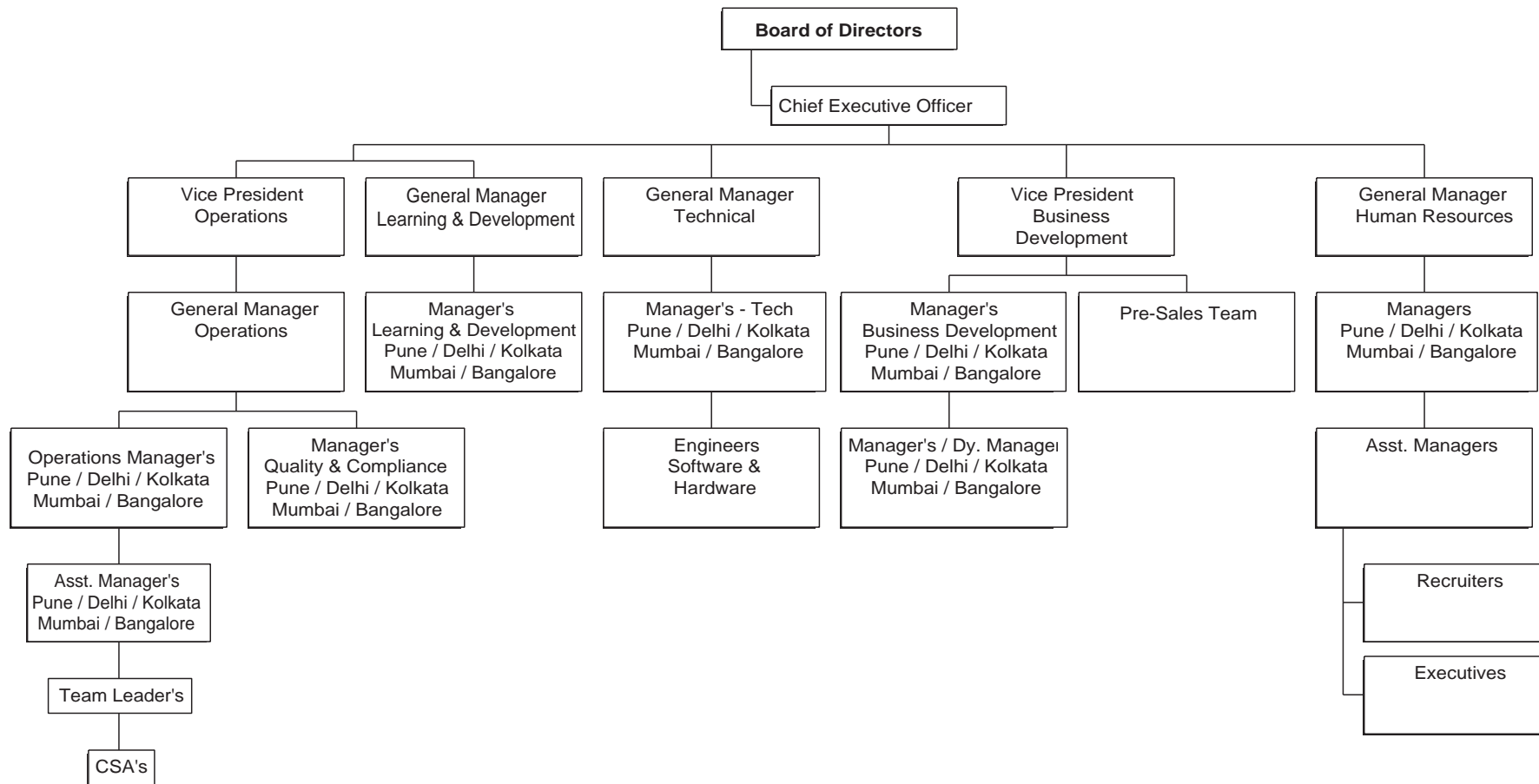
2. Network security

- The placement of servers in subnets that cannot be accessed from the general network.
- The implementation of firewalls at interconnect points.
- A regular monitor of server applications.
- A strict monitor of the use of third party applications on servers for open ports and vulnerabilities.
- The assigning of login identities and passwords to all members.
- A constant check on the access rights of users.
- A restricted access to the database server.
- A prohibition of unauthorized third party applications on the network.
- Encryption device use to prevent the capture of unauthorized data during transmission.
- Adequate precautions in the event of transfers over public networks when integrating with the client's network.
- The use of a virtual private network to implement a secure connection with the client's network.
- The deployment of a checkpoint solution over the network to monitor access to data covering more than 150 pre-defined applications, services and protocols and provide the flexibility to define custom services.
- A discipline of taking regular back-ups on secondary back-up devices and their onward storage in secure medias - tape drives, DAT drive, network attached storage – placed securely in a safe place.

3. Anti-virus security

- The loading of each workstation with Norton Antivirus 2003.
- Auto-updation of the anti-virus facility.
- Suitable preventive actions in the face of new infections.

Sparsh Organization Chart



INTERNATIONAL CALL CENTRE-RESPONDEZ

Global Environment and Business Need for Offshore Outsourcing:

With the tremendous advances in technology and the continuous quest for qualitative business solutions at the most cost effective prices, offshore outsourcing has become an established global phenomenon.

Over the last few years, India, with its technology and people strengths, has emerged as the leading destination for companies across the world to outsource business process management.

According to Gartner, the global research and advisory giant, offshore business process outsourcing services grew by 38% in the year 2003 and the offshore outsourcing market will grow to \$160 billion in 2005, up from \$101 billion in 2000.

Respondez

Leveraging the expertise gained through setting up end-to-end technology platforms for international call centres across the country and its successful experience of domestic call center operations for the leading names in the Indian business environment, Spanco launched Respondez – its state-of-the-art international call centre in Mumbai.

Over a period of two years the company has expanded operational capacity from 90 seats to the current capacity of 220 seats

Vision

Respondez associates with customers worldwide to migrate their Business Processes to India. We are committed to customer delight through our dedicated services, organization values, quality improvisation and latest technology.

Infrastructure & Technology

Located in Mumbai, one of the major centers of the business world, Respondez takes pride in its state-of-the-art technology and infrastructure, world-class operational methodologies, quality people assets and proven successes in process migration which make it a Call Centre par excellence.

The modular design and dedicated infrastructure enables the Company to provide specifically demarcated space for each of Companies clients as also for our key functions like Human Resources, Learning and Development, Operations, Administration and Quality Control.

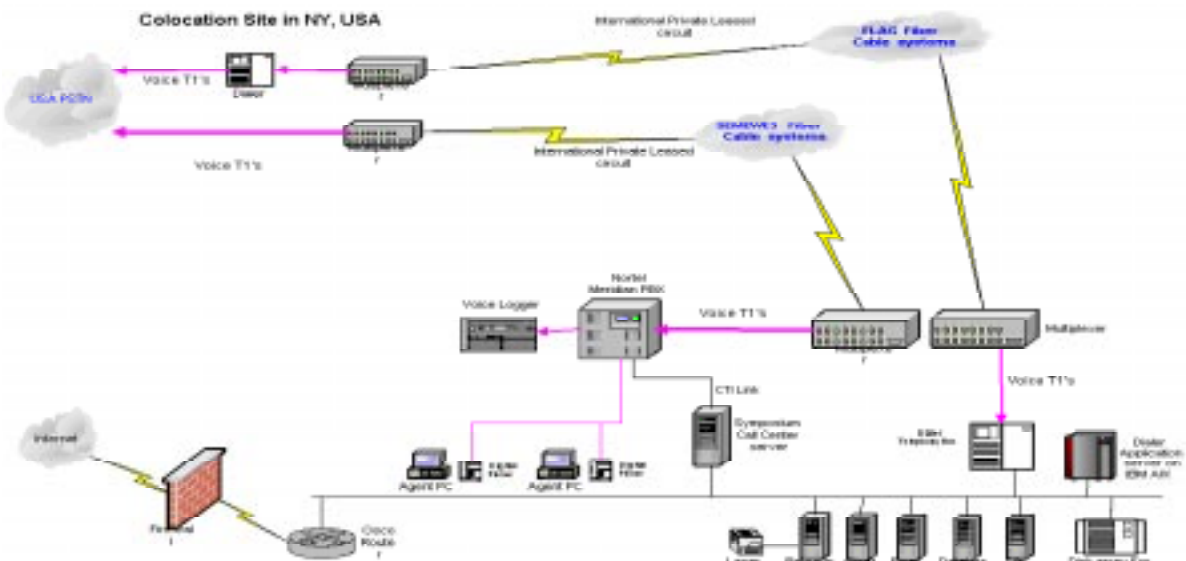
- Scalable model workspace design for a live and vibrant environment.
- Well-defined, delineated areas for work floors, multiple training rooms, conference areas, cafeteria and recreational space.
- Dedicated and reliable power supply link supported by an online (1+1) UPS from American Power Conversion and diesel generator sets for a 100% power backup

In addition to voice communications, live chat, e-mail management and interactive self-services, Respondez deploys critical technologies to deliver complete customer relationship management solutions. Our state-of-the-art technology comprises of:

- Two Independent International Private Leased Circuits (one through SEMEWE3 and one through FLAG, connecting USA PoP with the offshore facility in Mumbai)
- Multi Service Switches: Alcatel 3600 Mainstreet Multiplexers and Nortel Passports
- Voice Switch: Nortel Meridian PBX
- CTI Servers : Nortel Symposium Call Center Servers
- Predictive Dialers: Davox Dialers both in the US and in India
- Digital Recording & Call Quality Monitoring Systems
- Core Routers: Cisco 2621 and Cisco 1700 LAN Switch: Cisco 4506 2001 High End Compaq Servers for Databases, Email, CTI and other applications.
- High Speed Internet Bandwidth from multiple ISPs with a 100% ISDN backup World Class Network Operations Center with Well Equipped Server Rooms
- Gigabit Ethernet based LAN with P-IV Desktops for Agents
- IBM AIX and WIN 2000 Based Servers
- Work Force Management System: Workbrain

Network Connectivity

The following is a schematic representation of the connectivity deployed at Respondez:



Security Systems

Respondex is extremely conscious about maintaining complete security and confidentiality of client information. Therefore we adhere to stringent security systems and processes. Stringent security measures are in place both in terms of physical security as well as technological security.

Physical Security

- Access Card Security System
- Alarm Systems
- Background Investigation Check prior to Hiring Employees
- Data Security Agreement with each Employee
- Blocking of Recording Devices (Floppy Disk & CD-ROM Drives)

Technological Security

Encryption Device:

Encryption devices are used for encrypting the sensitive data before transfer over electronic medium. This enhances the security of the data and prevent unauthorized access. Vpn solutions are example of such devices which encrypts data before sending it over to public medium like internet. We have implemented nortel contivity vpn box for such purposes.

Firewall, Gatekeeper, Policy Management, Intrusion Detection:

Firewalls are meant for preventing the unauthorized breaches in the network. It secures the network by controlling the network's public touch points. We have implemented network firewall based on nortel contivity products and linux squid based proxy servers which not only gives firewalling capabilities but also works as a gatekeeper.

Intrusion detection system from ca has given the extra audit capabilities for detection of intrusions in the network.

Policy management has been applied primarily based on the windows domain based security.

Lan & Wan – 100% Redundancy In Power And Control:

Lan and wan infrastructure is based on equipments which are having 100% redundancy in power and control side. The lan switch is cisco 4506 which is having dual power supply and control mechanisms. Also wan network is based on alcatel mainstreet 3600 multiplexers which are having dual power supply and control cards.

Backups For All Applications:

Backup procedures stores the data and code of all applications on medias which are kept in multiple copies at secure locations. All software applications which are used for proper working of the business processes are secured by keeping a ready backup.

Business Continuity Plan

Spanco has implemented comprehensive Disaster Recovery and Business Continuity Planning (BCP) measures to insulate our clients from natural disasters such as fire, flood, earthquakes as well as business continuity threatening risks like serious power or telecom outage or security breach.

BCP initiatives include:

- Risk and Impact on Business Analysis – This includes project wise study and analysis of the impact of a disaster on the client's business processes and revenues. It includes identifying mission critical processes, where even a small downtime could affect the process in a big way and segregating them from medium and low importance tasks, which can withstand downtime.
- Enterprise Wide Strategy & Methodologies – Overall company strategies and policies are defined wherein a general methodology is determined and set down on procedures and processes to deal with a disaster.
- Process Plans for Individual Functions – Each individual project is process mapped for working out action plans and timelines to implement recovery operations. These plans are also informed and shared with the respective clients for consensus in approach.
- Consistent Plan Testing, Administration and Information Dissemination – Mock drills are conducted to test the plans decided above. Each stage and process of the plan is tested in a simulated environment and all the personnel involved are rated on response time and ability to administer the plan.
- Bi-Annual Review and Re-Engineering for Plan Improvements – The plans are reviewed twice a year in close consonance with client and project requirements to put in place process improvements from time-to-time and also reengineer certain areas based on current changes in the business environment.

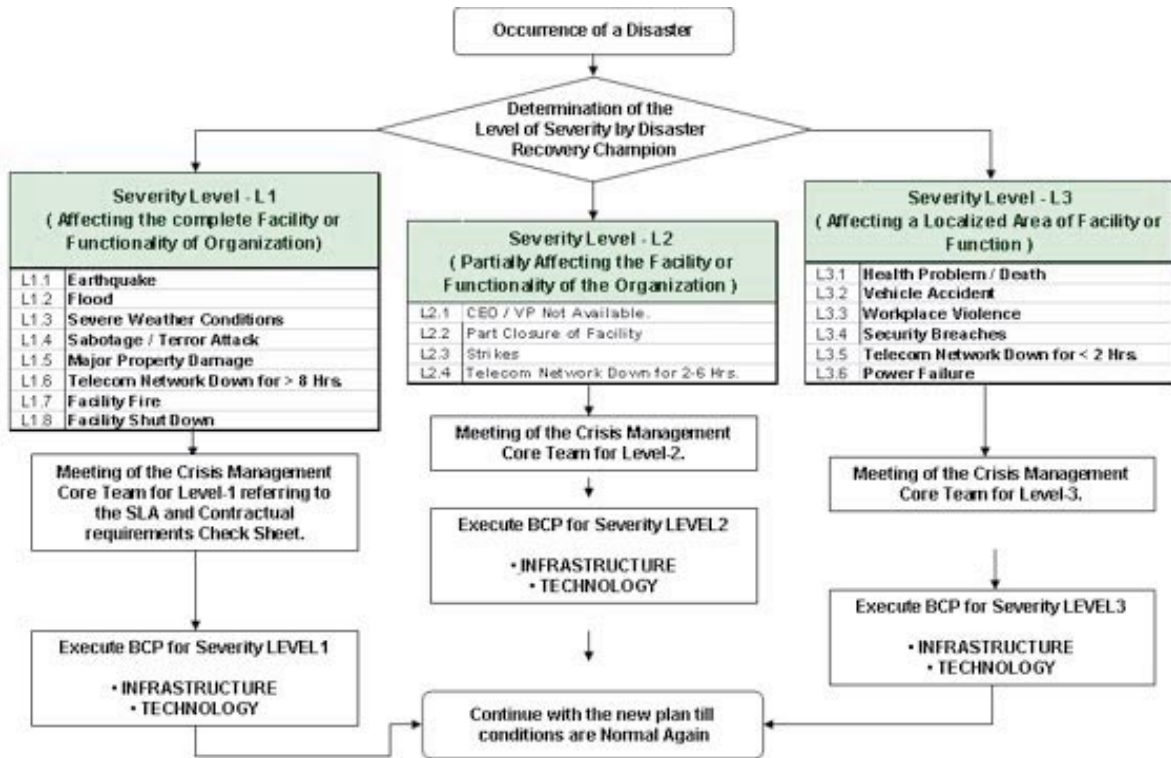
There is an identified BCP Core Team that works on the above functionalities. Their responsibility includes planning for resource deployment as per desired service levels, taking into account of all possible scenarios, and incorporating an SLA matrix (e.g. turnaround-time and volumes), which is developed in consultation with the client. These procedures are reviewed bi-annually.

KEY FOCUS AREAS OF BCP CORE TEAM

- Risk Mitigation Strategies (Fortification, Risk Transfer, Environmental Protection)
This is a three pronged approach involving strengthening existing resources with advanced technology and back-up equipment, providing for transferring of risk through routing operations to alternative locations, and finally environmental protection measures to insulate against adverse events.
- Redundancy & Backup Measures (Technology, Operational & Human Resources)
Redundancy and backup measures and processes are planned for technology, operations and human resource components of the service delivery to clients. Each function is assigned to individual members of the BCP team.
- Network & Equipment Monitoring (Failure Detection, Alerting Mechanisms Escalation Procedures)
Early detection of failure, outage or fluctuation in network equipment is key to disaster management and control. Effective failure detection, alerting systems and escalation procedures are put into place to maintain stringent 24 hour surveillance and observation to ensure timely detection of deviations.

- Emergency Re-Routing (Dual Connectivity, Auto-Transfer Systems)
This involves keeping systems and technology components on continuous stand-by mode and in permanent state of readiness to effect any emergency re-routing of operations to alternative locations and facilities.
- Infrastructure Support (Property Investment, Facilities Equipment, Multiple Channels for Movement of Resources)
This is the key to being able to successfully implement business continuity plans. Infrastructure support in terms of alternate facilities (in our case this would mean our additional facility in Delhi), equipment and plans for moving resources and equipment from one location to another form a very important part of the business continuity plan.

The following diagram explains how disasters are classified and approach and response methodologies are determined based on the severity level of the issue:



Human Potential Management

We believe, Employees are not just mere resources but are an organizations “living” assets. Hence a shift from HRD to HPM, *Human Potential Management*. Human Potential Management is all about building a “CARING” organization. Hence the motto of Companies HPM professionals is - CARE

C – Career Growth R – Rapid Change & Development

A – Ample Opportunities E – Employee -centric

Employee Benefits

- Career Path
- One Family Organization
- Equal Opportunities Employer
- Excellent Incentive Programs
- Transportation Facilities
- Cafeteria Services
- Recreation Facilities
- Medical Facilities

Key Staff Ratios

- Team Leader: Agent – 1:12
- Trainer: Agent - 1:60
- Quality Assurance Monitor: Agent – 1:20
- Shift-in-Charge: Agent – 1:60
- Service Delivery Leader: Agent – 1:120
- Shift-in-Charge: Team Leader – 1:5

We recognize that our Customer Service Associates are the key to our success and understand that the CSA's would form a team of brand ambassadors for the client. Therefore we follow a rigorous selection procedure to ensure that we recruit only the best candidates. Our recruitment procedure includes:

- Short-listing of Resumes
- Group Discussions
- Computer Adaptive Test
- Personal Interviews (Two Rounds)
- Reference Checks

Evaluation Parameters

- Command over Language
- Voice / Accent
- Pronunciation
- Articulation & Diction
- Pace / Flow of Thought
- Overall Presentation

CSA Profile

Every Customer Service Associate (CSA) of the organization is a university graduate from a recognized institution. Every CSA selected is a graduate with a generic understanding of customer service and excellent communication skills. Each CSA also has a good understanding of basic computer skills and has strong interpersonal skills. A pre-requisite for selection is that the CSA should be able to communicate strongly and effectively in fluent English. They should also have relevant experience in marketing or customer service.

Learning & Development

Spanco strongly believes in the importance of training, learning and benchmarking for achievement of outstanding quality standards. Training inputs are imparted to every Customer Service Associates (CSA's) on an ongoing basis to maintain enhanced performance levels and individual growth.

Since learning and development is a continuous process meticulous attention is paid to the requirements of the candidates in terms of knowledge, skills and attitude.

"Learning and Development is an essential part of our growth process."

- We define Training as Learning and Development.
- Training is provided in the classrooms and also on the job.
- Benchmarking for improving various business parameters.
- Training is ongoing and need based.
- Training for Knowledge, Skills and Attitude.

Workshops:

- Selling Skills
- Telephone Etiquette
- Process Training
- Accent Training
- North American Orientation Training
- Product Training
- Objection Handling
- Time Management

Performance Management

The Performance Manager serves as a one-point contact to the client for:

- Knowledge Management
- Process Migration
- Subject Matter Expertise
- Understanding Technology Requirements and Reporting Systems
- Performance Analysis

Quality Assurance

We have a Quality approach that enables us to continually check and improve on our organization's performance with respect to technology, process, people and customers. A key advantage is that it allows us to compare or benchmark our organization against others.

A continual quality approach differs from a quality program (a one time activity in which quality standards are used in a few processes and in few departments) that by definition programs end; by contrast, the pursuit of quality through performance improvement never ends.

There is a dedicated Quality Assurance team that is assigned to each project and this team works in close coordination with the operations and training teams to make sure that the services are delivered with the highest standards of quality.

A few key technologies deployed for quality assurance are:

- Buddy Jacking
- Digital Call Recording
- Live Barge-ins and Screen Captures
- Remote Live Monitoring
- Automated Customer Feedback Mechanism

The mission of the Quality Assurance (QA) team is to enhance and extend current quality practices, and to educate by sharing its learnings and perceptions. The key responsibilities of this team include:

- Effectively Maintaining the Quality Management System
- Continuous Process Improvement
- Call Calibration Sessions & Feedback
- Monitoring of Service Level Agreements and Compliances

Services – Inbound Call Management

Respondez offers quality inbound call handling solutions ranging from after hours and overflow activity to comprehensive 24 x 7 support. There is an option of direct agent interface or IVR response. The Nortel Automatic Call Distribution (ACD), system is used for directing calls to Customer Service Associates using skill based routing. Optimum usage of technology enables us to monitor every stage of interaction between the Customer Service Associate and the customer. The services offered include:

- Customer Support Services
- Helpdesk Services and Query Handling
- Tele-Sales and Order-Booking
- Technical Support

The following are the key parameters that are intensively tracked and monitored to ensure adherence to stringent Service Level Agreements.

- Average Speed of Answer
- Average Handle Time (Talk Time + Wrap-up Time)
- Abandon Rate
- First Time Resolutions (Tech Support)
- Conversion Ratio (Order-Booking)

Services – Outbound Telecalling

Respondez's capabilities begin with a commitment to customization that provides our clients with a very strong foundation on which to develop sophisticated custom programs. We develop a customized environment for clients with medium-to-high volume projects, as a service that would enable them to grow and add value to entire business model. Respondez provides outbound contact center services to various companies in varied industries.

We invest significant time to perfectly understand your marketing goals and to be sure that our services are the best fit for your needs.

A trained team for outbound processes performs labor-intensive outbound calling that can increase your sales reps' productivity, turn your customer/prospect database into an updated powerful marketing tool and ultimately make a significant impact on your bottom line.

Outbound Services Can

1. Enhance exposure within your target markets
2. Increase market share
3. Speed up the closure of new accounts
4. Decrease market erosion
5. Conduct market research
6. Positively impact customer loyalty

Services Offered Include:

- B2B / B2C Customer Acquisition
- Lead Generation
- Win Back Programs
- Telesurveys
- Customer Relationship Management – Loyalty Programs, Welcome Calls, Service Satisfaction Follow-ups

Key Parameters Tracked:

- Sales Per Hour
- Contacts Per Hour
- Conversions
- List Penetration
- Talk Time

Services – eCRM

eCRM is an integral part of call center service offerings. We have the efficiencies to offer the following solutions:

- E-mail Management
- Fax Processing
- Chat Support
- Collaborative Browsing

Services – Back Office Processing

Back Office Processing is an integral part of call center service offerings. We have the efficiencies to operate as a 'Virtual Back Office' for our clients. Our team members come with extensive experience in the back office market place. Individual members have experience to support and lead delivery of high volume transaction processing for large corporates and have been involved in transitioning large processing projects to India.

We are equipped to provide high quality services at an optimum cost. Our team consists of experienced resources who can leverage their expertise to offer successful and qualitative delivery of Back Office services.

Focus Areas:

- Transaction Processes for Financial Verticals- Here the company facilitates financials locating clients requiring loans against 2nd mortgage of house property.
- Insurance Claim Processing – The company coordinates between the medical practitioner and the insurance agency in respect of insurance claims made by the persons insured under medical scheme offered by the insurance agency.

Operational Expertise

Spanco strongly believes in deploying experienced individuals with proven expertise in each key process. Spanco has invested in employing senior expatriates with a wealth of experience in the US and UK call centre industries to facilitate a greater understanding and consciousness of client requirements and effectively implement best practices as per international standards and guidelines

The Satisfaction Strategy

- Understanding Existing Processes of the Client
- Developing Process Migration Strategy
- Technology Integration
- Co-ordination with Training, Operations and Quality Control teams to set up pilot test programs.
- Pilot Roll Out
- Monitoring for Quality and Performance
- Reporting and Analysis
- Process Re-engineering if required
- Growing from Pilot to Full Scale Project
- Constant Benchmarking and On-the-Job Training

Respondez Relationship Philosophy

- a. Senior Management Focus
- b. Commitment to Projects that leads to Trust
- c. Handling Cross Cultural Issues
- d. Partnering Relationships - Contract is secondary Both sides provide tradeoffs. Pricing Model Designed for Win-Win
- e. Understanding the C-Suite Requirements – Business Impact , Increased Revenue, Reduced Costs, Shareholder Value

Evolution of the Business / Service Value Chain at Respondez

During its infancy stage, Respondez began with the need to provide proof of concept operations to its clients. Taking up this challenge, Respondez successfully delivered an array of call centre programs mainly centered around outbound processes like tele-sales, lead generation, tele-surveys and data verification.

With the successful delivery of these pilot programs, Respondez was able to earn the trust and confidence of its clients and win projects that were much more significant and centrifugal in nature to the clients business needs and that of their customers. These projects involved inbound and outbound programs that not only fortified marketing initiatives but also added significant value to customer service and support including technical support in a high skilled environment.

Respondez now takes pride in providing qualitative mission critical solutions that impact the businesses of a robust client group of leading companies in the United States and the United Kingdom. Each of these client operations was commenced with small pilot processes and subsequently scaled up in volume, value and nature of processes. The key verticals in which Respondez currently services clients are:

- Aviation
- Financial Services
- Utilities
- Telecommunications

PROMOTERS

	<p>Shri Kapil Puri aged 38 is a Computer Engineer from Mumbai University with an experience of more than 17 years in this field. Initially, Shri Kapil Puri started his own business of telecommunication equipments. In 1998, he joined hands with Shri Rajesh Chhabria to form M/s Spanco Telesystems Ltd., a company dealing in telecom equipments. Shri Kapil Puri is the Chairman of the company and is overall incharge of operations of the company.</p> <p>Residential Address : 602, Menka Society, 5th Road, Chembur, Mumbai – 400 071 PAN : AAF PP 6680 A Bank A/c no. : IDBI Bank Ltd.(A/c no. 0131068415300) Voter ID : MT 070470500184 Passport No. : B0732950 Driving License no. : 86C24092</p>
	<p>Shri Rajesh Chhabria aged 39 years is a graduate in commerce from Mumbai University. He has an experience of more than 17 years in the telecommunication industry. He has worked with companies like HCL and Modi Xerox. In 1991, he started his own business of dealing in Xerox machines, cellular phones and telecommunication equipments. Shri Rajesh Chhabria is a Managing Director of the Company and apart from other things he looks after Marketing operations of the company.</p> <p>Residential Address : 702, 'Sai Siddhi', 11th Road, Chembur, Mumbai – 400 071 PAN : AAC PC 9595 N Bank A/c no. : Shamrao Vithal Co-op Bank Ltd., Chembur (A/c No.3373) Voter ID : — Passport No. : Z1589368 Driving License no. : 85/E/13335</p>

The above details of the promoters have been submitted to the Stock Exchange, Mumbai.

INTEREST OF PROMOTERS/DIRECTORS

All the Directors may be deemed to be interested to the extent of reimbursement of expenses, if any, payable to them under the articles. The Directors may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a Director/ Member respectively and the shares if any, out of the present Offer that may be subscribed for and allotted to them or their relatives or any Company in which they are Directors / members of firms in which they are partners.

ALLIANCES & TIE-UPS

The company has not entered into any alliance or tie-up

BOARD OF DIRECTORS

Sr. No.	Name, Age , Qualification, Address and Designation	Other Directorships	Date of expiration of the current term	No. of equity shares of STS Ltd held
1.	Mr. Kapil Puri (38 yrs), B.E. (Computers), 602, Menka, Sion Trombay Road, Chembur, Mumbai – 71, Chairman & Wholetime Director	Global Respondez Services Ltd. Spanco (S) Pte. Ltd. Global Respondez Inc.	20/01/2005	1310000
2.	Mr. Rajesh Chhabria (37 yrs) B.Com 702, Sai Siddhi Apts., Road No. 11, Chembur, Mumbai – 71 Managing Director	Global Respondez Services Ltd. Spanco (S) Pte. Ltd. Global Respondez Inc.	20/01/2005	1050000
3.	Mr. Ramesh Sharma (44 yrs) C.A. B-4, Maharaja Surajmal CHS, Varsova Link Road, Andheri West, Mumbai – 53. Director	Global Respondez Services Ltd.	—	50000
4.	Mr. Deepak Bhagchandaney (32 yrs) B.E., M.B.A Bldg. No. 10/202, Daffodils, New MHADA Complex, Opp. Oshiwara Police Station, Andheri (W), Mumbai – 400 053. Wholetime Director	—	14/03/2007	—

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

Sr. No.	Name, Age , Qualification, Address and Designation	Other Directorships	Date of expiration of the current term	No. of equity shares of STS Ltd held
5	Mr. Rajkumar Bahri (49 yrs) B.Com. 299-C, Central Avenue Road, Chembur, Mumbai – 71 Director	<ul style="list-style-type: none"> • New Welcome Hotels Pvt. Ltd. • Brindaban Holding & Trading Ltd. 	—	5000
6	Mr. Adarsh Bagaria (29 yrs) B.Com. 6/15, Agarwal Nagar, Dr. Ambedkar Road, Matunga, Mumbai – 16. Director	<ul style="list-style-type: none"> • Prigo Carriers (I) Pvt. Ltd. • Global Respondez Services Ltd. • Shiv Darshan Properties Pvt. Ltd. • Adma Properties Pvt. Ltd. • Adma Logistics Pvt. Ltd 	—	—
7.	Mr. Prakash Desai (50 Yrs) BCom, BGL. DMMA 33/603, Vaibhavgiri, Siddhachal, Pokhran – 2, Thane- 400 610 Director	—	—	—

- **Mr. Ramesh Sharma** is a post graduate, M.Com from Mumbai University, and is a Fellow Member of Institute of Chartered Accountant, having an experience over 20 years in the field of Taxation, Finance and Banking. His experience in Banking, Taxation and Accounts are of great value for the company, and his administrative skills have immensely helped the company in its growth.
- **Mr. Deepak Bhagchandaney** is a B.E. (Electronics & Telecom) & MBA (Marketing) and has worked with TATA Telecom, Motorola and Alcatel.
- **Mr. Raj Bahri** is a BSC, and is in the hospitality business since 1976, and is also in financial activities since 1970.
- **Mr. Adarsh Bagaria**, is a BCom having 10 years experience in the area of Human Resource Management.
- **Mr. Prakash Desai, is a BCom, BGL, DMMA** having an experience of over 21 years in Sales and Marketing functions and in Training and Development.

HUMAN RESOURCE

Philosophy

In a call center, more that 80 per cent of the service is delivered through the live human voice. This makes it a totally people-dominated business. Given this background, the biggest challenge is the active management of people expectations, especially young professional in the 18-25 age group on the operations floor, with the objective of attrition minimization. As a first step towards this objective, the company built a responsive HR department, whose strengths comprise talent recruitment, training, performance management, motivation and retention.

To attract and retain the brightest talent, Spanco has adopted the following progressive HR initiatives :

Recruitment

Spanco recognizes that Customer Service Associates (CSA) are the key to its success and understands that the CSAs would form a team of brand ambassadors for the customer. Therefore a rigorous selection procedure is followed to ensure that only the best candidates are recruited. The company screens 25 people on an average every day and due to its stringent criteria, has a selection ratio of two percent.

The recruitment process includes:

- Short-listing of resumes,
- Group discussions,
- Computer adaptive test,
- Personal Interviews,
- Reference checks.

Every CSA selected is a graduate with a generic understanding of customer service and sound communication skills. Each CSA also has a good understanding of basic computer skills and strong interpersonal skills.

In its effort to recruit competent and driven individuals, Spanco utilizes a stringent recruitment filter across the following sequence: Short-listing of resumes, group discussions, personal interviews, telephonic conversations and reference checks. Spanco's selection is based on sound communication skills, a knowledge of the language, a sound understanding of basic computer skills and a nuance of customer service. Based on this comprehensive filter, one out of every 15 on an average is selected.

Over the months, the composition of Spanco's recruitment team – an industry specialist, a psychologist and a headhunter – has strengthened the selection process. Besides, the company has sourced prospective members from employee referrals, educational institutions and consultants. For its telecom division, Spanco recruits largely through employee referrals.

As a proactive initiative, the company's Business Development team works closely with external consultants, which helps synchronise business expansions with fresh recruitment, resulting in the company's ability to turn potential into profits in the shortest possible time. This dovetailed operation helped the company scale from 100 to more than 1000 in a few months over the last two years.

Training

Training at Spanco is conducted across three critical areas; knowledge, attitude and skills.

At Spanco, a selective recruitment process is dovetailed with rigorous training programmes. This discipline, comprising several training hours, covers a range of skills with a focus on accent neutralization, telephone etiquette, marketing techniques and basic computer literacy.

Training is also conducted continuously on-the-job to strengthen delivery standards. The team leaders sit with the agents during calls, the training team conducts refresher courses and the 'best-in-class' voice responses are replayed to enhance service standards.

At Spanco, this general training is customized to the nature of the client and product they will represent. An in-house test is conducted to gauge their level of understanding, including the conduct of mock calls. As a prudent de-risking, the project is permitted to go 'live' only after the results have been established as satisfactory across a limited period.

Additionally, the company also conducts need-based training after a gap analysis. Regular coaching and mentoring is also provided for all-round career development. Following induction into live call management, the agent's knowledge and responsiveness are tested on an ongoing basis through periodic computer-aided tests, whose results are processed in real time for weakness to be plugged with retraining immediately.

Training inputs are imparted to every CSA on an ongoing basis to maintain enhanced performance levels and individual growth. Since learning and development is a continuous process meticulous attention is paid to the requirements of the candidates in terms of knowledge skills and attitude. The following programs and workshops are mandatory for all Associates joining our call centre:

- a. Accent neutralization.
- b. Selling skills.
- c. Customer services.
- d. Telephone etiquettes.
- e. Listening skills.
- f. Voice training
- g. Aggravation management skills.
- h. Time management.
- i. Team building.
- j. Relationship management.

Performance management and feedback

At Spanco, individual performance is checked against pre-agreed deliverables (also referred to as key result areas), based on which, year-end appraisals are made. As a safe de-risking initiative, the key result areas are set higher than the basic standards expected by clients.

Team performance is appraised quarterly, which compares performance with expectations in a transparent manner, enhancing motivation in the process.

Spanco links customer 'service level agreements' to member performance through a simple priority; for the sake of simplification the customer goal is configured by the computer into daily agent KRAs, which enables the latter to view what they have achieved against the company's expectation. Following the initial phase, the KRAs are evolved to comprise soft skills like discipline, attendance and team building. The company swaps agents to provide for unforeseen absenteeism.

Regular feedback helps identify areas of improvement leading to a better performance.

Motivation and retention

Attrition is the biggest problem in the Customer Contact Centre business. Since opportunities are immense, people tend to change loyalties over small amounts. The motivation policies of Spanco to arrest attrition include:

- A high salary structure.
- Attractive incentive-based remuneration.
- Attendance and behaviour-based incentives.
- Frequent promotion and career management
- Employee insurance.
- Transportation and cafeteria facilities.
- Recreational facility.
- Medical facility.

Spanco believes that an informal yet serious and an accessible yet formal working environment enhances employee motivation and retention. Its recognize-and-reward environment strengthens on-the-job motivation, efficiency and retention. Over the last year, the company's various schemes to incentivise performance have comprised :

Monetary incentives

- Cash incentives for over-achieving daily targets.
- Star performer of the week.
- Emoluments for consistent performance.
- Cash incentives for unbroken attendance.

Non-Monetary incentives

- Letters of appreciation and certificates.
- Gifts and passes for special events.
- Parties to applaud superior performance.

Spanco has formed 'Career Kiosks' and 'The Lounge' to provide career guidance and an amicable environment to address career and personal concerns.

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

Manpower

The details of present manpower position of the company is as follows:

Department	Bangalore	Chennai	Gurgaon	Kolkatta	Mumbai	Pune	Total
Call Center Operations	274	—	430	74	1021	262	2061
Sales & Marketing	—	—	9	1	2	1	13
Business Development	1	—	5	—	8	—	14
Project Implementation	2	—	3	—	13	3	21
Technical	—	—	—	2	29	—	31
Software Development	3	—	6	1	13	3	26
Finance & Accounts	1	1	1	1	16	1	20
Projects	—	—	14	1	10	—	26
Performance Management	—	—	2	—	4	—	6
Administration	1	—	6	—	22	1	30
Support Function	2	—	2	—	64	3	71
Human Resources	3	0	5	—	16	2	26
Total	287	1	483	80	1218	276	2345

MANAGERIAL COMPETENCE & KEY MANAGERIAL PERSONNEL

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of production/finance/distribution/marketing and corporate laws. The Management is assisted by the following key personnel:

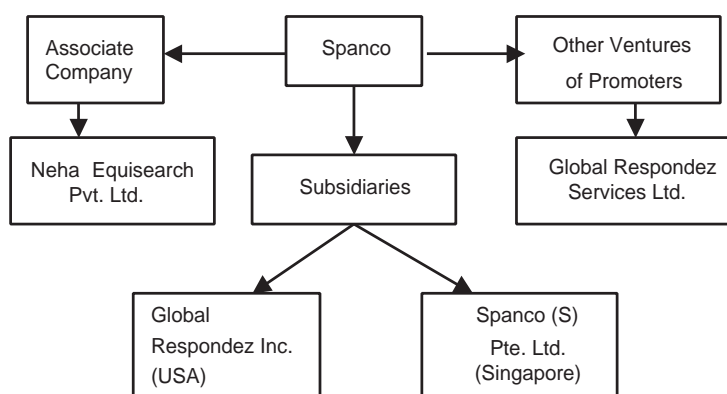
Sr. No	Name	Designation	Department	Age
1	Anil Wadhwa	VP- Performance Manager	Performance Management- International	31
2	Arthur Gomes	SDL (Operations Manager)	Operations -International	34
3	Deepak Bhaskar	Dialer Manager	Technology -International	27
4	Deepika Sandhu	Manager	Call Centre Operations- Domestic	29
5	Girdhari Lal Mangal	Sr. Manager	Finance	35
6	Hari Menon	Training Manager	Training - International	42
7	Kamal Maheshwari	Assistant Vice President	IT	33
8	Kaushik Thakkar	Deputy General Manager	Projects (Spanco)	37
9	Kaustubh Dhavse	SDL (Operations Manager)	Operations -International	27
10	Kairav Trivedi	General Manager- Finance Accounts and Company Secretary	Finance/Accounts and Secretarial	35
11	Madan Kumar V	Manager	Call Centre Operations- Domestic	34
12	N B Banik	Sr Manager	Projects	54
13	Nandakumar Gokhale	Assistant Manager	Project Implementation (Spanco)	41
14	Nolasco Cordeiro	Sr Manager	Project Implementation (Spanco)	39
15	Rahul Moholkar	Assistant General Manager	Call Centre Operations- Domestic	31
16	Rajesh Khanna	DGM – IT	IT	39
17	Sampann Verma	Manager	Call Centre Operations- Domestic	31
18	Sandeep Soni	Vice President	Business Development-Domestic	36
19	Senthil Kumar	SDL (Operations Manager)	Operations -International	26
20	Tejinder Singh	Assistant General Manager	Call Centre Operations- Domestic	34
21	V H Mulchandani	General Manager	Sales & Marketing	45
22	Venugopal Menon	Manager	Finance	42

The above persons are on the rolls of the company as permanent employees

CHANGES IN KEY MANAGERIAL PERSONNEL

Sr. No.	Name	Designation	Department	Date of Appointment	Date of Resignation
1	Mr. Mayank Vyas	Asst. General Manager – Technical	Product Management	12/07/2001	06/11/2003
2	Ms. Pooja Minocha	Manager	Human Resources	01/05/2002	19/01/2004
3	Mr. S. Shastri	Assistant General Manager	Sales & Marketing	06/01/2001	06/03/2004
4	Mr. Sanjay Kumar Singh	Manager	Administration	06/01/2003	13/09/2003
5	Mr. Srinivas P.V.	Business Development Manager	Sales & Marketing	03/04/2003	03/01/2003
6	Mr. Prakash Khedekar	Company Secretary	Secretarial	20/11/2001	17/01/2004
7	Mr.S.P. Jerath	Regional Head – North Zone	Regional Head	16/05/2001	30/09/2003

SUBSIDIARIES/ASSOCIATES/OTHER VENTURES



SUBSIDIARIES OF THE COMPANY

● GLOBAL RESPONDEZ INC.

Date of Incorporation : 07/01/2003
Registered Office : 50, Creg Wood Road,
FTE 312, South Plane Field
New Jersey – 07080
USA
Board of Directors : Mr. Kapil Puri,
Mr. Rajesh Chhabria
Nature of Business : IT Enabled Services
Brief audited financials of the company are as follows:

(Rs. In Lacs)

Particulars	31/03/2004	31/03/2003
Operating and other Income	482.15	5.62
Profit/(Loss) before tax (PBT)	21.66	(0.93)
Profit/(Loss) after tax (PAT)	19.04	(1.17)
Equity Share Capital	2.25	0.05
Reserves and Surplus	12.02	–
Earning per share (EPS) (Rs.)	84.62	Negative
Book Value (Face value of Rs. 10/- per share)(Rs.)	63.42	Negative

● SPANCO (S) PTE. LTD.

Date of Incorporation : 01/09/2003
Registered Office : 150, Orchard Road,
#07-02, Orchard Plaza, Singapore (238841)
Board of Directors : Mr. Kapil Puri
Mr. Rajesh Chhabria
Mr. Liew Chwee Hwoon
Mr. Tan Sim Hock
Nature of Business : Telecommunications

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

Brief audited financials of the company are as follows:

(S \$)

Particulars	Seven months ended 31/03/2004
Operating and other Income	7,36,631
Profit/(Loss) before tax (PBT)	(37)
Profit/(Loss) after tax (PAT)	(37)
Equity Share Capital	3400
Reserves and Surplus	(37)
Earning per share (EPS) (Rs.)	—
Book Value (Face value of Rs. 10/- per share)(Rs.)	—

(Units in Singapore dollar (1S\$ = Rs.27.08 as on 17/09/2004))

OTHER CENTURES OF PROMOTERS

Global Respondez Services Limited

Date of Incorporation: 14/05/2001

Address: 1-F, Krishna Bhuvan, B.S.Deoshi Marg, Deonar, Mumbai – 400 088.

Nature of Business: ITES (IT Enabled Services)

Board of Directors: Mr. Kapil Puri, Mr. Rajesh Chhabria, Mr. Ramesh Sharma, Mr. Adarsh Bagaria

Global Respondez Services Limited (GRSL) was a subsidiary of Spanco carrying on call center activities. Subsequently this business was taken over by Spanco and GRSL was hived off as a separate company. No fresh contracts are being taken up by GRSL. GRSL continues to complete the old contracts which could not be transferred to Spanco.

Brief financials of the company for the past three years is as follows:

(Rs. In Lacs)

Particulars	2001-2002	2002-2003	2003-04
Sales	0.10	612.07	420.01
Profit/(Loss) Before Interest, Depreciation and Tax	0.10	103.62	128.75
Interest	—	—	23.23
Depreciation	—	101.79	95.29
Tax	0.03	0.13	0.79
Deferred Tax Provision	—	67.67	(3.05)
Profit/(Loss) after tax	0.07	(65.98)	12.49
Equity share capital	230.00	324.80	324.80
Net Asset Value (Rs.)	10.00	7.95	8.60

Note : GRSL was incorporated in May 2001 and as such there was no business activity in the financial year ended on March 2002. GRSL had undertaken certain contracts in the year 2003 and hence there was an increase in the revenue.

Outstanding Litigation: There are no litigations outstanding against the company.

Neha Equisearch Pvt. Ltd.

Date of Incorporation: 10/07/1995

Address: 314, Shrikant Chambers, Sion Trombay Road, Chembur, Mumbai – 400 071.

Board of Directors: Mr. Kishore Saigal, Mrs. Neeta Saigal

Nature of Business: The company is engaged in the business of shares and securities.

Brief audited financials of the company for the past three years is as follows:

(Rs. In Lacs)

Particulars	2001-2002	2002-2003	2003-04
Operating and other Income	4058.04	550.15	88.75
Profit before tax (PBT)	0.73	2.68	0.65
Profit after tax (PAT)	0.68	2.38	(1.34)
Equity Share Capital	9.92	9.92	9.92
Reserves and Surplus	15.32	17.78	16.44
Earning per share (EPS) (Rs.)	0.69	2.40	Negative
Book Value (Face value of Rs. 10/- per share)(Rs.)	25.44	27.92	26.56

Outstanding Litigation:

- SEBI has issued a show cause notice no. IVD/ID3/PKB/JS/STSL/23502/03 dated 12/12/2003 against one of the associate companies of Spanco namely Neha Equisearch Private Limited under section 11B read with Section 11(4) of SEBI Act, 1992 read with Regulation 11 and 12 of SEBI (Prohibition of fraudulent and unfair trade practices relating to Securities Market) Regulations, 1995. The show cause notice has been given in terms of the investigation by SEBI in the trading in the shares of Spanco. The company has submitted its reply to SEBI vide letter dated 30/12/2003.

- Neha Equisearch Pvt. Ltd. has received a show cause notice no. EAD/562/04 dated 15/07/2004 from SEBI under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. The said notice has been issued for non compliance with Regulation 3(4) of the SEBI (SAST) Regulations, 1997 in respect of the preferential allotment made to them by Spanco on 24/02/2000.

Neha Equisearch Private Ltd. is termed as associate only on account of personal relationship of Chairman of Spanco, Mr. Kapil Puri, with the Directors of Neha Equisearch Private Ltd. Mr. Kapil Puri is the brother – in – law of Mr. Kishore Saigal.

CORPORATE GOVERNANCE

As per the Listing Agreement the guidelines of Corporate Governance are applicable to the company. The Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchange are complied with. The following committees as required have been set by the company:

- Audit Committee was set up in the year 2001. The audit committee of directors comprises 3 independent directors being Mr. Ramesh Sharma (Chairman), Mr. Adarsh Bagaria and Mr. Rajkumar Bahri.
- Shareholders / Investors Grievance Committee of directors comprises of Mr. Ramesh Sharma (Chairman), Mr. Rajesh Chhabria and Mr. Kapil Puri.
- The Remuneration Committee was constituted in the year 2002 comprising of 3 non executive independent directors viz.: Mr. Ramesh Sharma, Mr. Rajkumar Bahri and Mr. Adarsh Bagaria.

CONFLICT OF INTEREST

Global Respondez Services Limited, an associate company of Spanco, and Global Respondez, Inc, subsidiary of Spanco are also engaged in ITES, specifically Call Centre Services. To this extent there is conflict of interest between the company and its subsidiary. Besides this there is no conflict of Interest among the group ventures.

SWOT ANALYSIS

Strengths

1. Spanco has done projects in almost all mediums of communication for a varied clientele and for different types of applications thus exposing the company to the different needs of the market. The company therefore is aware of the international standards and technologies and international suppliers for different products.
2. Skilled Manpower –in-house training and development, regular training programs are conducted for the personnel. These trainign programs cover emerging technologies, their applications, markets and future developments.
3. Management focus on core strengths: All expansion programmes and investments in related sectors telecom and related sector.

Weaknesses

The promoters are first generation entrepreneurs.

Opportunities

The ITES BPO segment is rapidly growing sector and presents tremendous opportunities for growth and expansion to existing new players.

Threats observed

The major threats anticipated are given below:

- Technological Obsolescence
- Falling Product Prices
- Domestic & International competition
- Changing Government Policies

INDUSTRY PROFILE – BUSINESS PROCESS OUTSOURCING (BPO)

(Source: Nasscom)

BPO refers to management of business processing services involving the transfer of an organization's non-core but critical business process/functions to an external agency, which uses IT-based service delivery over public or private networks, thus helping the clients improve business performance

BPO is now an important theme in IT services, and is now responsible for significant revenue growth for many vendors.

THE GLOBAL ITES-BPO INDUSTRY (NASSCOM _ Startegic Review – 2004)

Over the last few years, the worldwide business process outsourcing (ITES-BPO) industry has undergone rapid transformation. Continuing pressure on cost bases at a time of growing competitiveness is driving companies to look at offshore outsourcing as a strategic alternative. Companies such as GE and American Express that led the offshoring wave and others that shortly followed are demonstrating the benefits brought by business process outsourcing. Access to global talent, economies of scale, process engineering and enhancements, wage arbitrage, increased profit margins and improvements in quality are some of the gains that companies have realized.

Maturity of the marketplace, precedent, rapid developments in telecommunications and infrastructure, new offshoring destinations etc. have catalyzed the growth of the ITES-BPO industry. BPO has become synonymous with corporate strategy and companies are realizing the strategic role it can play in maintaining global competitiveness.

Worldwide ITES-BPO Spending by region 2002-2006

(Figures in \$ million)

Region	2002	2006	2002-2006 CAGR (%)
America	4,84,732	6,47,427	7.5
EMEA*	1,71,303	2,37,390	8.5
Asia/Pacific	1,17,622	1,94,228	13
Worldwide	7,73,657	10,79,054	8.6

(* Europe, Middle East and Africa)

Source: NASSCOM

OVERVIEW OF THE GLOBAL ITES-BPO INDUSTRY

In 2002, the global Business Process Outsourcing (ITES-BPO) market was approximately US\$ 773 billion. By 2006, the potential ITES-BPO market may increase to US \$ 1 trillion.

Overview of the US ITES-BPO Market

Market Size, Growth and Trends

North America will remain the dominant market for ITES-BPO services, accounting for nearly 60 percent of the total ITES-BPO market in 2006. Offshoring by US companies will continue over the next few years, driven by margin pressures and the need to remain globally competitive. Among Fortune 1000 companies, about 55 percent were offshoring one or more business processes in 2002.

The main verticals in the North American ITES-BPO market are telecommunications, financial services, health care and energy. Commonly outsourced processes include internal auditing, payroll, human resources, benefits management, contact centers/customer care, payments/claims processing, real estate management, and supply chain management.

Opportunities for Indian Vendors

Cost reduction will continue to be the key driver for offshoring by North American companies. Domain-specific offerings and end-to-end BPO solutions from Indian service providers will lead to an increase in the value and duration of BPO contracts.

Financial services and healthcare are expected to witness the strongest growth. Offshore contact centers will be the fastest growing segment and high-end services such as equity research support, insurance claims processing and technology research and development will see rapid expansion over the next few years.

Overview of the European ITES-BPO Market

Market Size, Growth and Trends

The Western Europe ITES-BPO market is expected to account for 22 percent of the market by 2006. The fragmented nature of the market has made it difficult for vendors to target the entire European region. Most vendors have adopted a country-by-country strategy to provide specific services in different regions. Average outsourcing spending, as a percentage of budgets, has almost doubled from 16 percent in 1998 to 31 percent at the end of 2002.

The financial services sector is the largest consumer of BPO-ITES services in Europe, followed by utilities and telecommunications. Human resources, finance and accounting are expected to be the fastest growing service lines.

Opportunities for Indian Vendors

High-end technology areas such as biotechnology, bio-informatics, genomics research and nanotechnology will be the key growth areas for Indian BPO companies.

European companies typically outsource along process areas rather than functional areas. Highlighting process expertise will, therefore, be important for Indian BPO providers looking to enter the European market.

Overview of the Asia Pacific ITES-BPO Market

Market Size, Growth and Trends

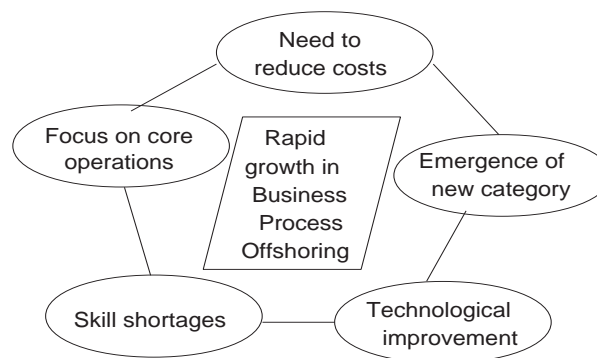
The Asia Pacific ITES-BPO market is expected to account for 18 percent of the total ITES BPO market in 2006. Companies in the Asia-Pacific region have traditionally outsourced only manufacturing activities. Given the relative infancy of the ITES-BPO market, this region is expected to experience rapid growth over the next few years. Growth will primarily be driven by cost-reduction and the need to focus on core competencies. HR, finance and accounting are expected to be the key growth areas in the Asia-Pacific region in the years ahead.

Opportunities for Indian Vendors

Growth in the Asia-Pacific ITES-BPO market will offer a significant opportunity for Indian vendors. Process expertise, existing presence in APAC markets and domain expertise, especially in the financial services area, will help Indian vendors leverage this opportunity.

Rapid growth is expected in outsourced support functions such as HR and accounting, and these will be growing opportunity areas for Indian service providers.

DRIVERS OF THE ITES-BPO INDUSTRY



Competitive Pressures: Companies, faced with competitive and cost pressures, are being compelled to focus on their core competencies and look for external help in noncritical business areas. Cost savings continue to range between 40% -50%.

Extension of Existing Vendor Relationships: Many of the large traditional outsourcing suppliers (IBM, EDS, Infosys, Wipro, TCS) have invested heavily in expanding their global delivery models. Customers with existing relationships with these companies are increasingly leveraging and expanding their relationships into offshore ITES-BPO services.

Extension of Traditional IT Outsourcing: As companies become more comfortable with their offshore IT models and experience, ITES-BPO serves as the logical next step.

Technological Advances and Infrastructure Maturity: Advances in communication technology for Data and Voice, telecommunications and other elements of infrastructure, as well as investments in training and language development are allowing more complex processes to be offshored.

Precedent: Offshore outsourcing is becoming a strategic business decision for most organizations. Precedents set by pioneers of offshore outsourcing has set the ball rolling for other companies to follow suit. This has also helped reduce perceptions of risk associated with offshore outsourcing.

Resource Flexibility: Companies are benefiting from the ability to free up their resources and re-deploy them to core business and processes.

Speed of Operation: The differences in time zones across multiple offshore locations allows companies to significantly speed up operations, and provide 24x7 customer services

Access to Skills and Technology: Companies continue to leverage highly skilled labor pools at relatively lower costs.

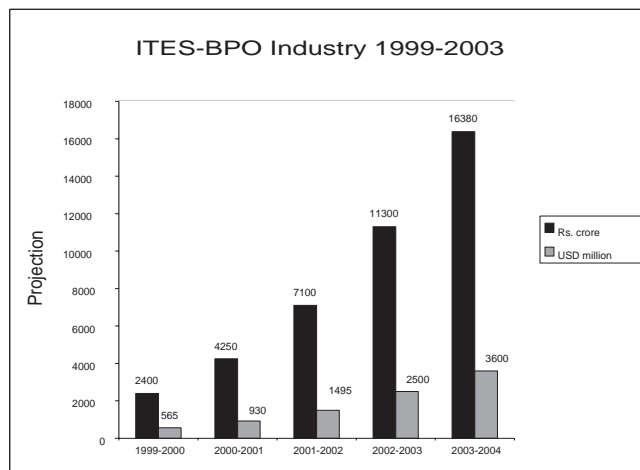
CHALLENGES FACING THE GLOBAL ITES-BPO MARKET

Relative Immaturity of Suppliers: Given the relative infancy of the ITES-BPO industry, vendors have not yet reached levels of maturity displayed by IT services vendors. This has resulted in higher risk levels and consequently a higher need for due-diligence.

High Level Customer Control Requirements: Vendors have succeeded in providing adequate infrastructures and high quality, cost efficient resources. However, most still lack the process expertise, systems and practices that need to be acquired from the customer organization. This often demands much higher levels of operational control by the customer, thereby requiring continued management focus on the outsourced process, thereby diluting the achievable cost savings.

Mediocre Support Infrastructures: Several offshore locations are still struggling to achieve adequate levels of support infrastructure such as telecommunications, power, roads, airports etc. Lack of adequate infrastructure is causing bottlenecks in expansion of capacity etc.

Management Practices: For both customers and vendors, offshore relationships challenge the staffing, style, and formal and informal information systems. It is therefore, important for management to create policies and practices to incorporate flexibility in business process and labor allocation. Regulatory and legal issues also become important as countries deal with the political issues that offshore outsourcing can raise. Thus it is imperative that customer organizations support relationships with offshore vendors and assure that objectives, contracts, delivery models, and measurements are aligned.



THE INDIAN ITES-BPO INDUSTRY

In 2003-04, according to the National Association of Software and Services Companies (NASSCOM) estimates, the Indian ITES-BPO industry is likely to grow by about 54% to reach US\$ 3.6 billion. In 2002-2003, the Indian ITES-BPO industry grew by 59.1% to US \$2.3 billion. India has maintained its global competitiveness by providing a winning combination of cost quality- scalability versus competing offshore destinations such as the Philippines and China.

Some of the key drivers of the Indian ITES-BPO industry include:

- Improved efficiency and higher service levels due to streamlined processes
- Quality improvements due to a better educated workforce
- Cost savings between 40-50 percent
- Increase in offshoring by existing customers
- Superior project management skills
- Availability of a highly skilled, educated and English speaking labor pool

INDIA'S VALUE PROPOSITION

Key drivers of global offshoring, along with India's strengths are continuing to stoke the Indian ITES-BPO growth engine. Some of these drivers include:

Focus on Margins and Cost Pressures: Outsourcing to India has helped companies achieve 40-50% cost savings. Companies are also able to generate higher free cash flows due to reduced investments in physical infrastructures, telecom and equipment. Wage arbitrage has also led to increased cost savings.

Growing Demand for High Quality, Skilled Workforce: India has a large pool of educated, highly skilled, English speaking manpower. This has placed India favorably over other offshore locations, since other than wage arbitrage, companies benefit from improved quality and higher productivity rates.

Increasing Focus on Core Competencies: The need to focus on core competencies to remain competitive is driving more companies to offshore outsourcing. Offshoring helps free up resources and help higher management focus on core business requirements. Offshoring also allows for access to new technologies and talent to help strengthen business offerings.

Customer Demand for Quality: In an increasingly competitive economy, customers demand and expect highest levels of quality. Most developed countries face high attrition rates as well as poor execution quality, since most ITES-BPO activities are manned by undergraduates, part-time employees etc. The Indian ITES-BPO industry on the other hand attracts a highly educated and talented workforce. Additionally, Indian vendors are quality centric and have adopted several industry standards such as SEI-CMM, ISO, TQM, '6 Sigma Quality' and 'COPC'.

INDIAN ITES-BPO MARKET SEGMENTATION

The Indian ITES-BPO industry is made up of several service lines including Customer Care, Finance, Human Resources, Billing and Payment services, Administration and Content development. Some of the upcoming service lines include higher value added services such as Engineering and Design, Knowledge Processing, Logistics etc. While Customer Care continues to be the largest service line, Finance and Administration services are expected to grow significantly over the next few years.

ITES-BPO Growth by Service Lines

Service Lines US \$ million	2001-2002		2002-2003		2003-2004E	
	Employment	Revenue	Employment	Revenue	Employment	Revenue
Customer Care	30,000	400	65,000	810	95,000	1,200
Finance	15,000	300	24,000	510	40,000	820
HR	1,500	30	2,100	45	3,500	70
Payment Services	7,000	110	11,000	210	21,000	430
Administration	14,000	185	25,000	310	40,000	540
Content Development	39,000	450	44,000	465	46,000	520
Total	1,06,500	1,475	1,71,100	2,350	2,45,500	3,580

Source: NASSCOM

Note: All are tentative estimate; most players offer multiple processes in different shifts and so not provide processing revenues or employees

Customer Care

In 2002-03, revenues from Customer Care and support services witnessed significant growth reaching US \$ 810 million. In 2003-2004, revenues are expected to reach US \$ 1,200 million. Customer Care service offerings include technical support and monitoring, queries regarding products and services, order status, accounts and services support etc.

Finance

In 2002-03, the Finance service line grew by 70 percent to reach US \$ 510 million. In 2003-2004, revenues are expected to reach US \$ 820 million. Indian ITES-BPO companies offering Finance services are moving up the value chain to offer services such as equity research and insurance claims processing. Finance services include billing, accounting transactions, general accounting, tax consulting and compliance, risk management, financial reporting and analysis, financial management.

HR Services

In 2003-04, revenues from HR services are expected to reach US \$ 70 million. Growth of HR services in India has been slow due to lack of vendor domain expertise. HR services include benefits administration, education and training, recruiting and staffing, payroll services, hiring administration and records management. The growth of HR services globally, presents a huge opportunity for Indian vendors. Along with developing domain expertise, improvements in service quality and enactment of data security regulations by the Indian government are vital for the growth of HR services in India.

Payment Services

Indian ITES-BPO revenues from Payment Services grew by 91 percent in 2002-03 reaching US \$ 210 million. In 2003-2004, revenues are expected to reach US \$ 430 million. Payment services include credit/debit card services, cheque processing, EDI (Electronic data exchange), customer interaction, customer care, database marketing/customer analysis, web sales and marketing.

Administration

In 2002-2003, revenues from Administration grew 68 percent to reach US \$ 310 million. Revenues are expected to reach US \$ 540 million in 2003-2004. Administration service is one of the largest and fastest growing segments within the Indian ITES-BPO industry.

Despite successful growth, Administration services faced falling billing rates due to intense competition among vendors. Services provided include billing, shareholder services, tax processing, claims processing, asset management, document management, transcription and translation.

Content Development

In 2002-03 revenues from Content Development reached US \$ 465 million. The segment is expected to grow in 2003-2004 reaching revenues of US \$ 520 million. Content Development services include engineering and design services, digitisation (including GIS), animation, network management, biotech research.

INDUSTRY STRUCTURE

The Indian ITES-BPO industry has passed through three distinct phases. The first wave saw the establishment of MNC's such as GE and American Express setting up large captive centers. The second phase witnessed the emergence of a number of VC backed third party vendors. In the third and current phase, a number of established software services companies have ventured into the ITES-BPO arena. This has primarily been driven by factors such as cross selling opportunities by leveraging existing customer relationships, critical mass and strong balance sheets, end-to-end service offerings etc.

In the last few years, the number of captive units has grown to almost double the number of third-party service providers. One of the main reason for this is that clients are more comfortable working with a captive unit, where they can retain management control, rather than outsource to another firm. Moreover, as de-risking businesses has become an important consideration, more companies are choosing to set up captive centers in multiple regions rather than growing in one or two locations.

TRENDS IN THE INDIAN ITES-BPO MARKET

Market Consolidation

After witnessing a large number of acquisitions in 2002, the ITES-BPO industry saw further consolidation in 2003. The capital-intensive nature of this industry makes it difficult for small players to grow quickly and a number of IT services companies have added ITES-BPO units to exploit synergies between BPO and IT services offerings. There has been an additional impetus to this trend because large customers have become more favorable towards vendors who can provide end-to-end services.

Increase in multiple vendor and BOT Contracts

In the build-operate-transfer (BOT) model, a vendor sets up and grows a fully functioning center to a desired size and then hands it over to the customer at a pre-determined time. Advantages of using a multiple vendor strategy include: scalability, vendor de-risking and competitive pricing by using multiple vendors.

Continued Convergence of Supplier Models

Indian vendors will continue to expand service offerings in client regions to support a more seamless delivery model. Indian vendors are also setting up centers in locations such as Philippines, Japan, China etc., with a view to tap these growing markets.

Vendor Polarization

According to analysts, a large part of the growth in the ITES-BPO industry may be concentrated with the larger vendors. Factors for this include customer preference for size and scalability, delivery capability, track record, client references and management background.

Increase in Capacity

The Indian ITES-BPO industry has witnessed a significant increase in capacity over the last year. The number of seats has increased from 140,000 at the end of March 2003, to a projected 210,000 in March 2004. Most of this increase has been from Indian vendors and captive units. The share of captive units is between 65-70% and is expected to grow even further.

Increase in Presence of IT Services Companies

There has been a growing number of IT service companies who are expanding their offering to include ITES-BPO by setting up their own centers or by acquiring ITES-BPO third party vendors. IT services companies enjoy a number of synergies between their ITES-BPO operations and IT service offerings. Some of these include:

- Ability to leverage existing customer relationships, since from a customer's point of view, expanding relationships with an existing vendor results in savings in cost and management time.
- Vendors can target a larger share of a customer's IT spending budget by cross selling different services.
- Customers are increasingly seeking end-to-end and bundled services. Large IT service firms have the advantage of size as well as the breadth of their portfolio to meet the needs of large customers.
- The ITES-BPO business is highly capital intensive. Large IT services companies have the advantage of cash-rich balance sheets. Aggressive growth plans and start-up investments are significant while profitability in the initial stages is poor due to a high breakeven point. Most software services companies currently hold about 30-50 percent of their total assets in cash and equivalents, putting them in a good position to meet the capital investment needs. They are also better able to fund operating cash flow requirements.
- Considering customer relationships are long-term, and revenue models are annuity based, having a presence in the ITES business enables companies to reduce the volatility implications of an economic slowdown.

CHALLENGES FACING THE INDIAN ITES-BPO INDUSTRY

Moving up the Value Chain

Moving up the value chain will become a challenge for Indian companies as customers seek vendors with significant domain expertise and experience. Customers are increasingly looking for vendors who can provide end-to-end solutions. Indian vendors are using several methods to expand the depth and breadth of their service offerings. Some of these include:

- Entering into tie-ups with existing players
- Acquiring companies to expand expertise
- Investing in R&D
- Leveraging industry best practices

Shrinking Profit Margins

The ITES-BPO industry involves high initial capital investments and long gestation periods. In 2003, intense competition in the industry led to service providers reducing billing rates to unviable levels. The appreciation of the rupee against the US dollar also led to a fall in billing rates. These factors have led to increased margin pressures as well as to increased industry consolidation.

Ability to quickly achieve scale

It will be critical for Indian vendors to be able to scale up quickly. The reasons include:

Large Customers Prefer Vendors with Size: Most leading vendors get automatically short-listed in the major RFPs (request for proposal) being floated in India. At the same time, a small vendor may not even get an RFI (request for information) even though it may have better expertise in that area.

Large Vendors command a Premium Price: Despite the shakeout at the industry level, large vendors with a proven track record expect to get more business than they can absorb. At times, leading vendors have to reject proposals because of the practical limitations in managing growth. These vendors are able to negotiate a premium price versus the market. In such cases, vendors have refused to match the lower price quotation of a competitor and still walk away with a contract.

Economies of Scale help Margins: In the software services business, interplay of four factors impacts margins: volume, price, costs and utilization of employees. In ITES-BPO, the shift factor is also important. While call center operations have to be carried out mainly at night in India (daytime in US/UK), back office processing work can be performed during the day in India. Thereby, the same physical infrastructure can be deployed more efficiently. Given various practical limitations, a shift factor of between 2x-2.5x is considered ideal. Currently, most companies have been able to achieve a shift factor of 1.5x-1.7x. Going forward, a vendor's ability to improve the shift factor would have significant impact on their profitability.

HUMAN RESOURCE ISSUES

India has a large talent pool with 290,000 engineering students and approximately 2.46 million college graduates each year. While this has ensured a plentiful supply for entry-level positions, there is a dearth of candidates for middle-management positions. This has led to an increase in attrition rates to about 25-40 percent.

Due to costs associated with attrition levels, including investment in employee training etc., a number of Indian firms have started taking measures to limit attrition. Some of these measures include:

- Non-hiring of applicants who spent less than a year at their previous workplace or those who have changed three jobs in two years
- Blacklisting of agencies who are actively involved in poaching candidates
- Ensuring that candidates produce official release letters from the previous employer at the time of their appointment

In 2003, the ITES-BPO industry witnessed an increase in average salaries especially for call center positions. The increase in salaries, coupled with the increase in attrition, has made human resource management a growing concern for the industry.

Companies are also looking to Class-B and Class-C towns as viable options for setting up operations and sourcing manpower.

Price Wars: The influx of new vendors into the ITES-BPO market, and the subsequent increase in competition, may cause significant price undercutting leading to increasing pressure in margins and often the inability to deliver.

Increasing Competition: Indian vendors will increasingly face competition from global vendors. Some of the advantages global companies have over Indian companies include: established customer relationships, robust training models, security systems for data privacy, business continuity plans and deeper understanding of client businesses and business environments, especially in the UK and US.

Security Concerns: With increasing attention on issues such as homeland security, IPR as well as data protection. Customers are demanding higher standards from their customers. Vendors who fail to meet these growing requirements will loose out to vendors who have security, privacy and data protection measures in place.

Infrastructure Challenges

India's ITES-BPO industry has witnessed robust growth over the last few years and continues to attract significant business from both the US and Western Europe. The level of growth, however, is beginning to stretch the capacity for development work on support infrastructure provided at the state and local government level. While national issues with infrastructure e.g. telecommunications system etc. is being adequately addressed, the local infrastructure (roads, bridges, airports, urban transportation etc.) is becoming a bottleneck to the expansion of capacity.

ROAD AHEAD

As per the latest survey conducted by NASSCOM, the apex body of software and service companies in India, the ITES-BPO segment contributes 29% of the total IT software and service exports from India and witnessed a growth of 46% to reach US \$ 6 billion in 2003-04. As per the survey top 15 ranking released by NASSCOM, WNS has emerged as the frontrunner followed by Wipro Spectramind and Daksh at the second and third positions respectively. There are more than 425 ITES-BPO companies in India that include a healthy mix of captives and third party players. In the last financial year the BPO companies were the largest recruiters in the IT/ITES sector adding about 70,000 jobs. This sector is estimated to reach revenue levels of US\$5.1 billion for the year 2004-05.

US BACKLASH AGAINST OUTSOURCING FROM INDIA

The US backlash against outsourcing first started as a limited protest against US government orders and jobs going to outsiders particularly to India and Indians. This was fueled by sustained US slowdown. When the backlash against offshore outsourcing erupted, opponents first focussed on curbing government contracts and temporary U.S. work visas for foreign tech workers. Around 186 bills that aim to limit offshore outsourcing are pending in the US congress. Now it is security and privacy fears which have further enhanced the agitation.

For India, any significant change in the US position on off-shoring, outsourcing and technology worker imports could have for reaching impact. BPO, worth about \$ 1.6 billion a year in India has become an important driver of IT services in the country.

As per the proponents of outsourcing cost savings are tough to ignore particularly for cash strapped states. Connecticut, Florida, Indiana, Maryland, Michigan, New Jersey, Newyork and North Carolina all had anti outsourcing bills introduced in 2003, but none were passed. Proponents also feel outsourcing develops work forces and in turn consumers with buying power in fast growing markets such as China, India and Russia.

Despite the economic logic, outsourcing opponents say they hope to educate the public about the true cost of globalisation.

SECTION VII : DETAILS OF PROJECT

OBJECT OF THE ISSUE

The present issue is being made to part finance:

- acquisition of Land & Building for part of proposed expansion.
- the capital expenditure to be incurred for enhancing the existing domestic Call Centre facilities of the Company.
- the capital expenditure to be incurred for enhancing the existing international Call Centre facilities of the Company.
- preliminary expenses including issue expenses.

The cost of the project has been drawn by the management based on their experience in implementing similar projects in the past and has not been appraised.

COST OF PROJECT AND MEANS OF FINANCE

The particulars of the cost of the project and the means of finance are as follows: -

(Rs. In lacs)

COST OF PROJECT	For Sparsh	For Respondez	Total Amount
Lease Deposit	—	68.00	68.00
Land & Building	—	880.00	880.00
Equipments	1000.00	968.00	1968.00
Computers & Others	—	219.00	219.00
Electrification	70.00	191.00	261.00
Furniture & Fixture	116.00	299.00	415.00
Preliminary & Pre-operative (including issue expenses)	—	124.00	124.00
Total	1186.00	2749.00	3935.00
MEANS OF FINANCE			Amount (Rs. in Lacs)
Rights Issue of 69,85,000 Equity Shares of Rs. 10/- each at a premium of Rs. 15/- per share.			1746.25
Public Issue of 30,15,000 Equity Shares of Rs. 10/- each at a premium of Rs. 15/- per share.			753.75
Term Loan			1170.00
Internal Accruals			265.00
TOTAL MEANS OF FINANCE			3935.00

The company has already received sanction letter no. AnCBB/NC/03-04/001784 dt. 6/11/2003 from Bank of India, Andheri Corporate Banking branch, Mumbai – 400 058 for term loan of Rs. 1170.00 lacs to be deployed on the project

Till date the promoters /directors have brought in funds to the extent of Rs.751.05 lacs as unsecured loan for the purposes of part financing the proposed expansion. The said funds would be adjusted towards their rights entitlement.

THE PROJECT

Spanco provides turnkey solutions for over 26 customer contact centres and has set up offices in US and Singapore to offer support to these customer contact centres. The company has also developed in-house software for critical applications like IVR and Loggers. The ITES market includes human intensive services that are delivered over telecom networks or the internet to a range of business segments and verticals.

Spanco specialises in the operation of customer contact centres on a multi-shift basis. The customer contact centre offers 24x7 services to clients in India and abroad.

PRESENT LOCATION

The company has its facilities of 1370 seats in five call centres over various Indian locations supported by 10 marketing offices in India and one in USA. The details of locations are as follows:

Location	Lessor/Licensee	Date of Agreement	Period	Other terms
S No. 22-B, Krishna Bhuvan Deonar Mumbai– 400 088	M/s Shamil Enterprises, Mumbai	01/07/2003 01/12/2001 01/11/2002 03/10/2000 & in terms of consent terms dt. 07/11/2001	33 months (3 tenures of 11 months each) (further renewed upto 31/10/2006)	Total Area: 8100 Sq.ft., on Ground, 1 st & 2 nd Floor. Nature: Leave & License Total Deposit: Rs.25,00,000/- Total Rent: Rs.3,70,000/-p.m.
CTS No. 324,325,326 Village Deonar, B.S.Deoshi Marg, Mumbai – 400 088	Hindustan Lever Limited	16/12/2003	33 months (3 tenures of 11 months each)	Area:39,865 Sq.ft. Nature: Leave & License Deposit: Rs.32,00,000/- Rent: Rs.5,60,000/-p.m.

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Location	Lessor/Licensee	Date of Agreement	Period	Other terms
57/1, Jayalakshmi Chambers Residency Road, Bangalore – 560 025.	Dr. P.G.Girish	01/08/2003 01/10/2003 10/10/2002	10 years	Total Area: 7,000 Sq.ft, on 1 st , 3 rd & 4 th floor. Nature: Leave & License Total Deposit: Rs.18,08,000/- Total Rent: Rs.1,64,000/-p.m.
Ashoka Plaza, Survey no. 32/2, Wadgaon Sheri, Nagar Road, Pune	Mr. Rajeshkumar Gopichand Karia Mrs. Kamaladevi Gopichand Karia	23/10/2002 15/10/2002	24 months	Area: 1800 Sq.ft., shop no. B, 2 nd Floor Nature: Lease Deposit: Rs.5,34,600/- Rent: Rs.48,600/-p.m.
	Mr. Gopichand Hotchand Karia Mr. Ashok Gopichand Karia	16/06/2003 16/06/2003	24 months	Area: 1800 sq. ft., Shop no. A, 2 nd Floor Nature: Lease Deposit: Rs.,50,000/- Rent: Rs.48,600/-p.m.
Office No. 1, 76C, Acharya Jagdish Chandra Bose Road, Kolkata – 700 014.	M/s Central Calcutta Cold Storage & others	21/11/2002	36 months	Nature: Lease Deposit: Rs.5,10,000/- Rent: Rs.51,000/-p.m.
Udyog Vihar, HSIDC Gurgaon	Mrs. Neelam Choudhari	29/10/2002	36 months	Area: 5500 Sq.ft., Plot No.491 Nature: Lease (Renewable) Deposit: Rs.2,70,000/- Rent: Rs.90,000/-p.m.
	AMD Exports Pvt. Ltd.	22/08/2003	36 months	Area: 450 Sq.mt., Plot No.771 Nature: Lease Deposit: Rs.3,75,000/- Rent: Rs.1,45,000/-p.m.
	Sewa Export	21/02/2004	36 months	Area: 27502 Sq. ft., Plot no.409, Phase III. Nature: Lease Deposit: Rs. 17,94,505/- Rent: Rs.5,98,168.50 p.q.

DETAILS OF COST OF PROJECT

The company is proposing to enhance the capacity of International & Domestic Call centers. The additional capacity of 400 seats in domestic sector and 510 seats in international sector is proposed to be installed. The said expansion will be undertaken at Mumbai, Bangalore & Gurgaon. On completion of the ongoing expansion the company will have 2280 seats. Present and additional capacity of call centre seats after the said expansion would be as follows:

Centre	Domestic (No. of Seats)		International (No. of Seats)	
	Present*	Additional	Present	Additional
Mumbai	410	150	220	510
Pune	180	—	—	—
Bangalore	160	—	—	—
Gurgaon	350	250	—	—
Calcutta	50	—	—	—
Total	1150	400	220	510

* The company has installed 400 seats in the domestic call centre "Sparsh" during the period from April, 2004 to August 2004 by availing a term loan of Rs.990 lacs from UCO Bank. Thus the present domestic call centre capacity is 1150 seats.

● Land & Building

The company is in the process of purchasing land and buildings, having a approximate plot area of 2000 sq.mts with constructed buildings of around 22000 sq. ft. The total cost of the land and buildings is estimated at Rs. 880.00 lacs.

The company is presently setting up the international call center of 510 seats at Deonar, Mumbai in a leased premise, and same will be shifted to the new owned premises after a period of 9 months, once the legal formalities for the above mentioned property are completed. The company has paid a lease deposit of Rs. 59.32 lacs to M/s Hindustan Lever Ltd., with whom the company has entered into leave & license agreement.

The company has also taken on lease for a period of 3 years, from M/s Sewa Exports, at Gurgaon an area of 27502 sq. ft, at Plot No. 409 – Udyog Vihar, Phase III, Gurgaon, Haryana, to set up the new additional 250 seats call center at Gurgaon. The proposed addition of 150 seats at Mumbai will be undertaken at existing premises taken on lease From Hindustan Lever Ltd.

- **Equipments**

Sr. No.	Item	Amount For Sparsh (in lacs)	Amount For Respondez (in lacs)	Name of the supplier	Status of order placed
1	Multiplexers and the Symposium with PBX	—	324.00	Nortel Networks Singapore and other Foreign Suppliers	<i>Equipment has been installed and expected to be operational by 01/01/2005</i>
2	Softwares and Other Networking Equipments	—	634.00	Local Vendors and Channel Partners of Davox and Avaya	<i>Orders are Placed.</i>
3	UPS	—	10.00	Tata Libert	Order placed
4	Switch, Pcs, Headphones and other Networking equipments, UPS (for Domestic Call Centers)	1000.00	—	Local Vendors, Nortel and Alcatel	Orders yet to be placed
	Total	1000.00	968.00		

The company has already paid an advance of Rs.1078.53 lacs for equipment. This does not include an amount of Rs.86.65 spent by the company on software. The same has been included by the auditor in their certificate dated 17/09/2004 under the head 'Advance for Computers'. Hence Company is yet to place orders for equipment amounting to Rs.802.82 lacs.

- **Computers & Others**

Sr. No.	Item	Amount For Sparsh (in lacs)	Amount For Respondez (in lacs)	Name of the supplier	Status of order placed
1	Computers PC and Software	—	219.00	Hewlett Packard	Computers and software has been installed.

- **Electrification**

Sr. No.	Item	Amount For Sparsh (in lacs)	Amount For Respondez (in lacs)	Name of the supplier	Status of order placed
1	Electrical fittings wirings and Controll Panels	—	70.00	Roshan Electricals	The work order has been completed
2.	Air-Conditioning	—	36.00	Carrier Aircon Ltd.	Installed.
3	Electrical fittings wirings and Control Panels	—	85.00	Roshan Electricals	The work has been completed.
4	Air-Conditioning & Generators	70.00	—	LG Electronics & Suddir Genset	Work completed.
	Total	70.00	191.00		

The company has already spent an amount of Rs. 107.84 towards electrifications.

- **Furniture & Fixture**

Sr. No.	Item	Amount For Sparsh (in lacs)	Amount For Respondez (in lacs)	Name of the supplier	Status of order placed
1	Workstations, Interiors and Civil Work	—	299.00	Local Vendors and Architects.	Work has been completed.
2	Workstations, Interiors and Civil Work	116.00	—	Local Vendors and Architects.	Orders yet to be placed.
	Total	116.00	299.00		

Company has already spent Rs.331.01 lacs towards furniture & fixtures.

- **Preliminary & Pre-operative (including issue expenses)**

The preliminary & preoperative expenses are expected to be Rs.124.00 lacs. Breakup of the expenses is given below:

Sr. No.	Item	Amount (Rs. in lacs)
1	Registration & Stamp duty	5.00
2	Market intermediary fees	15.00
3	Legal fees	15.00
4	Advertisement	30.00
5	Printing & Stationary	10.00
6	Statutory fee	2.00
7	Others	47.00
	Total	124.00

The company has spent an amount of Rs.91.16 lacs towards preliminary & preoperative expenses.

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

DEPLOYMENT & SOURCES OF FUNDS:

The company has already spent an amount of Rs. 2173.51 Lacs on the project. RSM & Co., Chartered Accountants, and Statutory Auditors of the Company have certified vide their certificate dated 17/09/2004 that an expenditure of Rs.2173.51 Lacs has already been incurred on the project upto 31/08/2004. Details of the sources and deployment of funds as per the certificate are as follows:

(Rs. In lacs)

Sr. no.	Particulars of funds deployed	Amount of fund deployed
1	Advance for Computers	305.65
2	Advance for Furniture & Fixtures	331.01
3	Advance for Office Equipment	1078.53
4	Advance for Electrification	107.84
5	Preliminary and pre-operative expenses	91.16
6	Advance Land & Building	200.00
7	Deposit for Leasehold Premises	59.32
	Total	2173.51

Sr. no.	Particulars of sources of funds	Amount
1	Unsecured loan from promoters, their relatives & friends	751.05
2	Loan from others	187.18
3	Bank Term Loan	974.40
4	Internal Accruals	260.40
	Total	2173.51

Note: Since the promoters and their associates are entitled to 39,40,341 equity shares of Rs.10/- each at a price of Rs.25/- per share aggregating to Rs. 760.00 lacs in the rights issue, the promoters & their associates have already brought in Rs.751.05 lacs as unsecured loan to fund the expansion. They will be allotted equity shares towards their rights entitlement on conversion of these unsecured loans.

SCHEDULE OF IMPLEMENTATION AND BREAK UP OF PROPOSED EXPENDITURE

The company has already spent an amount of Rs.2173.51 Lacs on the project. RSM & Co., Chartered Accountants, and Statutory Auditors of the Company have certified vide their certificate dated 17/09/2004 that an expenditure of Rs.2173.51 Lacs has already been incurred on the project upto 31/08/2004. The project is expected to be completed by December 2004. Pending deployment in the project the funds will be kept in fixed deposit in a bank to earn interest thereon. In case of shortfall in issue proceeds, the company proposes to meet the project expenses through internal accruals. Excess funds, if any will be deployed to strengthen its marketing efforts.

WORKING CAPITAL

The present working capital available with the company is sufficient to absorb requirement of working capital on enhanced facilities. The details of present working capital are as follows:

(Rs. in Lacs)

Particulars	Holding Norms	Amount
Current Assets		
Raw Material	2.5 months	855.00
Receivables (a) Telecom	4 months	1800.00
(b) Call Centre	2.5 months	1119.02
Other Current Assets	—	1974.30
Total A		5748.32
Current Liabilities		
Creditors	4.3 months	1487.70
Advances	—	100.00
Other Current Liabilities	—	1397.25
Total B		2984.95
Working Capital Gap(A-B)		2763.37
Working Capital financed through operations		1963.37
Bank Finance		800.00

The above figures are based on estimated results as on 31/03/2004. The assessment of bank finance for working capital requirement as per the estimate of existing bankers envisages bank finance to the extent of Rs. 800.00 Lacs.

The Company has been sanctioned Working capital limits of Rs. 480.00 Lacs from Bank of India, Andheri Branch, Mumbai, and Rs.320.00 Lacs from State Bank of India, Mumbai Main Branch, the entire amount is in FCNR (B), (secured against Book Debts and stock), the loan outstanding as on 30/06/2004 is Rs.881.54 lacs. The Company has been sanctioned Non-fund based limit for Letter of Credit of Rs. 450 lacs from Bank of India and Rs.300 lacs from State Bank of India, and further, the Bank Guarantee limit of Rs.240 lacs from Bank of India and Rs.146 lacs from State Bank of India

MARKET

Shifting its focus from Pure Telecommunication solutions to IT Enabled Services, Spanco is emerging as one of the leading player in Call Centre Industry.

After the software services industry put India in the world map it is the turn of IT Enabled Services (ITES), which has taken the baton to keep Indian flag high and flying. The ITES was the silver lining in the dark clouds of the Indian IT marketplace during the turbulent year as it posted a growth of 73 percent, from a turnover of Rs. 4,100 Crore in 1999-2000, to nearly Rs. 7,100 Crore in 2001-2002.

The ITES sector currently employs around 107,000 personnel. According to a Nasscom-Mckinsey Study, the ITES segment will generate job opportunities for over 1.1 million Indians and a revenue potential of Rs. 81,000 crore (\$17billion).

According to NASSCOM estimates, the India ITES BPO industry is likely to grow by about 65 percent during 2002-2003. The total export revenues of the Indian IT enabled services industry are projected at Rs. 11,700 Crore up from Rs. 7100 Crore in 2001-02. The growth of the Indian ITES-BPO market has been facilitated by key business driver-cost, need to focus on core competencies, high attrition all of which match with India's strengths. India has maintained its global competitiveness offering the best combination of cost quality scalability versus competing offshore destinations such as the Philippines and China.

'Spanco' believe that world class infrastructure and facilities are a pre-requisite to offering qualitative solutions. Therefore the facility is designed for integrated internet and voice based support as per best international practices. The unique modular design of workspace and dedicated infrastructure enables us to provide specifically demarcated space for each of our clients as also for our key functions like Human Resources, Learning and development, Operations, Administration and Quality Control.

Started with its state-of art call centre in Mumbai, 'Spanco' has set up large network of call centres through out the country. At present the Company has its call centres located at Gurgaon, Pune, Bangalore and Kolkata. As of today employing nearly 1200 employees, 'Spanco' aims to increase the strength by manifold.

Shifting its focus from Pure Telecommunication Solutions to IT enabled Services, Spanco is emerging as one of the leading player in Call Centre Industry.

MARKETING STRATEGY

Spanco takes pride in its high-result marketing initiatives and strategies that have enabled the company to reach out and establish stable and profitable client relationships with companies based in the United States and the United Kingdom.

These client services, having been successfully delivered for a period of time, are now poised to scale-up in terms of value and volume and allow the company to achieve consistent and high value revenue streams.

The exponential growth in terms of operational capacity from an initial 90-seat operation to more than 700 seats over a short period of two years is the true reflector of the success of the strategic marketing efforts.

A few key initiatives that have been taken by Spanco are:

- Establishment of a Marketing Base and office in the United States
- Incorporation of a Subsidiary company (Global Respondez Inc.) in the US to provide the stability and ability to contract with a US entity.
- Senior Management Presence and Focus in the United States
- Deployment of 'Process Experts' and 'Segment Specialists' to enhance marketing efforts to niche sectors
- Strategic Focus on Leveraging Expertise developed on key Verticals
- Active Participation in high level Conferences and Conventions
- Strong, Process & Result oriented Marketing programs

A few key differentiators that enhance the service delivery capabilities of Spanco vis-à-vis other players in the call center / business process outsourcing space:

- i) Extensive Technology and Telecom experience
- ii) Financial Security and Stability to seed, nurture and develop a long term association
- iii) Ethos to work as a Business Partner rather than purely a service delivery vendor
- iv) Strong Process Driven Environment to ensure Qualitative and Consistent Delivery
- v) Speed in setting up additional infrastructure to support scale-up operations
- vi) On-shore Presence in the United States for marketing and process transition to the off-shore call center
- vii) Hiring of Expatriates within the delivery team, to incorporate a strong understanding of international business processes, practices and preferences
- viii) Experience of International Cultures and Business Practices

NAMES OF PRINCIPAL COMPETITORS

Some of the other BPO service providers include:

Telecom Integration Segment

- Global Telesystems Ltd
- Supreme Telecom
- TCIL

Domestic Call Center Segment (Sparsh)

- Godrej Lawkim
- DSS Mobile
- I 2 I
- Microwave Communication

International Call Center Segment (Respondez)

- Wipro Spectr mind
- WNS group
- Daksh e-services Pvt. Ltd.
- ExiService (I) Pvt. Ltd.
- HCL Technologies BPO Services Ltd.
- Convergys India Services Pvt. Ltd.
- DTL Ltd.
- MsourcE India Pvt. Ltd.
- Hinduja TMT Ltd.
- ICICI OneSource Ltd.
- Sutherland Technologies Pvt. Ltd.
- Zenta Technologies
- 24/7 Customer

SECTION VIII: BASIS OF ISSUE PRICE

BASIS FOR ISSUE PRICE

Quantitative Factors

(a) Earnings per Share (on Rs. 10/- per share)

Year	EPS (Rs)	Wts
2001-02	3.85	1
2002-03	3.26	2
2003-04	8.77	3
Weighted Average EPS	7.20	

(b) P/E Ratio

Based on EPS as on 31/03/2004	2.85
Based on weighted average EPS	3.47

(c) Return on Networth

Year	RONW (%)	Wts
2001-02	8.76	1
2002-03	10.02	2
2003-04	21.42	3
Weighted Average RONW	18.85	

(d) Minimum RONW required for maintaining preissue EPS (%) 27.79

(e) Net Asset Value (Rs.)

NAV (pre issue)	40.93
NAV (post Issue)	31.55

(f) Industry P/E Ratio

Highest	46.4
Lowest	1.5
Average	10.14

Source: Capital market- Aug, 16 – 29, 2004 Segment- Computer Software Converts

The present issue of equity shares at a premium of Rs. 15/- per share is at a P/E of 2.85 times and is well below the average industry P/E. The present Book Value of the shares as on 31/03/2004 is Rs. 40.93. The issue price of Rs. 25/- per share is at a discount of 38.92% to the Book Value of the shares. The issue price is also at a discount of 29.80% to the last traded price of the shares as on 17/09/2004, i.e., Rs.32.45. Taking these factors into consideration the issue price of Rs. 25/- per share is justified.

SECTION IX : LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATIONS, DEFAULTS, MATERIAL DEVELOPMENTS AND ADVERSE EVENTS

Against Spanco:

There are no overdues, defaults to the Financial Institutions/Banks, Re-schedulement of loans to Banks/Financial Institutions by the Company. There are no pending offences of non-payment of statutory dues by the promoters of the Company.

There are no cases of litigation pending against the Company or against any other Company whose outcome could have a materially adverse effect on the position of the Company. There are no pending litigation against the promoters/directors in their personal capacities and also involving violation of statutory regulations or criminal offences. There are no pending proceedings initiated for economic offences against the Directors, Promoters, Companies and firms promoted by the promoters.

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

There are no litigation outstanding against the promoters/Directors in their personal capacity. The Company, its promoters and other companies with which promoters are associated have neither been suspended by SEBI nor any disciplinary action has been taken by SEBI other than those mentioned above.

There is no prosecution launched by Income Tax Authorities and no liability compounded by the promoters/company/companies/ventures with which the promoters are associated is subsisting.

Against Promoters/Directors

Promoters/directors of the Spanco have received a show cause notice no. EAD/562/04 dated 15/07/2004 from SEBI under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. The said notice has been issued for non compliance with Regulation 3(4) of the SEBI (SAST) Regulations, 1997 in respect of the preferential allotment made to the Promoters/Directors by Spanco on 24/02/2000. Details of the promoters/directors to whom the said show cause notice has been issued are as follows:

Mr. Kapil Puri

Ms. Kavita Puri

Mr. Rajesh Chhabria

Mr. Kishore Saigal

Against Associate companies:

SEBI has issued a show cause notice no. IVD/ID3/PKB/JS/STSL/23502/03 dated 12/12/2003 against one of the associate companies of Spanco namely Neha Equisearch Private Limited under section 11B read with Section 11(4) of SEBI Act, 1992 read with Regulation 11 and 12 of SEBI (Prohibition of fraudulent and unfair trade practices relating to Securities Market) Regulations, 1995. The show cause notice has been given in terms of the investigation by SEBI in the trading in the shares of Spanco.

Neha Equisearch Pvt. Ltd. has received a show cause notice no. EAD/562/04 dated 15/07/2004 from SEBI under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. The said notice has been issued for non compliance with Regulation 3(4) of the SEBI (SAST) Regulations, 1997 in respect of the preferential allotment made to the company by Spanco on 24/02/2000.

TAX BENEFITS TO THE COMPANY AND ITS SHAREHOLDERS

The Company has been advised by M/s RSM & Co., Chartered Accountant and Statutory Auditor of the Company, vide their letter dated 17/09/2004 that under the current provisions of Income Tax Act 1962 and existing laws for the time being in force, the following benefits inter-alia will be applicable to the Company and the members:

We hereby report that the enclosed annexure states the possible tax benefits available to Spanco Telesystems and Solutions Limited and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws each investor is advised to consider in his / her own case the tax implications of an investment in the shares.

We neither express any opinion nor provide any assurance as to whether:

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

The contents of this annexure are based on information, explanation and representation obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

A. To the Company - Under the Income Tax Act, 1961

- Interest income accruing to the company on long-term finance (repayable after minimum 5 years) extended to enterprises engaged in the infrastructure business (including telecommunication services) and approved by the Central Government will be exempt from tax, subject to conditions prescribed by Section 10 (23G) of the Income Tax Act, 1961 (hereinafter referred to as "Act").
- Long-term capital gains accruing to the company from sale of shares of enterprises engaged in the infrastructure business (including telecommunication services) will be exempt from tax, subject to conditions prescribed by Section 10(23G) of the Act
- By virtue of Section 10 (34) of the Act, dividend income referred to in Section 115-O of the Act, are exempt from tax in the hands of the Company.
- By virtue of Section 10(35) of the Act, the following income shall be exempt in the hands of the company:-
 - a) income received in respect of the units of a Mutual Fund specified under Section 10 (23D); or

- b) income received in respect of units from the Administrator of the specified undertaking; or
- c) income received in respect of units from the specified company:

Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be. For this purpose –

- a) “Administrator” means the Administrator as referred to in clause (a) of Section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
 - b) “specified company” means a company as referred to in clause (h) of Section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
- By virtue of Section 10(38) of the Act, long term capital gains arising from the transfer of equity shares in a company or a unit of a equity oriented fund shall be exempt in the hands of the company provided that –
 - a) the sale transaction is entered into on or after the provisions for Securities Transaction Tax (‘STT’) come into force; and
 - b) such transaction is chargeable to STT.

FOR THIS PURPOSE ‘EQUITY ORIENTED FUND’ MEANS A FUND –

- a) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than 51% of the total proceeds of such fund; and
- b) which has been setup under a scheme of a Mutual Fund specified under section 10(23D).

Further, the percentage of the equity shareholding of such fund should be computed with reference to the annual average of the monthly averages of the opening and closing figures.

- The Company is entitled to claim deduction under Section 35AC in respect of amounts paid to a public sector company, local authority, or to an approved association or institution, for carrying out any eligible project or scheme.
- In accordance with and subject to the provisions of Section 35DDA, the company is entitled to deduction of expenditure incurred by way of payment to an employee at the time of his voluntary retirement in five equal annual installments beginning from the year in which the expenditure is incurred.
- Under Section 48 of the Act, if any shares are sold by the Company after being held for not less than twelve months, the gains (in cases not covered under Sections 10(36) and 10(38) of the Act) if any will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
- Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) arising on the transfer of shares by the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by -
 - ◆ National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
 - ◆ National Highway Authority of India constituted under Section 3 of the National Highway Authority of India Act, 1988;
 - ◆ Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
 - ◆ National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and
 - ◆ Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989;
- Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) on the transfer of listed securities or specified units, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –
 - a) the issue is made by a public company formed and registered in India;
 - b) the shares forming part of the issue are offered for subscription to the public.
- As per the provisions of Section 10A of the Act, the Company is eligible to claim a benefit with respect to profits derived by its undertaking/s from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking/s begin to manufacture or produce such articles or things or computer software. The eligible amount would be the proportion that the profits of the undertaking/s bear to the export turnover of the undertaking/s vis-à-vis the total turnover of the undertaking/s. However, for the Assessment Year 2003-2004, the tax holiday under Section 10A of the Act has been limited to 90 percent of the eligible profits instead of 100 percent of such profits. As a consequence, 10 percent of the eligible profits of the undertakings would be taxable at the normal corporate tax rate of 36.75 percent (including surcharge of 5 percent) for Assessment Year 2003-04.

The benefit is available subject to fulfillment of conditions prescribed by the Section and no benefit under this Section shall be allowed with respect to any such undertaking for the assessment year beginning on the 1st day of April, 2010 and subsequent years

- Deduction under Section 80HHE of the Act

As per the provisions of Section 80HHE, an Indian Company engaged in the business of:-

- ◆ export out of India of computer software or its transmission from India, to a place outside India by any means; or
- ◆ providing technical services outside India in connection with the development or production of computer software -

can claim a deduction under this Section. The eligible amount would be the proportion that the profits of the Company bear to the export turnover of the Company vis-à-vis the total turnover of the Company.

The deduction under this Section is gradually being phased out as under:

Relevant Years	Deduction as percentage of export profits
For the year ended March 31, 2001	80 percent
For the year ended March 31, 2002	70 percent
For the year ended March 31, 2003	50 percent
For the year ended March 31, 2004	30 percent

No deduction shall be allowed under this Section for the year ended March 31, 2005 and onwards.

The Company is not eligible to claim deduction under this Section if a benefit is claimed in respect of profit of an undertaking of the Company under Section 10A. Once a tax benefit under this Section is claimed, no further tax deduction is allowed to be claimed under any other provisions of the Act.

In the event, the Company becomes ineligible for claiming Section 10A benefits in respect of any of its undertakings due to noncompliance with the conditions of Section 10A, it could claim a deduction under Section 80HHE of the Act up to the financial year 2003-2004, provided the conditions specified in the said Section are fulfilled.

- As per the provisions of Section 111A, short term capital gains arising on transfer of equity shares in the company or units of an equity oriented fund i.e. the equity shares / units are held for a period of less than twelve months, such that the sale transaction is entered on or after the date on which the STT provisions come into force and such transaction is chargeable to securities transaction tax, then tax on such short term capital gains would be payable @ 10% (plus surcharge and education cess).
- Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) arising on transfer of shares in the Company, i.e. if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 [indexation not available if investments made in foreign currency as per the first proviso of Section 48] or at 10% (plus applicable surcharge and education cess) without indexation, at the option of the company.

B. To the Members of the Company - Under the Income Tax Act, 1961

B.1 Resident Members

- In terms of Section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein, are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.
- Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Act, will be exempt from tax to the extent of Rs.1500 per minor child.
- By virtue of Section 10(34) of the Act, dividend income referred to in Section 115-O of the Act, is exempt from tax in the hands of the shareholders.
- By virtue of Section 10(38) of the Act, long term capital gains arising from the transfer of equity shares in a company shall be exempt in the hands of the company provided that –
 - a) the sale transaction is entered into on or after the STT come into force; and
 - b) such transaction is chargeable to STT.
- Under Section 48 of the Act, if the company's shares are sold after being held for not less than twelve months, the gains (in cases not covered under Sections 10(36) and 10(38) of the Act) if any will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
- Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) arising on the transfer of shares by the Company, will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by -
 - ◆ National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
 - ◆ National Highway Authority of India constituted under Section 3 of the National Highway Authority of India Act, 1988;
 - ◆ Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
 - ◆ National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and
 - ◆ Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989;
- Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under Sections 10(36) and 10(38) of the Act) on the transfer of listed securities, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –
 - a) the issue is made by a public company formed and registered in India;
 - b) the shares forming part of the issue are offered for subscription to the public.
- Under Section 54F of the Act, long term capital gains (in cases not covered under Sections 10(36) and 10(38) of the Act), arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company, will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of

residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

- As per the provisions of Section 111A, short term capital gains arising on transfer of equity shares in the company which are held for a period of less than twelve months, such that the sale transaction is entered on or after the date on which the STT provisions come into force and such transaction is chargeable to securities transaction tax, then tax on such short term capital gains would be payable @ 10% (plus surcharge and education cess).
- Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Sections 10(36) and 10(38) of the Act), arising on transfer of shares in the Company, i.e. if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder.

B.2 Non-Resident Indians/Non Residents Members [Other than FIIs and Foreign venture capital investors]

- Under Section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs.1500 per minor child.
- By virtue of Section 10 (34) of the Act, dividend income referred to in Section 115-O of the Act, is exempt from tax in the hands of the shareholders.
- Under the first proviso to Section 48 of the Act, in case of a non-resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gain/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares.
- Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) arising on the transfer of shares by the Company, will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by -
 - ◆ National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
 - ◆ National Highway Authority of India constituted under Section 3 of the National Highway Authority of India Act, 1988;
 - ◆ Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
 - ◆ National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and
 - ◆ Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989;
- Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) on the transfer of listed securities, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –
 - a) the issue is made by a public company formed and registered in India;
 - b) the shares forming part of the issue are offered for subscription to the public.
- Under Section 54F of the Act long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) arising on transfer of shares in the Company, i.e. if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to Section 48 [indexation not available if investments made in foreign currency as per the first proviso of Section 48 stated above] or at 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder.
- As per the provisions of Section 111A, short term capital gains arising on transfer of equity shares in the company which are held for a period of less than twelve months, such that the sale transaction is entered on or after the date on which the STT provisions come into force and such transaction is chargeable to securities transaction tax, then tax on such short term capital gains would be payable @ 10% (plus surcharge and education cess).
- A non-resident Indian (i.e. an individual being a citizen of India or person of Indian origin) has an option to be governed by the provisions of Chapter XII-A of the Act viz. "Special Provisions Relating To Certain Incomes of Non-Residents".
 - ◆ Under Section 115E of the Act, where shares in the company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the nonresident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under Sections 10(36) and 10(38) of the Act) be concessionaly taxed at the flat rate of 10% (without indexation benefit but with protection against foreign exchange fluctuation) plus applicable surcharge and education cess.
 - ◆ Under provisions of Section 115F of the Act long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from Income tax, if the net consideration is invested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- ◆ Under provisions of Section 115G of the Act it shall not be necessary for a Non-Resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.
- ◆ Under provisions of Section 115H of the Act, if a non resident becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing officer, alongwith his return of income for that year under Section 139 of the Act to the effect that the provisions of Chapter XII A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- ◆ Under provisions of Section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under Section 139 of the Income Tax Act declaring therein that the provisions of the chapter shall not apply to him for that assessment year and if he does so, the provisions of this chapter shall not apply to him, instead the other provisions of the Act shall apply.

B.3 Foreign Institutional Investors [FIIs]

- By virtue of Section 10(34) of the Act, dividend income referred to in Section 115-O of the Act is exempt from tax in the hands of the shareholders of the Company.
- By virtue of Section 10(38) of the Act, long term capital gains arising from the transfer of equity shares in a company shall be exempt in the hands of the company provided that –
 - a) the sale transaction is entered into on or after the provisions for Securities Transaction Tax ('STT') come into force; and
 - b) such transaction is chargeable to STT.
- Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) arising on the transfer of shares by the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer, minimum for a period of 3 years in bonds issued by -
 - ◆ National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;
 - ◆ National Highway Authority of India constituted under Section 3 of the National Highway Authority of India Act, 1988;
 - ◆ Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
 - ◆ National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and
 - ◆ Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989;
- Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) on the transfer of listed securities, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian Company forming part of a eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –
 - (a) the issue is made by a public company formed and registered in India;
 - (b) the shares forming part of the issue are offered for subscription to the public.
- The income by way of short term capital gains or long term capital gains (not covered under Sections 10(36) and 10(38) of the Act) realized by FIIs on sale of shares in the company would be taxed at the following rates as per Section 115AD of the Act -
 - ◆ Short term capital gains – 30% (Plus applicable surcharge and education cess) (without cost indexation and protection against foreign exchange fluctuation)
 - ◆ Short term capital gains (referred to in Section 111A of the Act) – 10% (Plus applicable surcharge and education cess) (without cost indexation and protection against foreign exchange fluctuation)
 - ◆ Long term capital gains – 10% (Plus applicable surcharge and education cess) (without cost indexation and protection against foreign exchange fluctuation)

(Shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months.).

B.4 Venture Capital Companies/ Funds

- In terms of Section 10(23FB) of the Act all Venture capital companies/ funds/ undertaking registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from dividend.

C. Benefits to Members of the Company 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 Section 2(ea) of Wealth Tax Act, 1957; hence Wealth Tax Act will not be applicable.

D. Benefits available under the Gift-Tax Act

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

Notes

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2003 and will be available only to the sole/first named holder in case the shares are held by joint holders.
2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreements, if any.

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

STOCK MARKET DATA FOR SHARES OF THE COMPANY

The equity shares of the Company are listed on the Stock Exchange, Mumbai. The stock market data for the equity shares on the BSE as follows:

Particulars	High			Low			Average Price	Total Volume
	High (Rs.)	Date	Volume on date of high (no. of shares)	Low (Rs.)	Date	Volume on date of low (no. of shares)		
2001	51.40	25/01/01	5,321	18.50	15/10/01	3,600	28.69	30,03,833
2002	36.50	30/04/02	48,400	16.00	22/04/02	11,116	21.87	51,16,297
2003	45.25	24/12/03	18,130	12.00	22/03/03	3,945	24.42	1,04,39,310
Feb.2004	39.40	03/02/04	10,690	32.00	11/02/04	10,565	34.03	4,05,410
Mar. 2004	33.90	12/03/04	10,668	29.50	25/03/04	12,200	31.63	2,79,103
Apr. 2004	32.50	23/04/04	9,240	28.40	27/04/04	12,560	30.10	2,90,791
May. 2004	41.50	07/05/04	1,35,272	29.50	28/05/04	26,200	34.07	9,20,029
Jun. 2004	31.50	07/06/04	25,545	26.00	29/06/04	10,070	29.20	5,54,290
Aug. 2004	32.20	19/07/04	12,850	27.40	01/07/04	11,555	29.55	2,30,206

Week end price of equity Shares of Spanco on the Mumbai Stock Exchange

Week ended	Price (Rs)
27/08/2004	28.98
03/09/2004	29.58
10/09/2004	35.15
17/09/2004	32.45

PREVIOUS ISSUE DETAILS

The company has issued 30,00,000 equity shares on preferential allotment basis on 25/08/2001 at a price of Rs. 37/- per share. Besides this the company has not issued any equity shares during past 3 years.

PROMISE V/S PERFORMANCE

The company has not issued shares through public or rights issue for the past 3 years.

ISSUE OTHERWISE THAN FOR CASH

The company has not made any issue of equity shares for consideration otherwise than for cash.

COMPANIES UNDER THE SAME MANAGEMENT

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

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

Comparison of significant items of income and expenditure of Spanco for the past three years is as follows:

(Rs. in lacs)

Particular	Year ended		
	31-Mar-04	31-Mar-03	31-Mar-02
Total Income	6,195.43	4,754.51	3,646.17
Increase/(Decrease) in Inventories	29.76	291.74	112.37
Expenditure			
Cost of traded goods sold	2,642.11	3,580.95	2,912.56
Staff Costs	1,172.22	299.70	148.84
Depreciation	445.30	161.01	51.59
Administration, General and Selling Expenses	1,194.28	565.29	298.84
Interest	166.93	94.97	41.37
Total Expenditure	5,620.84	4,701.92	3,453.20
Net Profit Before Tax and Adjustments	604.35	344.33	305.34
Taxation	(24.08)	131.76	78.00
Net Profit Before Adjustments	628.43	212.57	227.34
Adjustments			
(Increase)/Decrease in Depreciation	3.88	(15.09)	(1.34)
(Increase) / Decrease in Amortisation of Misc. expenditure	—	0.61	(0.49)
(Increase) / Decrease in Amortisation of Goodwill	—	(5.00)	(5.00)
Total impact of adjustments	3.88	(19.48)	(6.83)
Net Profit, as Restated	632.31	193.09	220.51

2001-02

An increase in the total income by 72% and an increase in net profit by 73% to Rs.3646.17 lacs and Rs.227.34 lacs respectively. A valuable order for the technical implementation and operation of a call centre in Pune from BSNL against competitive bidding. Business partner agreement with Nortel Networks for providing end-to end call centre and enterprise solutions. Spanco's revenues increased by 72% in 2001-02. This was primarily because of increased performance/revenues from the networking solutions, from 15.12 crs to Rs. 31.51 crs. Income reduced from Rs. 5.08 crs to Rs. 2.42 crs.

Strategic alliances with Netro Inc., Divine and JRC. The commissioning of two US offices to support the local installations of India-located call centres. The augmentation of the Bangalore office in terms of infrastructure and manpower to tap the call centre opportunities from the region and an office in Delhi to cater to India's growing Defence requirements, beside others.

The company entered the ITES segments within the information technology sector through a 98% subsidiary, Global Respondez Service Limited.

2002-03

During the year 2002-03 the company organized its business into three segments namely Telecom, International Call Centre and Domestic Call Centre. The income from telecom segment increased from Rs. 3637 Lacs to Rs. 4529 Lacs whereas there was an additional revenue from the call centre business amounting to Rs. 206 Lacs. At the same time the company diluted its stake in GRSL and as a result the company ceased to be a subsidiary of Spanco. The company floated a wholly owned subsidiary in America namely, Global Respondez Inc. USA for marketing of its services.

2003-04

There was a significant improvement in the performance of the domestic and international call centre. The domestic call centre achieved a revenue of Rs. 903.75 Lacs as compared to Rs. 138.89 Lacs in the previous year. The international call centre revenue grew to Rs. 1544.38 Lacs as compared to Rs. 67.51 Lacs in the previous year. The revenues from the telecom business was Rs. 3675.91 Lacs as compared to Rs. 4529.67 Lacs in the previous year.

- **Unusual or infrequent events or transactions**

There have been no unusual or infrequent events or transactions.

- **Significant economic changes**

Telecom: Liberalisation in the field of Telecom has seen new carriers coming up and rolling out services to end customers. This has resulted in improved Network infrastructure and hence increased demand for end equipment. Hence the market is on upswing.

Call Centre Business: Outsourcing is an established fact now in the domestic as well as international market. More and more companies want to leverage their core strengths and outsource customer interaction arrangement. India is now accepted as a major outsourcing destination on account of the high quality of its workforce having a good command over English language and lower costs.

- **Known trends or uncertainties**

Telecom: Government spending is on the rise on account of budget allocations for IT modernisation. However the activities are concentrated in the last six months of the financial year.

Call Centre Business: 31 US states have introduced legislation to prevent, ban or control outsourcing. This may adversely affect the international call centre business. However this does not imply slow down in the business as such and is perceived as a temporary effect on account of ensuing elections in the US and moreover this ban is mainly for the federal outsourcing activities which constitute less than 10% of India business.

Outsourcing is an established fact now in the domestic market with revenues to the extent of US \$ 2350mn being generated during the year 2002-03. The sector is expected to experience a rapid growth.

- **Future relationship between costs and revenues**

Outsourcing is mainly seen from the point of view of savings in the total process cost. The firms engaged in call centre activities find it difficult to sustain the above average salaries which make up close to 40% of the total cost. As per the industry estimates margins have dropped by 6-8% in the past one year. Increasing competition and high attrition rate have resulted in high employee retention costs which seem to be the trend in the industry in the near term.

- **Total turnover of the industry**

In 2002 the global Business Process Outsourcing (ITES-BPO) market was approximately US\$ 773 billion. By 2006 the potential ITES-BPO market may increase to US\$ 1 trillion.

In 2003-04, according to the National Association of Software and Services Companies (NASSCOM) estimates, the Indian ITES-BPO industry is likely to grow by about 54% to reach US\$ 3.6 billion. In 2002-2003, the Indian ITES-BPO industry grew by 59.1% to US\$ 2.3 billion. India has maintained its global competitiveness by providing a winning combination of cost quality- scalability versus competing offshore destinations such as the Philippines and China.

- **New Products**

Telecom: Introducing new products in LAN switching markets, by virtue of focussed strategy of existing Principals. Also Forging new alliances with Multinationals having leading products in Video Surveillance, Security etc

- **Seasonality of business**

Telecom: There is seasonality in business as most of the Government purchases are concentrated in last 6 months of the financial year. However the same is being tackled by virtue of diversified customer base as well as structured market penetration

Call Centre Business: Call centre business is not seasonal in nature.

- **Dependence on single or few suppliers/customers**

Telecom: It is not possible to tie up with multiple suppliers of the same product range and operate in the same Market. However it is mutually beneficial for the Principal supplier as well Partner to stick to each other on account of high level of investments from both the sides. There are various checks and sums in the agreement to ensure fair relationship terms.

Call Centre Business: The Company does not rely on a single or few customers for its call centre business. Out of the total revenues of 903.75 lacs earned by the domestic call center segment as on 31/03/2004 around Rs. 75.20 lacs (83.21%) have been earned through services rendered to top 5 clients. The present issue of equity shares is being made to fund the proposed expansion in domestic & international call center capacity. However, this segment has contributed to 39.95% of the total revenues earned during the year 2003-04 and the balance to 60.02% of the revenues is derived from Telecom System Integration Segment.

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

- **Competitive Conditions**

Telecom: The telecom business is not subject to stiff competition on account of regular big size players in the Market.

Call Centre Business: There are too many small sized players in the domestic call centre business. In absence of focused players of reasonable size it is easier for serious players to carve out a niche. On the international front the industry faces stiff competition not only from various players in the Indian Market but also from other countries like Philipines, Malaysia etc.

- **Material developments after the date of the last balance sheet**

There are no material developments after the date of last audited balance sheet which will have any adverse impact on the company.

- **Adverse events**

There are no adverse events affecting the operations of the Company occurring within one year prior to the date of filing of the offer document with the Stock Exchange.

Note to Management Discussion & Analysis

1) Abnormal increase in income since 2001

The income of the company has increased from Rs.2,120.51 lacs in 2001 to Rs.6,195.43 lacs in 2004. the rise in income has been gradual and steady. In the year 2001 where company operated only in Telecom segment, upto 2004, it added domestic & international call centre as its income generating segments. These two segments have contributed to the rise in income over the years so as the rise in business in telecom segment.

2) Abnormal increase in other income since last 2 years

Company's other income has been Rs. 8.77 lacs in 2002, Rs.18.43 lacs in 2003 and Rs.71.40 in 2004. The components of other income for years 2002 and 2003 are interest on deposits and other miscellaneous income. For the year 2004, other income consists of Interest on deposits and other miscellaneous income to the tune of Rs.12.34 lacs and foreign exchange fluctuation gain amounting to Rs.59.06 lacs. Thus the increase in other income from Rs.18.43 lacs in 2003 to Rs.71.40 lacs in 2004 is mainly on account of foreign exchange fluctuation gain.

3) Cost of traded goods

Cost of traded goods sold means the expenses of purchases and direct expenses incurred in purchasing like freight and forwarding charges, custom duty, octroi etc.

4) Increase in Administrative expenses

The administrative expenses are increased from Rs.565.29 lacs in 2003 to Rs.1,194.28 lacs in 2004, an increase of Rs.628.99 lacs. The major heads of expenses that contributed to this increase are as under:

Sr. No.	Head of Expenses	2004	2003	Increase
1	Electricity Expenses	96.51	18.64	77.87
2	Vehicle Hiring charges	79.54	—	79.54
3	Repairs & Maintenance	39.83	6.72	33.11
4	Audit fees	9.72	0.35	9.37
5	Rent, Rates & taxes	127.19	60.10	67.09
6	Professional fees	85.59	52.46	33.13
7	Telephone expenses	63.31	39.62	23.69
8	Website Development charges	7.67	—	7.67
9	Late delivery charges	20.30	10.29	10.01
10	Printing charges	23.98	14.39	9.59
11	Registration charges	12.66	0.91	11.75
12	Lease line charges	208.12	13.27	194.85
13	Liquidated damages	66.64	—	66.64

5) Sundry Debtors

The amount of receivables from debtors have decreased from Rs.1,729.36 lacs as at 31/03/2003 to Rs.1,406.32 lacs as at 31/03/2004.

6) Increase in Secured Loans

The increase in secured loans from Rs.1,382.10 lacs as at 31/03/2003 to Rs.2,072.26 lacs at 31/03/2004 is mainly on account of increase in rupee loans and increase in working capital loans.

7) Increase in Unsecured Loans & Current Liabilities

There is increase in unsecured loans to the extent of Rs. 227.39 lacs due to funds brought in by Promoters/Associates. Current liabilities have increased from Rs.823.62 lacs as at 31/03/2003 to Rs.1,192.60 lacs as at 31/03/2004 i.e. an increase of Rs.368.98 lacs. The major components of this increase are:

Sr. No.	Account Head	2004	2003	Increase
1	Sundry creditors	919.51	768.92	150.59
2	Expenses payable	26.78	11.29	15.49
3	Salary payable	118.01	33.55	84.46
4	Sales Tax payable	14.68	0.59	14.09
5	TDS payable	47.42	3.15	44.27
6	ESIC payable	2.13	—	2.13
7	Profession Tax payable	10.08	0.41	9.67
8	Provident fund payable	4.50	—	4.50
	Total			325.20

DIRECTORS' STATEMENT

In the opinion of the Directors, there have not arisen since the date of the last financial statements disclosed in the offer document, any circumstances that materially and adversely affect or is likely to affect the trading or profitability of the Company, or the value of its assets, or its ability to pay liabilities within the next 12 months.

STATEMENT OF ASSETS AND LIABILITIES AFTER DEDUCTING REVALUATION RESERVE AND NET WORTH ARRIVED AT AFTER SUCH DEDUCTION AS PER CLARIFICATION XIII.

As the Company has not revalued its fixed assets since incorporation, the networth will be the same as mentioned in the Financial Highlights.

WORKING RESULTS

Information relating to the company sales, gross profit etc., as required by the Ministry of Finance Circular No.F2/5/SE/76 dated February 5, 1977 read with the amendments of even No. dated March 8, 1977 is as under :

1. The working results of the company for the period from 01/04/2004 to 31/08/2004 are given hereunder:

Particulars	(Rs. in lacs) Amount
Net Sales / Income from operations	2794.89
Other Income	3.24
Less Purchase	867.18
Gross Profit	1930.95
Expenditure	1456.83
Depreciation	181.48
Provision for taxation	41.71
Net Profit	250.93
Paid-up Equity Share Capital	698.50

2. Week end price of equity Shares of Spanco on the Mumbai Stock Exchange

Week ended	Price (Rs)
27/08/2004	28.98
03/09/2004	29.58
10/09/2004	35.15
17/09/2004	32.45

3. The no delivery period for the equity shares of Spanco on BSE commenced on 9/09/2004 and ended on 15/09/2004. The Book Closure commenced on 16/09/2004 and ended on 21/09/2004. The share prices of Spanco on relevant dates is as follows:

Price as on	Price (Rs)
31/01/2004 (Date of EGM)	Not Traded
30/03/2004 (date of Board Meeting authorizing composite issue)	27.50
08/09/2004 (cum- rights)	32.85
09/09/2004 (Ex- rights)	35.75
17/09/2004 (Board Meeting for approving offer document)	32.45

4. There are no material changes, after the date of filing of this offer document with SEBI, that are effecting the financial position of the company.

SECTION X. FINANCIAL INFORMATION

AUDITORS REPORT

The Board of Directors
Spanco Telesystems & Solutions Limited
B-22, Krishna Bhuvan,
B.S. Deoshi Marg, Deonar,
Mumbai – 400088.

Dear Sirs,

Re: Rights cum Public Issue of Spanco Telesystems and Solutions Limited

Dear Sirs,

We have examined the financial information of Spanco Telesystems and Solutions Limited ("the Company"), as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors of the Company, which has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 as amended vide circular No.11 on August 14, 2003 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with your instructions dated December 12, 2003 received from the Company requesting us to carry out work in connection with the Offer Document being issued by the Company in connection with its Rights cum Public Issue of Equity Shares in the Company (referred to as 'the Issue').

We have examined the accounts of the Company for the five financial years ended March 31, 2004 being the last date to which the accounts of the Company have been made up and audited by us for presentation to the members of the Company. We have also examined the accounts of the Company for the three months ended June 30, 2004 prepared and approved by the Board of Directors of the Company and audited by us for the purpose of disclosure in the Offer Document. The accounts of the Company for the financial years ended March 31, 2000, 2001, 2002, and 2003 have been audited by M/s. Dhirajlal Desai & Co., Chartered Accountants, Mumbai, and accepted by us.

We have accepted the relevant accounts in respect of Global Respondez Inc., U.S.A. ('Global USA'), a subsidiary of the Company for the two consecutive financial period/years ended March 31, 2004 and three months ended June 30, 2004 being the last date to which the accounts of Global USA have been prepared and approved by its Board of Directors/Members, audited and reported by M/s. Rasik A. Mittal & Co., Chartered Accountants, Mumbai, the auditors of Global USA.

We have accepted the relevant accounts in respect of Spanco (S) Pte. Limited, Singapore ('Spanco Singapore'), a subsidiary of the Company for the financial period/year ended March 31, 2004 and three months ended June 30, 2004 being the last date to which the accounts of Spanco Singapore have been prepared and approved by its Board of Directors/Members, audited and reported by H.S. Lim & Co, Certified Public Accountants, Singapore, the auditors of Spanco Singapore.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Act, the SEBI Guidelines and our terms of reference with the Company dated December 12, 2003, requesting us to make this report for the purpose of the Offering Document as aforesaid, we report that:

- (a) The restated profits of the Company for the financial years ended March 31, 2000, 2001, 2002, 2003, 2004 and three months ended June 30, 2004 are as set out in Annexure 1 to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the notes appearing in Annexure 3 to this report.
- (b) The restated assets and liabilities of the Company as at March 31, 2000, 2001, 2002, 2003, 2004 and June 30, 2004 are as set out in Annexure 2 to this report after making such adjustments and regrouping as in our opinion are appropriate and more fully described in the notes appearing in Annexure 3 to this report.
- (c) The Company has not paid any dividends on equity shares in respect of the financial years ended March 31, 2000, 2001, 2002, 2003 and 2004.
- (d) We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer Document:
 - i. Details of loans as appearing in Annexure 4 to this report.
 - ii. Accounting ratios as appearing in Annexure 5 to this report.
 - iii. Capitalization statement as at June 30, 2004 as appearing in Annexure 6 to this report.
 - iv. Statement of tax shelters as appearing in Annexure 7 to this report.
 - v. Statement of sources and application of funds on the proposed call center expansion project till August 31, 2004 as appearing in Annexure 8 to this report
 - vi. Statement of Tax Benefits enclosed as Annexure 9 to this report

In respect of financial information contained in this report, we have relied upon the audited financial statements for the year ended March 31, 2000, 2001, 2002, and 2003, which were audited by M/s. Dhirajlal Desai & Co., Chartered Accountants, Mumbai.

In our opinion the above financial information of the Company read with significant accounting policies attached to Annexure 3 to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

- (e) In accordance with para 6.18.3 of the SEBI Guidelines, also attached are restated summary financial statements of Company's subsidiaries in Annexures 10 and 11 to this report. The summary financial statements of the Company's subsidiaries have not been consolidated into the Company's financial statements.

In case of the subsidiaries whose beneficial ownership entirely vests with the Company, the assets and liabilities and profit or loss as applicable, of such subsidiaries in the aforementioned financial statements entirely concern the members of the Company.

We have accepted the relevant restated summary financial statements read with significant accounting policies in respect of Global Inc. USA, for the two consecutive financial years ended March 31, 2004 and three months ended June 30, 2004, which have been reported upon by the auditors as mentioned therein.

We have accepted the relevant restated summary financial statements read with significant accounting policies in respect of Spanco Singapore, a subsidiary of the Company for the financial year ended March 31, 2004 and three months ended June 30, 2004, which have been reported upon by other auditors as mentioned therein.

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

For RSM & Co.
Chartered Accountants

Sd/
Vijay N. Bhatt
Partner

M No. F-36647

Place : Mumbai
Date : September 17, 2004

ANNEXURE 1
STATEMENT OF PROFITS AND LOSSES (As Restated)

(Rs. In lacs)

Particulars	Period ended 30/06/04	Year ended				
		31/03/04	31/03/03	31/03/02	31/03/01	31/03/00
Income						
Sales and Service Income	1,655.23	6,124.03	4,736.08	3,637.40	2,117.44	523.55
Other Income	0.84	71.40	18.43	8.77	3.07	1.05
Total Income	1,656.07	6,195.43	4,754.51	3,646.17	2,120.51	524.60
Increase/(Decrease) in Inventories	45.01	29.76	291.74	112.37	186.53	7.30
Expenditure						
Cost of traded goods sold	564.63	2,642.11	3,580.95	2,912.56	1,876.19	408.82
Staff Costs	462.83	1,172.22	299.70	148.84	72.70	13.08
Depreciation	109.77	445.30	161.01	51.59	7.02	—
Administration, General and Selling Expenses	352.50	1,194.28	565.29	298.84	171.58	38.71
Interest	54.13	166.93	94.97	41.37	6.90	—
Total Expenditure	1,543.86	5,620.84	4,701.92	3,453.20	2,134.39	460.61
Net Profit Before Tax and Adjustments	157.22	604.35	344.33	305.34	172.65	71.29
Taxation including deferred tax	26.71	(24.08)	131.76	78.00	49.19	11.19
Net Profit Before Adjustments	130.51	628.43	212.57	227.34	123.46	60.10
Adjustments						
(Increase) / Decrease in Depreciation (Refer Note 2a)	0.81	3.88	(15.09)	(1.34)	—	—
(Increase) / Decrease in Amortisation of Misc.expenditure (Refer Note 2c)	—	—	0.61	(0.49)	(4.40)	(1.19)
(Increase) / Decrease in Amortisation of Goodwill (Refer Note 2c)	—	—	(5.00)	(5.00)	(5.00)	(3.33)
Total impact of adjustments	0.81	3.88	(19.48)	(6.83)	(9.40)	(4.52)
Net Profit, as Restated	131.32	632.31	193.09	220.51	114.06	55.58
Profit and Loss account, beginning of the period	1,224.73	592.42	399.33	134.91	64.76	9.18
Profits available for appropriation, as restated	1,356.05	1,224.73	592.42	355.42	178.82	64.76
Appropriations						
Proposed Dividend including Dividend Tax	—	—	—	(43.91)	43.91	—
Profits available for appropriation, as restated	1,356.05	1,224.73	592.42	399.33	134.91	64.76

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ANNEXURE 2

STATEMENT OF ASSETS AND LIABILITIES (As Restated) as at

(Rs. In lacs)

Particulars	Period ended 30/06/04	Year ended				
		31/03/04	31/03/03	31/03/02	31/03/01	31/03/00
A. Fixed Assets :						
Gross Block	2,619.43	2,588.69	1,901.39	787.28	218.14	50.35
Less Accumulated Depreciation	801.15	695.62	254.38	73.28	15.36	3.34
Balance	1818.29	1893.07	1647.01	714.00	202.78	47.01
Capital Work-in-Progress	682.95	172.22	12.67	—	—	—
Net Block	2501.24	2065.29	1659.68	714.00	202.78	47.01
Less : Revaluation Reserve	—	—	—	—	—	—
Net Block after adjustment for Revaluation Reserve	2,501.24	2,065.29	1,659.68	714.00	202.78	47.01
B. Investments :	164.71	164.71	161.40	225.00	—	—
C. Current Assets, Loans and Advances :						
Inventories	672.71	627.70	597.94	306.21	193.84	7.30
Sundry Debtors	1,792.80	1,406.32	1,729.36	1,371.71	625.53	485.72
Cash and Bank Balances	285.31	178.88	459.10	230.99	88.17	32.62
Loans and Advances	2,534.00	2,226.36	162.52	244.61	64.12	51.56
Other Current Assets	—	—	—	—	—	—
D. Liabilities and Provisions :						
Secured Loans	2,211.49	2,072.26	1,382.10	401.21	212.21	—
Unsecured Loans	473.82	427.39	200.00	—	—	—
Deferred Tax Liability	14.17	9.28	92.43	17.45	—	—
Current Liabilities	2,127.91	1,192.60	823.62	526.78	206.20	32.63
Provisions	146.01	121.68	56.78	125.11	108.48	15.36
E. Networth	2,977.37	2,846.05	2,215.07	2,021.97	647.55	576.22
F. Represented by						
1. Share Capital	698.50	698.50	698.50	698.50	398.50	398.50
2. Reserves	2,278.87	2,147.55	1,516.57	1,323.47	249.05	177.72
Less Revaluation Reserve	—	—	—	—	—	—
Reserves (Net of Revaluation Reserve)	2,278.87	2,147.55	1,516.57	1,323.47	249.05	177.72
Less Miscellaneous Expenditure	—	—	—	—	—	—
Networth	2,977.37	2,846.05	2,215.07	2,021.97	647.55	576.22

ANNEXURE - 3

NOTES TO ACCOUNT

NOTES TO THE STATEMENT OF PROFITS AND LOSSES AND ASSETS AND LIABILITIES AS RESTATED.

1. Significant Accounting Policies

a. Basis of Accounting

The financial statements are prepared under the historical cost convention, on accrual basis of accounting and in conformity with the accounting principles generally accepted in India. The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

b. Fixed Assets

Fixed assets are stated at their original cost of acquisition/installation less accumulated depreciation. Adjustments arising from exchange rate variations relating to borrowings attributable to fixed assets are also capitalised. Subsequent

expenditure, which substantially enhances the previously assessed standard of performance of the assets, is added to the carrying value. Costs also include all identifiable expenditure incurred to bring the assets to its present condition and location. Fixed assets held for disposal are stated at lower of carrying value or their estimated net realisable value. Fixed assets held for disposal are stated at lower of carrying value or their net realizable value.

c. Depreciation

Depreciation is provided on fixed assets [other than leasehold assets and assets acquired on deferred payment credits/finance lease] on Written Down Value Method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956. Subsequent adjustments on account of exchange rate variations are depreciated over the remaining economic useful life of the relevant asset. Assets at leasehold premises are amortized over the un-expired period of leasehold premises on a straight-line basis.

Assets acquired on deferred payment credit/finance lease are depreciated on a Written Down Value Method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956 unless there is no reasonable certainty that the ownership of the asset would be obtained at the end of the agreement term.

d. Inventories

Inventories ascertained on FIFO basis are valued at lower of cost or net realisable value.

e. Accounting of Income

i. Revenue from services rendered is recognised as the service is performed.

ii. Sales are recognised when goods are supplied and are recorded net of rebates and inclusive of Sales Tax & Duties.

f. Foreign Currency Transactions

i. Transactions in foreign currency are recorded at the rates prevailing on the date of the transaction.

ii. Monetary foreign currency assets and liabilities outstanding as at the year-end are restated at the exchange rates prevailing as at the close of the financial year or forward cover exchange rate as applicable.

iii. Exchange difference arising due to repayment and translation of long-term loans relating to acquisition of fixed assets are treated as adjustments to the carrying cost of such fixed assets. Exchange differences arising on forward exchange contracts are recognised over the period of the contract and are classified as part of the underlying transaction in the profit and loss account. All other exchange differences are accounted for in the profit and loss account.

g. Retirement Benefits

i. Company's contribution to defined scheme such as Provident Funds are charged to the Profit and Loss Account on accrual basis

ii. Gratuity liability is funded through group gratuity insurance scheme. The premium liability is determined and charged to profit and loss account.

h. Leases [including assets acquired under deferred payment credits]

Assets acquired under the finance leases on or after April 1, 2001 are capitalized at fair value of the leased asset at the inception of lease and included within fixed assets. Such assets are depreciated as per the depreciation policy for such assets stated in Note No. 1(c) above. Liabilities under finance leases less interest not yet charged are included under Deferred Payment Credits in the financial statements. Finance charges are debited to the profit and loss account over the term of the contract so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Rentals for assets acquired under operating leases [entered into on or after April 1, 2001] are charged to the statement of profit and loss on a straight-line basis over the term of lease.

i. Taxation

Provision for tax is made for both current and deferred taxes. Provision for current income tax is measured based on the amount expected to be paid to the taxation authorities using the applicable tax rates and tax laws.

The Company uses the asset and liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, as measured by the enacted/substantially enacted tax rates which will be in effect when those temporary differences are expected to be recovered or settled. Deferred tax expense/income is the result of changes in the net deferred tax assets and liabilities.

The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance of any tax benefits of which future realizations are uncertain.

j. Miscellaneous Expenditure.

Deferred revenue expenses are amortized over a period of ten years.

2. Changes in accounting policies

a) *Depreciation*

Until the year ended March 31, 2003, the Company depreciated certain softwares, which were capitalised as fixed assets based on the written down value ("WDV") method of depreciation, at the rates prescribed under schedule XIV to the Companies Act, 1956, applicable to Plant and machinery.

Effective April 1, 2003, the Company revised the estimates of useful lives of these softwares since the management believed that these revised useful lives reflect more appropriately, the period of economic benefit to be derived from the use of assets and would hence result in a more appropriate preparation of the financial statements. This also resulted in a change in the method of providing depreciation from the WDV method to straight-line method ("SLM").

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

Accordingly, depreciation on these softwares has been recomputed based on the straight-line method for the years ended March 31, 2002 and March 31, 2003.

b) *Deferred taxes*

The Company had, during the year ended March 31, 2002 changed its accounting policy for taxes on income to comply with the provisions of the Accounting Standard – 22 on “Accounting for Taxes on Income” (AS – 22) issued by the Institute of Chartered Accountants of India (ICAI), which was mandatory in respect of accounting periods commencing on or after April 1, 2001.

As the net deferred tax liability / asset that accumulated prior to the adoption of this standard as at April 1, 2001 was not material, no adjustment is made on this account to general reserves, in the financial statements for the year ended March 31, 2002 in accordance with the transitional provisions of AS – 22. Accordingly, no adjustment has been made on this account for the years ended March 31, 1999, March 31, 2000 and March 31, 2001.

c) *Intangible assets*

Until the year ended March 31, 2003, the Company did not amortise “Goodwill”, which was capitalised as fixed assets. In terms of the provisions of the Accounting Standard 26 on “Intangible Assets”, which has become mandatory for the accounting period commencing on or after April 1, 2003, the Company has restated the carrying amount of Goodwill as at April 1, 2003 of Rs.50 lacs to Rs.31.67 lacs, and the resultant difference of Rs.18.33 lacs has been adjusted against the opening balance of the general reserve as at April 1, 2003 in accordance with the transitional provisions of the accounting standard.

Accordingly, amortisation of Goodwill have been adjusted in line with the above mentioned policy for the years ended March 31, 2000, March 31, 2001, March 31, 2002 and March 31, 2003.

Further in terms of the said accounting standard, the carrying amount of deferred revenue expenditure as at April 1, 2003 of Rs.4.28 lacs has been adjusted against the opening balance of profit and loss accounts as at April 1, 2003, in accordance with the transitional provisions of the accounting standard. Effective April 1, 2003, the Company has changed its accounting policy to expense such expenditure, [which were hitherto treated as deferred revenue expenditure] as incurred.

Accordingly, deferred revenue expenditure has been adjusted in line with the above-mentioned policy for the years ended March 31, 1999, March 31, 2000, March 31, 2001, March 31, 2002 & March 31, 2003.

3. Contingent Liabilities

(Amt. in Lacs)

Sr. No.	Particulars	30-06-04	31-03-04	31-03-03	31-03-02	31-03-01	31-03-00
1	Letters of Credit issued by Bankers	180.70	416.09	422.39	550.44	226.22	Nil
2	Counter guarantees given to bankers against guarantees issued by them	289.25	143.99	265.71	121.85	130.68	Nil

4. The Company has received unsecured loans of Rs. 311.05 lacs from the Directors of the Company under stipulation imposed by the bankers for raising the bank limits of the Company.

5. Particulars of security provided against secured loans:

- a. Term loans from bank(s) is/are secured by first mortgage/equitable mortgage and charges on all immovable properties, first charge by way of hypothecation of all movable properties (except book debts) including movable plant and machinery, second charge on current assets of the company and also by way of personally guaranteed and pledge of shares by the Directors of the Company.
- b. Working capital facilities from bank(s) is/are secured by hypothecation of stock, entire book debts, receivable and other current assets of the company both present and future ranking pari passu with all banks. The facility(ies) is/are further secured by second charge on the fixed assets of the Company ranking pari passu with all banks and personally guaranteed by Directors of the Company.
- c. Other loans from finance companies are secured by hypothecation and exclusive charge on specific asset acquired out of such loan.
- d. Deferred payment credits are secured by way of assets acquired under hire purchase agreements.

6. Segment information:

- a. The Company's risks and returns are predominantly affected by its operations in different business areas. The Company's internal organisational and management structure and its system of financial reporting are also organised into different operating divisions. These divisions are the basis on which the Company is reporting its primary segment information. The dominant source of such risks and returns are categorised into three distinct business segments viz. Telecom, International Call Center and Domestic Call Center. The Composition of these segments are given below:

Business segments	Type of products and services
Telecom	Range of solutions in the telecom system integration domain
International Call Center	Back Office Operations for International Clients
Domestic Call Center	Back Office Operations for Domestic Clients

i) Primary segment information (As on 30/06/2004)

(Amount in Lacs)

Particulars	Domestic Call Center	Telecom	International Call Center	Total
REVENUE				
External Sales	446.35	844.07	364.81	1655.23
Total Revenue	446.35	844.07	364.81	1655.23
RESULT				
Segment Result	59.37	175.90	95.41	330.68
Unallocated corporate expenses				137.82
Operating profit				192.86
Interest expense				36.48
Other income				0.84
Income taxes				21.82
Deferred Tax				4.89
Net profit after tax but before extraordinary and prior period items				130.51
Net profit for the year				130.51
OTHER INFORMATION				
Segment assets	1326.29	1812.07	2657.11	5795.47
Unallocated corporate assets				2002.54
Total assets				7798.01
Segment liabilities	134.96	1118.72	515.91	1769.60
Unallocated corporate liabilities				1146.23
Total liabilities				2915.83
Closing W.D.V. of Segment Fixed Assets	661.19	70.30	1666.37	2397.86
Unallocated Corporate Fixed Assets				115.32
Total fixed assets				2513.18

ii) Secondary Segment information

The company's operating divisions are managed from India. The principal geographical area in which the company operates based on location of customers are India and Others

Particulars	India	USA	Others	Total
Revenue by geographical market	1290.42	340.55	24.26	1655.23
Carrying amount of segment assets	7175.70	587.15	35.16	7798.01
Capital expenditure	547.72	Nil	Nil	547.72

b. Notes to segment information

i. **Assets and additions to fixed assets**

All the assets and additions to fixed assets of the Company except for certain debtors and creditors are located in India.

ii. **Segment revenue and expenses**

Joint revenues and expenses are allocated to the business segments on a reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

iii. **Segment assets and liabilities**

Segment assets include all operating assets used by a segment comprising of fixed assets, debtors, inventories and loans and advances. While most assets can be directly attributable to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising of creditors and other liabilities.

iv. **Figures in bracket indicate previous year numbers.**

7. Related party disclosures under Accounting Standard 18 issued by the Institute of Chartered Accountants of India.

a. The following are the names of related parties and description of relationship:

1. Key management personnel: Mr. Kapil Puri (Chairman) and Mr. Rajesh Chhabria (Managing Director).
2. Subsidiary: Global Respondez Inc., U.S.A. Spanco (S) Pte. Ltd., Singapore.
3. Associate: Global Respondez Services Limited.

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- b. The following are the volume of transactions with related parties during the year and outstanding balances as at the year end disclosed in aggregate by type of related party:

(Rupees in Lacs)

Particulars	Key Management Personnel			Subsidiary			Associate		
	30-June-04	31-Mar-04	31-Mar-03	30-June-04	31-Mar-04	31-Mar-03	30-June-04	31-Mar-04	31-Mar-03
Remuneration	3.72	14.68	40.44	Nil	Nil	Nil	Nil	Nil	Nil
Loans Received	311.05	311.05	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Investment in Equity Shares	Nil	Nil	Nil	3.31	3.31	Nil	161.40	161.40	161.40
Sales	Nil	Nil	Nil	126.96	367.63	5.06	41.93	84.32	148.02
Purchases	Nil	Nil	Nil	108.76	196.66	Nil	Nil	Nil	304.00
Loans & Advances	Nil	Nil	Nil	19.71	26.26	13.93	32.22	Nil	Nil
Sundry Debtors	Nil	Nil	Nil	234.72	109.14	5.06	94.01	73.77	9.10
Lease Line Charges	Nil	Nil	Nil	Nil	Nil	Nil	23.78	111.32	Nil
Purchase of fixed assets	Nil	Nil	Nil	Nil	Nil	Nil	Nil	187.00	Nil
Sundry Creditors	Nil	Nil	Nil	164.76	Nil	Nil	Nil	Nil	Nil

8. Particulars of assets acquired/given under lease:

Finance leases – assets acquired under deferred payment credit [on or after April 1, 2001]

(Rs. in lacs)

Particulars	For the period ended 30.6.2004	For the year ended 31.3.2004	For the year ended 31.3.2003
Minimum lease payments	63.20	53.96	49.50
Less: Unamortised finance charges	5.35	5.21	5.15
Present value	57.85	48.75	44.35
Total of future minimum lease payments payable by the Company			
- Not later than 1 year	31.08	28.01	28.95
- Later than 1 year but not later than 5 years	26.77	20.74	15.40
- Later than 5 years	Nil	Nil	Nil
Total of future minimum lease payments under operating lease	57.85	48.75	44.35

Notes:

The following is the general description of significant clause of above finance leasing arrangement by the Company:

- During the period of lease the Company cannot create without prior written consent of the lender any other debt nor any mortgage, pledge, hypothecation, charge, lien or encumbrance upon or in respect of hypothecated assets or any part thereof in any manner whatsoever in favour of any person, firm, company or bank.
- The assets would belong to the Company solely and absolutely and would be free from any and all charges and encumbrances save and except that created in favour of the lender.

The aggregate carrying amount of assets acquired under lease [class of asset – vehicles] is Rs. 8,516,338 as at June 30, 2004 (as at March 31, 2004 Rs. 7,500,269).

Operating leases – assets taken on lease

(Rs. in lacs)

Particulars	For the period ended 30.6.2004	For the year ended 31.3.2004	For the year ended 31.3.2003
Operating lease payments recognised in the statement of profit and loss during the year as per accounting policy referred in Note 1(h) above:			
- Minimum lease payments	34.53	111.70	58.06
Total of future minimum lease payments payable by the Company:			
- Not later than 1 year	217.73	158.33	76.56
- Later than 1 year but not later than 5 years	310.50	232.49	104.46
- Later than 5 years	76.07	82.02	47.58
Total of future minimum lease payments under operating lease	604.30	472.84	228.60

9. Earnings per share

(Rs. in Lacs)

Particulars	For the period ended 30.6.2004	For the year ended 31.3.2004	For the year ended 31.3.2003
Net profit for the year as per profit and loss accounts considered as numerator for calculating earnings per share	131.32	632.31	193.09
Weighted average number of equity shares	69.85	69.85	69.85
Nominal value per share	10.00	10.00	10.00
Earnings per share – Basic and diluted	1.88	9.05	2.76

10. Following are the major component of deferred tax (asset)/liability:

(Rs. in lacs)

Particulars	As at 01.4.2004	Current year charge/(credit)	As at 30.6.2004
Difference between book and tax base of fixed assets	9.28	4.89	14.17
Total	9.28	4.89	14.17

11. Loans and advances are subject to confirmation, reconciliation and consequent adjustments, if any. Advances to employees include dues from officers of the Company Rs. 581,217.
12. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realised in the ordinary course of the business. The provision for all the known liabilities is adequate and not in excess of the amount reasonably necessary.

ANNEXURE 4

DETAILS OF LOANS

Particulars	Period ended 30/06/04	As at				
		31/03/04	31/03/03	31/03/02	31/03/01	31/03/00
Secured Loans						
Bank Overdraft - Bank of India	738.63	663.66	516.17	351.85	193.02	—
Bank Overdraft – State Bank of India	257.96	310.54	319.18	—	—	—
Term Loan –Bank of India	848.52	735.21	120.00	—	—	—
Foreign Currency Loan	308.53	314.10	382.40	—	—	—
Vehicle Loan	57.85	48.75	44.35	49.36	19.19	—
Total	2,211.49	2,072.26	1,382.10	401.21	212.21	—
Unsecured Loans						
From Directors	347.82	334.39	200.00	—	—	—
From Others	126.00	93.00	—	—	—	—
Total	473.82	427.39	200.00	—	—	—

ANNEXURE 5

ACCOUNTING RATIOS

Particulars	Period ended 30/06/04	Year ended				
		31/03/04	31/03/03	31/03/02	31/03/01	31/03/00
Earning Per Share (EPS) (Rs.)	1.88	9.05	2.76	3.81	2.86	4.78
Net Asset Value (NAV) (Rs. Per Share)	42.63	40.75	31.71	34.95	16.25	14.46
Return on Networth (RONW) (%)	4.41	22.22	8.72	10.91	17.61	9.65
Return on Capital Employed (ROCE) (%)	3.75	14.50	11.06	14.03	19.79	11.59

Notes:

- 1) The Ratios have been computed as below
- | | |
|-----------------------|-----------------------------------------------------------------------|
| Earning Per Share(Rs) | Net Profit attributable to Equity Shareholders |
| Return on Networth(%) | Weighted Avg. no. of Equity shares outstanding during the year/period |
| | Net Profit After tax |
| | Networth excluding revaluation reserve at the end of the year /period |

ANNEXURE 8

STATEMENT OF SOURCES AND APPLICATION OF FUNDS ON THE PROPOSED CALL CENTRE EXPANSION PROJECT TILL August 31, 2004.

(Rs. In lacs)

Particulars	Amount
Sources of Funds:	
Loans from promoters, their relatives & friends	751.05
Loan from others	187.18
Bank Term Loan	974.40
Internal Accruals	260.88
Total	2,173.51
Application of Funds:	
Advance for Computers	305.65
Advance for Furniture & Fixtures	331.01
Advance for Office Equipment	1078.53
Advance for Electrification	107.84
Preliminary and pre-operative expenses	91.16
Advance Land & Building	200.00
Deposit for Leasehold Premises	59.32
Total	2,173.51

ANNEXURE 10

GLOBAL RESPONDEZ INC.

STATEMENT OF ASSETS & LIABILITIES (AS RESTATED)

(Rs. In lacs)

Particulars	Year ended 31/03/2003	Year ended 31/03/2004	Period ended 30/06/2004
A. Fixed Assets;			
Gross Block	0.86	36.61	42.58
Less Accumulated Depreciation	0.26	20.71	31.00
Balance	0.60	15.90	11.58
Capital Work-in-Progress	—	—	—
Net block	0.60	15.90	11.58
Less: Revaluation Reserve	—	—	—
Net Block after adjustment for Revaluation Reserve	0.60	15.90	11.58
B. Investments:	—	—	—
C. Current Assets, Loans and Advances:			
Inventories	—	—	—
Sundry Debtors	5.63	132.06	267.17
Cash and Bank Balances	12.33	10.10	7.35
Loans and Advances	—	13.25	15.75
Other Current Assets	—	—	—
Total (A)	17.96	155.41	290.27
D. Liabilities and Provisions:			
Secured Loans	—	—	—
Unsecured Loans	—	—	25.64
Deferred Tax Liabilities	—	—	—
Current Liabilities	19.44	154.17	258.71
Provisions	0.24	2.87	—
Total (B)	19.68	157.04	284.35
Profit/Loss Account	1.17	—	—
E. Networth	0.05	14.27	17.50
F. Represented by			
1. Share Capital	0.05	2.25	2.36
2. Reserves	—	12.02	15.14
Less: Revaluation Reserve	—	—	—
Reserves (Net of Revaluation Reserve)	—	12.02	15.14
Less: Miscellaneous Expenditure	—	—	—
Networth	0.05	14.27	17.50

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ANNEXURE 10
GLOBAL RESPONDEZ INC.
STATEMENT OF PROFIT & LOSSES (AS RESTATED)

(Rs. In lacs)

Particulars	Year ended 31/03/2003	Year ended 31/03/2004	Period ended 30/06/2004
Income			
Sales and Service Income	5.62	481.96	225.72
Other Income	—	0.20	0.36
Total Income	5.62	482.16	226.08
Increase/(Decrease) in Inventories	—	—	—
Expenditure			
Service Charges Paid	5.21	350.77	131.77
Staff Costs	—	35.03	55.91
Depreciation	0.26	20.45	9.30
Administration, General and Selling Expenses	1.09	53.78	23.53
Interest	—	0.46	0.21
Total Expenditure	6.56	460.49	220.72
Net Profit Before Tax and Adjustments	(0.93)	21.67	5.36
Taxation	0.24	2.63	—
Net Profit Before Adjustments	(1.17)	19.04	5.36
Adjustments			
(Increase)/Decrease in Depreciation	—	—	—
(Increase)/Decrease in Amortisation of Goodwill	—	—	—
Total impact of adjustments	—	—	—
Net Profit, as Restated	(1.17)	19.04	5.36
Profit and Loss account, beginning of the period	—	(1.17)	17.87
Profits available for appropriation, as restated	(1.17)	17.87	23.23

ANNEXURE 11
SPANCO (S) PTE. LTD.
STATEMENT OF ASSETS AND LIABILITIES (AS RESTATED)

(\$ in lacs)

Particulars	Period ended 31/03/2004	Period ended 30/06/2004
A. Fixed Assets;		
Gross Block	—	—
Less Accumulated Depreciation	—	—
Balance	—	—
Capital Work-in-Progress	—	—
Net block	—	—
Less: Revaluation Reserve	—	—
Net Block after adjustment for Revaluation Reserve	—	—
B. Investments:	—	—
C. Current Assets, Loans and Advances:		
Inventories	—	—
Sundry Debtors	7.48	6.32
Cash and Bank Balances	0.23	0.14
Loans and Advances	0.02	—
Other Current Assets	—	—
Total (A)	7.73	6.46
D. Liabilities and Provisions:		
Secured Loans	—	—
Unsecured Loans	—	—
Deferred Tax Liabilities	—	—
Current Liabilities	7.70	6.44
Provisions	—	—
Total (B)	7.70	6.44
Profit/Loss Account	—	—
E. Networth	0.03	0.02
F. Represented by		
1. Share Capital	0.03	0.03
2. Reserves	—	(0.01)
Less: Revaluation Reserve	—	—
Reserves (Net of Revaluation Reserve)	—	(0.01)
Less: Miscellaneous Expenditure	—	—
Networth	0.03	0.02

ANNEXURE 11
SPANCO (S) PTE. LTD.
STATEMENT OF PROFIT & LOSSES (AS RESTATED)

(S\$. In lacs)

Particulars	Period ended 31/03/2004	Period ended 30/06/2004
Income		
Sales and Service Income	7.37	3.70
Other Income	—	—
Total Income	7.37	3.70
Increase/(Decrease) in Inventories	—	—
Expenditure		
Cost of Materials	7.30	3.67
Staff Costs	—	—
Depreciation	—	—
Administration, General and Selling Expenses	0.07	0.04
Interest	—	—
Total Expenditure	7.37	3.71
Net Profit Before Tax and Adjustments	—	(0.01)
Taxation	—	—
Net Profit Before Adjustments	—	(0.01)
Adjustments		
(Increase)/Decrease in Depreciation	—	—
(Increase)/Decrease in Amortisation of Goodwill	—	—
Total impact of adjustments	—	—
Net Profit, as Restated	—	(0.01)
Profit and Loss account, beginning of the period	—	—
Profits available for appropriation, as restated	—	(0.01)

SECTION XI : OTHER INFORMATION

CONSENTS

Consents in writing of the Directors, the Auditors, Bankers to the Company, Lead Manager to the issue, Registrar to the issue and Bankers to the issue to act in their respective capacities, have been obtained and filed along with a copy of the offer document with the Registrar of Companies, Maharashtra, Mumbai under Section 60 and Section 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration.

EXPERT OPINION

Save as stated elsewhere in the prospectus, the company have not obtained any expert opinions.

CHANGE IN BOARD OF DIRECTORS

The changes in the Board of Directors for the past three years is given below:

Name	Date of Change	Reasons
Mr. Ramesh Sharma	25/09/2000	Appointed to broad base
Mr. Deepak Bhagchandaney	15/03/2002	Appointed to broad base
Mr. Adarsh Bagaria	01/10/2002	Appointed to broad base
Mr. Sanjiv Chainani	20/08/2002	Resigned due to preoccupation
Mr. Mahendra Shah	06/07/2002	Resigned due to preoccupation
Mr. Prakash Desai	30/07/2004	Appointed to broad base

Other than the above there has been no change in the Board of Directors of the Company for the past three years.

CHANGE IN AUDITORS

M/s RSM & Co., Chartered Accountants, Mumbai have been appointed as the Auditors of the company for the financial year 2003-04 in place of M/s Dhirajlal Desai & Company, who had shown unwillingness to continue Auditor of the Company, vide a resolution passed by the members of the company at the Annual General meeting held on 30/09/2003.

FEES PAYABLE TO LEAD MANAGER

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding signed amongst the company and the Lead Manager, a copy of which is available for inspection at the Registered office of the company.

FEES PAYABLE TO REGISTRAR

The total fees payable to the Registrar to the issue will be as per the Memorandum of Understanding signed amongst the company and the Registrar to the issue, a copy of which is available for inspection at the Registered office of the company.

UNDERWRITING COMMISSION

The present issue is not being underwritten and hence no underwriting commission is payable.

BROKERAGE

Brokerage will be paid by the Company at the rate of 1.5% on the issue price of Equity Shares offered to the Public on the basis of allotment made against applications bearing the stamp of the members of any recognised Stock Exchanges in India in the brokers column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of allotments made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

OPTION TO SUBSCRIBE

Save as otherwise stated in this offer document, the company has not given any person nor does it propose to give any person any option to subscribe to the shares of the Company.

The investor shall have the option to subscribe to securities to be dealt with in a depository. The investor shall have the option to either to receive the security certificates or to hold the securities in demat form with a depository.

PREVIOUS ISSUE DETAILS

The company has issued 30,00,000 equity shares on preferential allotment basis on 25/08/2001 at a price of Rs. 37/- per share. Besides this the company has not issued any equity shares during past 3 years.

PROMISE V/S PERFORMANCE

The company has not issued shares through public or rights issue for the past 3 years.

OUTSTANDING DEBENTURES, BONDS AND PREFERENCE SHARES

As of date, the company do not have any outstanding Debentures, Bonds or Preference shares.

CAPITALISATION OF RESERVES OR PROFITS

The Company have not capitalized its reserves or profits at any time since its inception.

ISSUE OTHERWISE THAN FOR CASH

The company has not made any issue of equity shares for consideration otherwise than for cash.

COMPANIES UNDER THE SAME MANAGEMENT

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

INVESTOR GRIEVANCE REDRESSAL SYSTEM

The investor grievances against the Company will be handled by the Registrars and Transfer Agent in consultation with the secretarial department of the Company. To handle the grievances received, the Company has appointed Mr. Kairav Trivedi, Senior Manager-Finance & Accounts and Company Secretary, as the Compliance Officer. He will supervise redressal of complaints received from the investors at the office of the Company as well as the Registrars to the Issue and ensure timely settlement.

All grievances related to the issue may be addressed to the Registrar to the issue quoting the application No. (including prefix), Number of equity shares applied for, amount paid on application, date, Bank and branch/ Collection center where application was submitted .

During the FY 2003-04 the company has not received any complaints from shareholders. The company has not received any investor complaint after filing draft offer document with SEBI.

TRANSACTIONS WITH COMPANIES IN PROMOTER GROUP

There are no transactions of sales and purchases with the companies in the promoter group, which exceed in value in the aggregate of 10% of the total revenues and expenditure of the Company.

RISK FACTORS

A. SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY

1. **Promoters/directors of the Spanco have received a show cause notice no. EAD/562/04 dated 15/07/2004 from SEBI under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. The said notice has been issued for non compliance with Regulation 3(4) of the SEBI (SAST) Regulations, 1997 in respect of the preferential allotment made to the Promoters / Directors by Spanco on 24/02/2000. (For details of the allottees please refer para under 'Litigations, Disputes & Defaults' on page no. 56 of this offer document).**

2. The company is relatively a new entrant into the business of ITES and Call Centre and is promoted by first generation entrepreneurs.

Management Proposal

The company is already in the ITES and Call Centre business since last two years, and has full knowledge of the technology used in this business. The revenue stream on account of this activity has been stabilised and its consistency is established over this period. The company has set up various call centers for other corporates. Even though this venture is relatively new, the promoters are fully aware of the nitty gritty involved in the business.

3. The Company is operating from the leased premises at all the locations and not from the owned premises. This may cause problems associated with relocation & involve huge costs at a later stage.

Management Proposal

This is a general trend in the call centre business. Many BPO companies are conducting the business from leased premises. The company has taken premises on long term lease and there is no likelihood of the same being terminated by the lessors. In the event of relocation not much expenditure is involved, as all the hardware and the furniture fixtures can be just moved to new premises. Besides, in the present expansion project the management of the company proposes to buy its own premises.

4. The expansion project has not been appraised by any bank or financial institution and deployment of funds would be at the sole discretion of the management. Major part of the expansion is to be financed through the present issue of equity shares. The company has not made arrangements for alternative means of financing the project

Management Proposal

The present project consists of two phases 510 seats and 400 seats. The first phase in which the bank loan has been taken has been appraised by Bank of India, and a sum of Rs. 1170.00 lacs has been sanctioned. An amount of Rs.974.40 lacs has already been disbursed. In respect of second phase no bank loan is being taken. The management has over the years developed core competency in providing services involving telecom system integration and has acquired expertise in setting up and maintaining call centres. The cost estimates have been drawn by the management with assistance from a team of professionals having experience in the domain and the estimates for equipment, computers, electrification and furniture and fixtures are based on quotations received by the company. The company has already acquired leased premises for setting up call centres at Gurgaon and Mumbai. The management does not foresee any major cost escalation requiring alternative means of financing.

5. The company is yet to place orders for equipment required for the domestic call centre amounting to Rs. 802.82 lacs (20.40% of the total project cost) . Orders for furniture & fixtures amounting to Rs. 83.99 lacs are yet to be placed by the company (2.13% of the total project cost).

Management Proposal

The company is in the process of implementing the project and has already spent an amount of Rs.2,173.51 lacs upto 31/08/2004 as certified by RSM & Co., Statutory Auditors of the Company. The same is financed partly by disbursement from bank, unsecured loans from promoters and internal accruals. The management is confident of implementing the project in time.

6. ITES-BPO is a rapidly evolving sector witnessing new technological breakthroughs rendering the existing technology /infrastructure redundant.

Management Proposal

Though this sector has seen a rapid growth in the past few years there has been very little change on the technology front. The management does not foresee any major technological breakthroughs in the near future. Any advancement in the technology will have to be adapted by the company in order to render the most competitive service and the company does not envisage any major constraints in upgrading from time to time. However, a sturdy technological infrastructure is the back bone of operations in the ITES-BPO sector.

7. Any delay in implementation of the project may lead to cost and time overrun.

Management Proposal

The company has already spent Rs. 2,173.51 lacs towards the project and 510 seats have been installed. The

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management is confident that there will not be any delay in the implementation of the project. As per the schedule of implementation the additional 400 seats will be completed by December, 2004 as envisaged. The balance seats will be installed as per the schedule drawn.

8. There are no standard valuation methodologies or accounting practices in the internet related industries. The financials of the company are not comparable with the other players in the industry segment.

Management Proposal

The ITES-BPO sector is a new and evolving sector. Due to the recently witnessed rapid growth, companies in this sector command high valuations. As such there is no time proven and tried methodology for valuation of firms operating in this sector. There are also limitations to the availability of financial data on the operations of the companies and hence there is a difficulty in drawing a comparison between them.

9. Valuations in IT industry are presently high and may not be sustained in future and may also not be reflective of future valuations in the industry.
10. Contingent Liabilities not provided for as per the audited financial results include:

(Rs. In Lacs)

	Particulars	Period ended 30/06/2004	31/03/2004
a)	Letters of Credit issued by Bankers	180.709	416.09
b)	Counter guarantees given to bankers against guarantees issued by them	289.25	143.99

Management Proposal

- The letters of credit issued by the bankers are in the normal course of business. It is a usual business practice to obtain letter of credit, which has to be squared off on the due date. Only in case of devolvement of letter of credit, the liability on the company will accrue. Till such time it is a contingent liability and the Auditors always include such liabilities as contingent liabilities as the same depends on happening of some future event.
- The Bank Guarantees issued are for the purposes of earnest money deposit in respect of various tenders and performance guarantees for projects undertaken by the company. It is a normal banking practice that whenever Bank Guarantee is issued, it is backed by a Counter Guarantee of the borrower. Only in case of invocation of the Bank Guarantee, the said Counter Guarantee is invoked by the Bank. Till such time it is a contingent liability and is always mentioned by the Auditors under contingent liabilities.

11. There has been a wide fluctuation in the values of key financial ratios of the Spanco. Fluctuation in the past three years are as follows:

Particulars	2002	Variation over Previous Year (%)	2003	Variation over Previous Year (%)	2004	Variation over Previous Year (%)
EPS (Rs.)	3.81	33.22	2.76	(27.56)	9.05	227.89
RONW (%)	10.91	(38.05)	8.72	(20.07)	22.22	154.82
NAV (Rs.)	34.95	115.08	31.71	(9.27)	40.75	28.51

(figures in brackets indicate negative variation)

12. Out of the total revenues of Rs.903.75 lacs earned by the domestic call centre segment as on 31/03/2004 around Rs.75.20 lacs (83.21%) have been earned through services rendered to top five clients.
13. The present issue of equity shares is being made to fund the proposed expansion in the domestic & international call centre capacity. However this segment has contributed to 39.98% of the total revenues earned during the year 2003-04 and the balance 60.02% of the revenues is derived from Telecom System Integration Segment.
14. Global Respondez Inc., Spanco (S) Pte. Ltd. subsidiaries of Spanco and Global Respondez Services Limited (GRSL), one of the other ventures of Promoters is also engaged in the business of providing IT enabled services. This may lead to conflict of interest between Spanco and these companies.

Management Proposal

Global Respondez Inc., subsidiary of Spanco having office in USA is engaged in marketing activities and does not provide call centre services. Spanco (S) Pte. Ltd., the Singapore subsidiary is engaged in procurement of telecom equipments to be exported to countries other than India. Since both the above companies are 100% subsidiaries of the company, formed with a specific purpose, there is no conflict of interest as the revenue generated by these companies will ultimately form part of the Issuer Company.

Global Respondez Services Limited (GRSL), one of the other ventures of Promoters of Spanco, was originally set up as a subsidiary of Spanco to carry on call center activities. Subsequently this business was taken over by Spanco and GRSL was hived off as a separate company. GRSL continues to complete the old contracts which could not be transferred to Spanco. No fresh contracts are being undertaken by GRSL. Hence there is no conflict of interest between the two companies.

15. Global Respondez Inc, subsidiary of the company has incurred a loss of Rs. 1.04 lacs in the year 2002- 03.As a result the company has reported a negative Earnings Per Share and Book Value for the corresponding period.

Spanco (S) Pte. Ltd., subsidiary of Spanco has incurred a loss of S \$37 for the period of seven months from 01/09/2003 to 31/03/2004.

Management Proposal

Global Respondez Inc. was incorporated on 07/01/2003. The year 2002-03 being the first year of operation of the subsidiary, no significant business was transacted in the company. The losses are mainly attributed to the registration/administrative expenses of the company. Spanco (S) Pte Ltd. has been incorporated on 01/09/2003 and has not completed one year of operation as on 31/03/2004.

16. SEBI has issued a show cause notice no. IVD/ID3/PKB/JS/STSL/23502/03 dated 12/12/2003 against one of the associate companies of Spanco namely Neha Equisearch Private Limited under section 11B read with Section 11(4) of SEBI Act, 1992 read with Regulation 11 and 12 of SEBI (Prohibition of fraudulent and unfair trade practices relating to Securities Market) Regulations, 1995. The show cause notice has been given in terms of the investigation by SEBI in the trading in the shares of Spanco.

Management Proposal

Neha Equisearch Private Ltd. has submitted its reply to SEBI vide letter dated 30/12/2003. Neha Equisearch Private Ltd. is termed as associate only on account of personal relationship of Chairman of Spanco with the Directors of Neha Equisearch Private Ltd. There is no other relationship or transaction of Spanco with Neha Equisearch Private Ltd. As such any action against Neha Equisearch Private Ltd. by SEBI will not have any adverse impact on Spanco.

17. Neha Equisearch Pvt. Ltd. has received a show cause notice no. EAD/562/04 dated 15/07/2004 from SEBI under Rule 4 of SEBI (Procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules, 1995. The said notice has been issued for non compliance with Regulation 3(4) of the SEBI (SAST) Regulations, 1997 in respect of the preferential allotment made to them by Spanco on 24/02/2000.
18. Till such time as the allotment money is paid, the equity shares proposed to be issued through this offer document shall be considered as partly paid up. Partly paid up shares, if any, will be listed and traded under a separate ISIN Number granted by the depositories. The process of corporate action for credit of fully paid up shares to the demat account of the shareholders may take about 2 weeks from the date of the payment of the amount payable on call. During this period shareholders who pay the amount payable on Call for the partly paid shares will not be able to trade in those shares.

B. EXTERNAL AND BEYOND THE CONTROL OF THE COMPANY

1. Lack of adequate infrastructure such as telecommunications, power, road, airport etc. may cause bottlenecks in expansion of capacity and thereby will effect the profitability of the companies operating in the ITES-BPO sector.

Management Proposal:

The Government of India has made significant allocation to the infrastructure development. The investments in mega projects such as Golden quadrilateral road project indicate the desire to create an enabling structure that would support change. This industry is relatively new, and management do not foresee any adverse effect on the profitability of the company on account of lack of infrastructure.

2. Fluctuation in the exchange rates may effect the profitability of the companies operating in this sector.

Management Proposal:

The management plans its foreign exchange risks by appropriate hedging in terms of forward cover.

3. Companies operating in the BPO sector, especially those involved in offshore outsourcing, are exposed to a high degree of political risk.

Management Proposal:

Political risk is an inherent risk faced by all the businesses operating on a global scale. Hurdles presently faced by companies in the BPO sector in some countries, apart from being short term in nature may not close out the business prospects from other parts of the world

4. The ITES-BPO industry involves high initial capital investment and long gestation periods. A fall in the billing rates owing to intense competition currently witnessed in this sector have lead to shrinking in the profit margins. This may lead to long pay-back period for new projects undertaken.

Management Proposal:

Spanco started its operations by supplying telecommunication equipment and gradually entered into the business of setting up call centres for its clients. The company ventured into providing call centre services in the year 2001. Its progress into this field has been graduated and hence the capital investment has been proportionate with its revenues at every stage. Thus the company has not been subjected to long gestation period and slow recovery of initial investment. The current expansion is also backed by managements estimates on the basis of experience gained in the past. Since the company has already developed the technological strength and has contracts on hand the gestation period as such is envisaged to be minimal.

5. Large customers seek leading and established operators in the field who can provide end-to-end solutions. Hence there is an increasing need to scale up operations and at the same time climb up the value chain in a short span of time. Smaller players may find this difficult to implement in face of the shrinking margins and increasing competition

Management Proposal:

The present exponential growth in the BPO sector is backed by an increasing awareness of the importance of outsourcing. More and more companies, globally, are resorting to outsourcing in order to be competitive and cost effective. Though larger customers would seek established firms providing end-to-end solutions, there will be ample opportunities for smaller players as more and more companies seek these services. The company has felt the need to expand its operations by providing end-to-end solutions and hence the present expansion is being undertaken. Spanco is an

established player in this sector and with the present expansion the company will be better placed to face the competition.

6. The company faces competition from large established players in the industry. The industry structure is skewed with major part of the business being captured by a few large players who can command a premium for the services rendered. This is opposed to the increasing competition and massive price cutting faced by the smaller players who attract only a small share of the entire business. This has rendered small businesses unviable and is responsible for a major shakeout in the industry.

Management Proposal:

There is a distinct increase on the demand side for outsourcing as more and more companies are becoming aware of the benefits of outsourcing. With this increase in demand there will be ample opportunities for growth of small to mid-size firms in the sector. The industry is witnessing consolidation which will be beneficial as only serious players will continue to operate. The management is striving to make Spanco a major player in the segment. The present expansion will also help the company in climbing up the value chain.

7. Companies operating in the ITES/BPO sectors witness a high employee turnover. The cost of retention of skilled manpower can be very high.

Management Proposal:

The company has taken several steps to reduce the attrition rate and has been quite successful in the same. Moreover the company is continuously making efforts to engage new talent and train them to suit the needs of the company.

8. Bills passed by various states in the USA opposing the outsourcing of government contracts to firms of developing countries signals the growing sentiment within USA against outsourcing. This is a matter of concern for companies operating in the BPO segment as their profitability may be impacted if this sentiment gains strength.

Management Proposal:

Spanco does not deal with the government contracts and hence do not foresee any weakening of the sentiments in the industry. On the contrary the confidence of the management has been boosted by the increase in the business from US.

(Refer para on US backlash against outsourcing on page no. 49 of this offer document)

9. The international call centre/BPO segment is largely dependent on overseas clients and is thus subject to adverse changes/events impacting the political scene of the concerned countries or the global economy as a whole.

Management Proposal:

With liberalization of the economies worldwide, all businesses operating at a global scale are exposed to political and economy risk. Spanco is one of such companies and is well equipped to face such challenges

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY.

Article 5

Allotment of shares

Subject to the provisions of these Articles the Shares shall be under the control of the Directors who may allot or otherwise dispose of the same on such terms and conditions and at such time as the Directors think fit and with power to issue any shares as fully paid up in consideration of services rendered to the company in its formation or otherwise, provided that where the issue of further shares the provisions of Section 81 of the Act, will be complied with. Provided further that the opinion or right to call on share shall not be given to any person except with the sanction of the Company in general meeting.

Article 12A

i) Power of Company to Dematerialise and Rematerialise

Notwithstanding anything contained in these articles, the company shall be entitled to dematerialize its securities, rematerialize its securities held in Depositories and/or to offer fresh securities in a dematerialized form pursuant to the Depositories Act, 1996 and Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.

ii) Inserted vide special resolution passed at the AGM held on 30/09/2002

Every person subscribing to securities offered by the Company shall have the option to receive the security certificate or hold the securities with a Depository. A person who is the beneficial owner of the securities can at any time opt out of a Depository, provided by the Depositories Act, 1996, and the Company shall, beneficial owner the required certificates of securities. If a person opts to hold his securities 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 records the name of allottee as the beneficial owner of the security.

iii) Securities in Depositories in fungible form

All securities held by a Depository shall be dematerialized and shall be in fungible form. Nothing contained in Section 153 and 372A of the Companies Act, 1956 shall apply to a Depository in respect of the securities held by it on behalf of beneficial owners.

iv) Rights of Depositories and Beneficial Owner

Notwithstanding anything to the contrary contained in the Act or these Articles, Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner and shall not have any voting rights or any other rights in respect of securities held by it.

Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the Depository shall be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respects of his securities, which are held by a Depository.

v) Service of Documents

The Depository shall furnish to the company the information of transfer of securities and records of beneficial ownership at

such intervals and in such manner as may be stipulated under the provisions of the Depositories Act.

vi) Transfer of Securities

Transfer of Securities held in Depository will be governed by the provisions of Depositories Act. Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.

vii) Allotment of Securities dealt within a Depository

Notwithstanding anything containing the Act or these Articles, where securities are dealt in a dematerialized form with a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

Article 12B

Distinctive Numbers

The Register of beneficial owners maintained by a Depository under the Depositories Act, shall be deemed to be the Register of members for the purpose of these Articles.

Article 12C

Register of Beneficial Owner

Notwithstanding anything contained in these Articles, the provisions of Depositories Act, relating to dematerialisation of securities (including any modification or re-enactment thereof and Rules / Regulations made there under) shall prevail and apply accordingly.

Joint Holders of Shares

Article 13

Where two or more persons are registered as holders of any share they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the provisions following and to the other provisions of these Articles relating to joint holders :

(a) Maximum Number

The Company shall not be bound to register more than four persons as the joint holders of any share.

(b) Liability Several / Joint

The joint holders of a share shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such share.

(c) Survivors

On the death of any of such joint-holders the survivor or the company as having any title to or interest in such share but the Board may require such evidence of death as it may deem fit.

(d) Delivery of Certificate

Only the person whose name stands first in the Register as one of the joint-holders of any share shall be entitled to delivery of the certificates relating to such shares.

Calls

Article 14

Calls

The Directors may from time to time subject to the terms on which any shares may have been issued, make such calls as they think fit upon the Members in respect of all moneys unpaid on the shares held by them respectively, and not by the conditions of allotment thereof made payable at fixed times, and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Directors. A call may be made payable by installments. The option or right to call of shares shall not be given to any person except with the sanction of the company in general meeting.

Article 15

When call deemed to have been made

A call shall be deemed to have been made at time when the resolution of the Directors authorizing such call was passed.

Article 16

Notice to call

Not less than 14 days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.

Article 17

If by the terms of issue of any shares or otherwise, the whole or part of the amount of issue price there at is made payable at any fixed times or by installments at fixed times, every such amount or issue price or installment thereof shall be payable as if it were a call duly made by Directors and of which due notice had been given and all the provisions herein contained in respect of calls shall apply to such amount or issue price or installments accordingly.

Article 18

If the sum payable in respect of any call or installment be not paid on or before the day appointed for the payment thereof the holder for time being of the share in respect of which the call shall have made or the installment shall be due, shall pay interest for the same at the rate of 12% p.a., from the day appointed for the payment thereof to the actual payment or at such other rate as the Directors may determine but they shall have power to waive the payment thereof wholly or in part.

Article 19

Evidence in actions by Company against shareholders

On the trial or hearing of any action or suit brought by the Company against any Member or his representative to recover any

debt or money claimed to be due to the company in respect of his shares, it shall be sufficient to prove that the name of the defendant is or was when the claim arose, on the Register of the company as a holder or one of the holders of the number of shares in respect of which such claim is made, that the resolution making the call is duly recorded in the minute book and that the amount claimed is not entered as paid in the books of the company, and it shall not be necessary to prove the appointment of the Directors who made any call nor that such meeting was duly convened or constituted, nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Article 20

Payment of calls in advance

The Board may if it thinks fit, receive from any Member willing to advance the same, and or any part of the money due upon the share field by him beyond the sums actually called for, and upon the money so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of calls then made upon the share in respect of which such advance have been made, the Company may pay interest at such rate not exceeding unless the company in General Meeting shall otherwise direct, 6 per cent p.a. as the member paying such sum as advance and the Board agree upon. Money so paid in excess of the amount of call shall not rank for dividends or confer a right to participate in profits. The Board may at any time repay the amount so advanced upon giving such member not less than three months notice in writing.

Transfer and Transmission of Shares

Article 34

Form of Transfer

The instrument of transfer shall be in writing and all the provisions of Section 108 of the Companies Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and registration thereof.

Article 35

Application for Transfer

Application for the registration of the transfer of a share may be made either by the transferor or the transferee provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee in the manners prescribed by the Act and subject to the provisions of Articles 8, 37 and 38 hereof, the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.

Article 36

Notice of transfer to registered holder

Before registering any transfer tendered for registration the Company may, if it so thinks fit, give notice by letter posted in the ordinary course to the registered holder that such transfer deed has been lodged and that unless objection is taken, the transfer will be registered and if such registered holder fails to lodge an objection in writing at the office of the company within seven days from the posting of such notice to him he shall be deemed to have admitted the validity of the said transfer.

Article 37

Register of Transfer

The Company shall keep a "Register of Transfer" and therein shall be fairly and distinctly entered particulars of every transfer of any share.

Article 38

In what case to decline to register transfer of shares

Subject to the provisions of Section III of the Act, the Board without assigning any reason (or such refusal, may within one month from the date on which the instrument of transfer was delivered to the company, refuse to register any transfer of a share upon which the company has lien and in case of a share not fully paid up, may refuse to register a transfer to a transferee or whom the Board does not approve.

Provided that the registration of a transfer of shares shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the company on any account whatsoever.

Article 39

(i) No transfer to minor etc.

No transfer shall be made to minor or person of unsound mind.

(ii) No fee for registration for transfer etc.

No fee shall be charged for registration of transfer, grant of probate grant of letter of administration, certificate to death or marriage. Power of Attorney or similar other instruments.

Article 40

When instrument of transfer to be retained

All instruments of transfer duly approved shall be retained by the Company and in case of refusal, instrument of transfer shall be returned to the person who lodges the transfer deeds.

Article 41

Notice of refusal to register

If the Directors refuse to register the transfer of any shares, the company shall, within one month from the date on which the instrument of transfer was lodged with the company or intimation given, send to the transferor and the transferee or the person giving intimation of such transfer notice of such refusal.

Article 42

Power to close transfer books and register

On giving seven days' notice by advertisement in a newspaper circulating in the District in which the office of the company is situated the Register of Members may be closed during such time as the Directors think fit not exceeding in the whole forty-five days in each year but not exceeding thirty days at a time.

Article 43

Transmission of registered shares

The executors or administrators or the holder of a succession certificate in respect of shares of deceased members (not being one of several joint holders) shall be the only person whom the company shall recognize as having any title to the shares registered in the name or such member and in case of the death of anyone or more of the joint-holder of any registered shares, the survivors shall be the only persons recognized by the Company as having any title to or interest in such share but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person, before recognizing any legal representative or heir or a person otherwise claiming title to the shares, the company may require him to obtain a grant of probate or letters of administration or succession certificate, or other legal representation as the case may be from a competent court, provided nevertheless that in any case where the Board in its absolute discretion thinks fit, it shall be lawful for the Board to dispense with production or probate or letters or administration or a succession certificate or such other legal representation upon such terms as to indemnity or otherwise as the Board may consider desirable.

Article 44

As to transfer of shares of deceased or insolvent members

Any person becoming entitled to or to transfer shares in consequences of the death or insolvency of any member, upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Directors think sufficient, may with the consent of the directors (which they shall not be under any obligation to give) be registered as a member in respect of such shares or may subject to the regulations as to transfer herein before contained transfer such shares. This Article its hereinafter referred to as "The Transmission Article". Subject to any other provision of these Articles, if the person so becoming entitled to shares under this or the last preceding Article shall elect to be registered as a member in respect of the share himself he shall deliver or send to the company a notice in writing signed by him stating that he so elects. If he shall elect to transfer to some other person he shall execute an instrument of transfer in accordance with the provisions of these Articles, relating to the rights to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid.

Article 45

Rights of executors and trustees

Subject to any other provisions of the Articles if the Directors in their sole discretion are satisfied in regard thereof, a person to whom his shares in or debenture of the company shall vest in the event of his death. Such nomination and right of nominee, to be registered as holders of shares / debentures as the case may be or for transfer of shares / debentures as the case may be shall be governed by the provisions of Section 109A and 109B and other applicable provisions of the Act.

Share Warrants

Article 46

Power to issue share warrants

Subject to the provisions of Sections 114 and 115 of the Act and subject to any directions which may be given by the Company in General Meeting the Board may issue share warrants in such manner and on such terms and conditions as the Board may deem fit. In case of such issue Regulations 40 to 43 of Table 'A' in schedule 1 to the Act, shall apply.

Stocks

Article 47

The Company may exercise the power of conversion of its shares into stock and in that Regulations 37 to 39 of Table "A" in Schedule 1 to the act shall apply.

Alteration of Capital

Article 48

Power to sub-divide and consolidate

The Company may by ordinary resolution from time to time alter the condition of the Memorandum of association as follows :

- (a) Increase the share capital by such amount to be divided into shares of such amount as may be specified in the resolution.
- (b) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- (c) Sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the share from which the reduced shares is derived and
- (d) Cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of shares so cancelled.

Borrowing Powers

Article 52

Powers of Borrowing

The Board may, from time to time, at its discretion subject to the provisions of Sections 292 and 293 of the Act, raise or borrow, either from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purposes

of the Company.

General Meetings

Article 60

Extraordinary General Meeting

The Directors may, whenever they think fit, call an Extra-ordinary General Meeting provided however if at any time there are not in India Directors capable of acting who are sufficient in number to form a quorum, any Directors present in India may call an Extraordinary General Meeting in the same manner as early as possible as that in which such a Meeting may be called by the Board.

Article 61

Calling of extraordinary General Meeting on requisition

The Board of Directors of the company shall on the requisition of such Member or Members of the Company as is specified in sub-section (4) of Section 169 of the Act forthwith proceed to call an Extraordinary General Meeting of the Company in respect of any such requisition and of any Meeting to be called pursuant thereto, all the other provisions of section 169 of the Act, and of any statutory modification thereof for the time being shall apply.

Votes of Members

Article 69

Votes of Members

- i) On a show of hands every Member present in person and being a holder of equity shares shall have one vote and every person present either as a proxy on behalf of a holder of equity shares or as a duly authorized representative of a body corporate being a holder of equity shares, if he is not entitled to vote in his own rights shall have one vote.
- ii) On a poll the voting rights of a holder of equity shall be as specified in Section 87 of the Act.
- iii) The voting rights of the holders of the preference shares including the Redeemable Cumulative Preference Shares shall be in accordance with the provisions of Section 87 of the Act.
- iv) No Company or body corporate shall vote by proxy so long as a resolution of its Board of Directors under Section 187 of the Act is in force and the representative named in such resolution is present at the General Meeting at which the vote by proxy is tendered.

Appointment of Directors

Article 85

Appointment of Directors

The Company in General Meeting may subject to the provisions of these Articles and the Act, at any time elect any person to be a director and may from time to time increase or reduce the number of Directors and may also determine in what rotation such increased or reduced number is to go out of office.

Board may fill up casual vacancies

If any Director appointed by the Company in General Meeting vacates office as a Director before his term of office will expire in the normal course, the resulting casual vacancy may be filled up by the Board at a meeting of the Board but any person so appointed shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from office of Director under section 284 of the Act.

Powers of Directors

Article 101

General powers of the company vested in the Directors

Subject to the provisions of the Act, the control of the Company shall be vested in the Directors who shall be entitled to exercise all such powers and do all such acts and things as may be exercised or done by the company, and/or not hereby or by law expressly required or directed to be exercised or done by the company or General Meeting but subject nevertheless to the provisions of any law and of these presents from time to time made by the company in the General Meeting, provided that no regulation so made shall invalidate any prior act or the Directors which would have been valid if such regulations had not been made.

Managing Directors

Article 108

Power appoint Managing Director

Subject to the provisions of Sections 197-A, 269, 316 and 317 of the Act the Board may from time to time appoint one or more Directors to be Managing Director or Managing Directors of the company and may from time to time (subject to the provisions) of any contract between him or them and the Company) remove or dismiss him for them from office and appoint another or others in his place or their places.

Dividends

Article 114

Subject to rights of members entitled to shares (if any) with preferential or special rights attached to them, the profits of the company from time to time determined to be distributed as dividend in respect of any year or other period shall be applied for payment of dividend on the share, in proportion to the amount of capital paid up to the shares provided that unless the Board otherwise determines all dividends shall be apportioned and paid proportionately to the amount paid or credited to a paid up on the shares during any portions in respect of which dividend is declared shall (unless the Board otherwise determines on the terms of issue otherwise provide, as the case may be), only entitled the holder of such share to an apportioned amount of such dividend as from the date of payment but so that where capital is paid up in advance of calls such capital shall not confer a right to participate in profit.

Article 115

Declaration of Dividends

The Company in General Meeting may declare a dividend to be paid to the members according to their rights and interests in the profits and may, subject to the provisions of Section 207 of the Act, fix the time for payment.

Reconstruction

Article 133

Reconstructions

On any sale of the undertaking of the company the Directors or the Liquidators on a winding up may, if authorized by a special resolution accept fully paid or partly paid up shares, debentures or securities of any other company whether incorporated in India or not, other than existing or to be formed for the purchase in whole or in part of the property of the Company and the Directors (if the profits of the company permit), of the Liquidators (in a winding-up) may distribute such shares or securities or any other property of the Company amongst the members without realization or vest the same in trustees and any special resolution may provide of the distribution or appropriations of the cash, shares or other securities, benefits or property otherwise than in accordance with the strict legal rights of the members or contributories of the Company and for the valuation of any such securities or property at such price and in such manner as the meeting may approve and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorized and waive all rights in relation thereof save only in case the company, is proposed to be or is in the course of being wound up, such statutory right, if any under Section 494 of the Act, as are incapable of being varied or excluded by these presents.

Secrecy

Article 134

No share holder to enter the premises of the company without permission

No member or other person (not being a Director) shall be entitled to enter upon the property of the company or to inspect or examine the Company's premises or properties of the company without the permission of the Director, or subject to Article 125 to require discovery of or any information respecting any detail of the company's trading or any matter which is or may be in the nature of a trade secret. Mystery of trade, or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interest of the members of the company to communicate.

Winding Up

Article 135

If the company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up is paid up.

MATERIAL CONTRACTS AND DOCUMENTS

The Contracts referred to in para (A) below which are or may be deemed material, have been entered into by the Company.

The contracts together with the documents referred to in paragraph (B) below, copies of all of which have been attached to the copy of this Letter of Offer may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day from the date of this offer document until the closing of the subscription list.

A. MATERIAL DOCUMENTS

List of documents

- 1) Copy of Memorandum of Understanding dated 29/03/2004 between Spanco and Keynote Corporate Services Limited, Lead Manager to the Issue.
- 2) Copy of Memorandum of Understanding dated 31/03/2004 between Big Share Services Pvt. Ltd. Registrar to the Issue and Spanco Telesystem & Solutions Limited, the Company.
- 3) Copy of tripartite agreement dated 31/03/2004 between Spanco, National Securities Depository Limited and Bigshare Services Pvt.Ltd., Registrar and Transfer Agent.
- 4) Copy of tripartite agreement dated 19/03/2004 between Spanco, Central Depository Services Limited and Big Share Services Pvt. Limited, Registrar and Transfer Agent.
- 5) Copy of leave and license agreement dated 03/10/2000, 01/12/2001, 01/11/2002, 01/07/2003 and consent terms dated 07/11/2001 between Spanco and Shamil Enterprises for the registered office of the company at Deonar, Mumbai.
- 6) Copy of leave and license agreement dated 16/12/2003 between Spanco and Hindustan Lever Limited regarding premises acquired for setting up the international call centre at B. S. Deoshi Marg, Mumbai.
- 7) Copy of rental agreement dated 10/10/2002, 01/10/2003 and 01/08/2003 between Dr. P.G. Girish, and Spanco for premises at Bangalore.
- 8) Copy of Agreement dated 23/10/2002 and 15/10/2002 between Spanco and Mr. Rajeshkumar G. Karia alongwith Mrs. Kamala Devi. G. Karia, for the premises located at Pune.
- 9) Copy of Agreement dated 16/06/2003 between Spanco and Ashok Gopichand Karia, for premises located in Pune.
- 10) Copy of Agreement dated 16/06/2003 between Spanco and Mr. Gopichand Hotchand Karia, regarding premises located in Pune.

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

- 11) Copy of tenancy agreement dated 21/11/2002 between Spanco and Central Calcutta Cold Storage for the premises located in Kolkata.
- 12) Copy of Agreement to Lease dated 29/10/2002 between Spanco and Mrs. Neelam Choudhary regarding premises located in Gurgaon.
- 13) Copy of Lease Agreement dated 22/08/2003 between Spanco and AMD Exports Pvt. Ltd. regarding premises located in Gurgaon.
- 14) Copy of Lease Agreement dated 21/02/2004 between Spanco and Sewa Exports regarding premises located in Gurgaon.
- 15) Copy of Joint Deed of Hypothecation dated 02/09/2002 in favour of Bank of India and State Bank of India and Copy of First Supplemental Joint Deed of Hypothecation dated 28/01/2003 in favour of Bank of India and State Bank of India.

B. DOCUMENTS FOR INSPECTION

- 1) Copy of Memorandum of Articles and Articles of Association of Spanco Telesystem & Solutions Limited.
- 2) Copies of Annual report of Spanco for the year ended, 31/03/2000, 31/03/2001, 31/03/2002, 31/03/2003 and 31/03/2004 and audited results for the three months ended 30/06/2004.
- 3) Copy of Special Resolution under section 81, 81(1A) and other relevant provisions of Companies Act, 1956 dated 31/01/2004 passed at the Extra Ordinary General Meeting of the company authorizing present issue of equity shares.
- 4) Copy of letter no. STPI/MUM/VIII(A)(870)/2001(08)1850 dated 28/08/2001 from STP/(Ministry of Information Technology Govt of India) granting permission to set up unit under STP Scheme .
- 5) Copy of letter dated 2/12/2002 received from GOI , Ministry of Communications & Information Technology Dept of Telecommunications, Other Service Provider Cell , New Delhi granting Registration No. 10-448/2002-OSP for setting up International Call Centre.
- 6) Copy of letter dated 25/07/2003 received from GOI , Ministry of Communications & Information Technology Dept of Telecommunications, Other Service Provider Cell , New Delhi granting Registration No. 10-635/2003-OSP for setting up Domestic Call Centre.
- 7) Copy of sanction no. AnCBB/NC/03-04/001784 dated 06/11/2003 received from Bank of India regarding grant of foreign currency term loan for Rs. 1170.00 Lacs.
- 8) Copy of sanction no. Adv/RP/736/2004 dtd.30/07/2004 received from UCO Bank Mumbai branch regarding grant of term loan amounting to Rs.1000.00 lacs.
- 9) Copy of certificate dated 17/09/2004 issued by RSM & Co., Chartered Accountant & Statutory Auditors of the Company reporting financials of Spanco in terms of part II schedule II of the companies Act , 1956 as on 31st March for the years from 2000 to 2004 & for period ended 30/08/2004 including capitalization statement , taxation statement, accounting ratios, details of sources and deployment of funds upto 31/08/2004 and detailed tax benefits accruing to the company and shareholders.
- 10) Copy of Memorandum and Articles of Association of Neha Equisearch Limited.
- 11) Copies of annual report of Neha Equisearch Limited for the year ended 31/03/2000,31/03/2001,31/3/2002, 31/03/2003 & 31/03/2004.
- 12) Copy of letter no. IVD/ID3/PKB/JS/STSL/23502/03 dated 12/12/2003 received from SEBI by Neha Equisearch Limited issuing a show cause notice under section 11B read with Section 11(4) of the SEBI Act, 1992 read with Regulation 11 and 12 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995.
- 13) Copy of letter dated 30/12/2003 sent by Neha Equisearch Ltd. to SEBI.
- 14) Copy of show cause notice no. EAD/562/04 dated 15/07/2004 issued by SEBI to promoters/directors/associates of Spanco under Regulation.
- 15) Copy of Memorandum and Articles of Association of Global Respondez Services Limited.
- 16) Copies of Annual Report of Global Respondez Services Limited for the year 2001-02, 2002-03 and 2003-04.
- 17) Copy of Certificate of Incorporation of Global Respondez Inc.
- 18) Copy of notice of Incorporation dated 19/08/2003 of Spanco (S) Pte. Ltd. issued by Registry of companies and businesses, Singapore.
- 19) Copy of Memorandum and Artilces of Association of Spanco (S) Pte. Ltd.
- 20) Copy of audited financial of Spanco(s) Pte Ltd. for the 7 months period ended 31/03/2004.
- 21) Copies of undertakings from Spanco Telesystem & Solutions Limited.
- 22) Copies of Consents from Bankers to the Issue, Registrar to the Issue, Auditors, Banker to the company, Compliance Officer, Lead Manager to the issue, Directors etc.
- 23) Copy of letter no. DCS/smg/sdm/rk/vm/04 dated 22/05/2004 received from BSE approving draft letter of offer/Composite Application form.

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- 24) Copy of letter no. DCS/SG/SM/2004 dt. 13/09/2004 received from BSE permitting the company to use the name of exchange in the offer document.
 - 25) Copy of observation letter no. CFD/DIL/ISSUES/UR/16919 dt. 02/08/2004 received from SEBI, Mumbai in respect of composite issue of the comply.
 - 26) Copy of compliance letter no. Spanco/Comp/LV (1) dt. 22/09/2004 sent by Keynote Corporate Services Ltd. Lead Manager to the issue to SEBI, Mumbai.
 - 27) Copy of Power of Attorney dated 17/09/2004 granted to Shri Kairav Trivedi, Company Secretary by the Directors of the Company.
 - 28) Copy of acknowledge receipt no. ROC/KC/PROSP/32422 dated 28/09/2004 received from Registrar of Companies, Maharashtra, Mumbai.

DECLARATION

The Board of Directors of the Company jointly & severally declare that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government have been complied with and no statement made in offer document relating to composite issue is contrary to the provisions of the Companies Act, 1956 and rules thereunder.

Yours Faithfully,

By the order of Board of Directors

SPANCO TELESYSTEMS AND SOLUTIONS LIMITED

Sd/-

Mr. Kapil Puri, Chairman

Mr. Rajesh Chhabria, Managing Director

Mr. Ramesh Sharma, Director

Mr. Deepak Bhagchandaney, Director

Mr. Rajkumar Bahri, Director

Mr. Adarsh Bagaria, Director

Mr. Prakash Desai, Director

PLACE: Mumbai

DATE: 17/09/2004