
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2015

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission File Number 000-30735

REDIFF.COM INDIA LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Republic of India
(Jurisdiction of incorporation or organization)

Mahalaxmi Engineering Estate
1st Floor, L. J. First Cross Road
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Mumbai - 400016, India
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Tel No - +91-22-6182-0000 ext 390 Facsimile - +91-22- 2445-5346
(Name, telephone, e-mail and/or facsimile number of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
American Depositary Shares, each represented by one-half of one equity share, par value 5 per share	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
Not Applicable
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 13,795,178 Equity Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

TABLE OF CONTENTS

	<u>Page</u>
<u>CROSS REFERENCE TO FORM 20-F ITEM HEADINGS</u>	1
<u>CURRENCY OF PRESENTATION AND CERTAIN DEFINED TERMS</u>	3
<u>FORWARD-LOOKING STATEMENTS</u>	4
<u>EXCHANGE RATES</u>	5
<u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	6
<u>RISK FACTORS</u>	7
<u>BUSINESS</u>	26
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	35
<u>MANAGEMENT</u>	50
<u>RELATED PARTY TRANSACTIONS</u>	57
<u>EXCHANGE CONTROLS</u>	58
<u>TRADING MARKET</u>	59
<u>RESTRICTION ON FOREIGN OWNERSHIP OF INDIAN SECURITIES</u>	61
<u>PRINCIPAL SHAREHOLDERS</u>	65
<u>TAXATION</u>	66
<u>CONTROLS AND PROCEDURES</u>	72
<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	73
<u>PRESENTATION OF FINANCIAL INFORMATION</u>	73
<u>ADDITIONAL INFORMATION</u>	74
<u>EXHIBIT INDEX</u>	82
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1

CROSS REFERENCE TO FORM 20-F ITEM HEADINGS

PART I

- Item 1. Identity of Directors, Senior Management and Advisers
Not applicable.
- Item 2. Offer Statistics and Expected Timetable
Not applicable.
- Item 3. Key Information
See “Exchange Rates”, “Selected Consolidated Financial Data” and “Risk Factors”.
- Item 4. Information on the Company
See “Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Additional Information”.
- Item 4A. Unresolved Staff Comments
Not applicable.
- Item 5. Operating and Financial Review and Prospects
See “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.
- Item 6. Directors, Senior Management and Employees
See “Management” and “Principal Shareholders”.
- Item 7. Major Shareholders and Related Party Transactions
See “Principal Shareholders,” “Related Party Transactions” and “Additional Information”.
- Item 8. Financial Information
See the Report of Independent Registered Public Accounting Firm and the U.S. GAAP consolidated financial statements and notes thereto for Rediff.com India Limited for the fiscal years ended March 31, 2013, 2014 and 2015 and the related three-year period ended March 31, 2015. See also “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.
- Item 9. The Offer and Listing
See “Trading Market”.
- Item 10. Additional Information
See “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Exchange Controls”, “Restriction on Foreign Ownership of Indian Securities”, “Taxation” and “Additional Information”.
- Item 11. Quantitative and Qualitative Disclosures About Market Risk
See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Market Risks”.
- Item 12. Description of Securities Other than Equity Securities
See “Trading Market”.

PART II

- Item 13. Defaults, Dividend Arrearages and Delinquencies
Not applicable.
- Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds
See “Additional Information – Memorandum and Articles of Association”.
- Item 15. Controls and Procedures
See “Controls and Procedures”.
- Item 16A. Audit Committee Financial Expert
See “Management”.
- Item 16B. Code of Ethics
See “Management”.
- Item 16C. Principal Accountant Fees and Services
See “Principal Accountant Fees and Services”.
- Item 16D. Exemptions from the Listing Standards for Audit Committees
Not applicable.
- Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers
Not applicable.
- Item 16F. Change in Registrant’s Certifying Accountant
Not applicable.
- Item 16G. Corporate Governance
See “Management – NASDAQ Corporate Governance Requirements”.
- Item 16H. Mine Safety Disclosure
Not applicable.

PART III

- Item 17. Financial Statements
Not applicable.
- Item 18. Financial Statements
See the Report of Independent Registered Public Accounting Firm and the U.S. GAAP consolidated financial statements and notes thereto for Rediff.com India Limited and its consolidated subsidiaries for the fiscal years ended March 31, 2013, 2014 and 2015 and the related three-year period ended March 31, 2015.
- Item 19. Exhibits
See the Exhibit Index and the attached exhibits.

CURRENCY OF PRESENTATION AND CERTAIN DEFINED TERMS

In this annual report, all references to “we”, “our”, “us”, “Rediff”, “Rediff.com” and the “Company”, unless otherwise relevant to the context, are to Rediff.com India Limited, a limited liability company organized under the laws of the Republic of India, and its consolidated subsidiaries. References to “U.S.” or the “United States” are to the United States of America, its territories and its possessions. References to “India” are to the Republic of India.

In this annual report, references to “\$” or “US\$” or “dollars” or “U.S. dollars” are to the legal currency of the United States and references to “ ” or “Rs” or “Rs.” or “Rupees” or “Indian Rupees” are to the legal currency of India. Our financial statements are prepared in Indian Rupees and presented in U.S. dollars except for the financial statements of our U.S. subsidiaries which are prepared and presented in U.S. dollars. Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). References to a particular “fiscal” or “financial” year are to Rediff’s fiscal year ended March 31 of such year.

Although we have presented Indian Rupee amounts in this annual report in U.S. dollars, this does not mean that the Indian Rupee amounts referred to have been, or could be, converted into dollars at any particular rate, the rates stated below in the section of this annual report entitled “Exchange Rates”, or at all. Except as otherwise stated in this annual report and except for the information derived from our financial statements included in this annual report, all translations from Indian Rupees to U.S. dollars contained in this annual report are based on the exchange rates published by The Reserve Bank of India, as at the close of March 31, 2015 which was 62.59 to US\$1.00. The translation from Indian Rupees to U.S. dollars of the information derived from our financial statements included in this annual report are based on daily rates published by the Reserve Bank of India.

FORWARD-LOOKING STATEMENTS

We have included statements in this annual report which contain words or phrases such as “may”, “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, all of which are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and reflect our current expectations. We have made forward-looking statements with respect to the following, among others:

- our goals and strategies;
- our recently acquired businesses and other acquisitions, investments and divestments;
- the impact of regulations and court orders on our business;
- our future investments, costs and working capital;
- the importance and expected growth of Internet technology, including sales of personal computers and smart phones, and the development of broadband Internet, 3G and 4G networks in India;
- the pace of change in the Internet market;
- the demand for Internet services;
- advertising demand and revenues; and
- new product and services.

These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These include, but are not limited to, risks or uncertainties associated with our ability to successfully implement our strategy, our ability to successfully integrate the businesses we have acquired with our business, demand for e-commerce and changes in the Internet marketplace, technological changes, investment income, cash flow projections and our exposure to market risks. By their nature, certain of our market risk disclosures are only estimates and could be materially different from what actually occur in the future. As a result, actual future gains, losses or impacts on net interest income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to, the slowdown in Indian economy and in the sectors in which our clients are based, general economic and political conditions in India and the United States, acceptance of new products and services, the development of broadband Internet and 3G and 4G networks in India, changes in the value of the Rupee, foreign currency exchange rates, equity prices or other rates or prices, the level of Internet penetration in India and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition, and other factors beyond our control. For further discussion of factors that could cause actual results to differ, see the discussions under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in this annual report. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management’s analysis only as of the date hereof. In addition, readers should review the other information contained in this annual report and in our periodic reports filed from time to time with the U.S. Securities and Exchange Commission (the “SEC”). We undertake no obligation to update or revise this annual report in order to amend its forward-looking statements to reflect events or circumstances after the date hereof, whether as a result of new information, future events or otherwise.

EXCHANGE RATES

Fluctuations in the exchange rate between the Indian Rupee and the U.S. dollar may affect the market price of our American Depositary Shares (the “ADSs”), which trade on the NASDAQ Global Market. Such fluctuations may also affect U.S. dollar conversions made by our depositary for the ADSs, Citibank, N.A. (the “Depositary”), of any cash dividends paid in Indian Rupees on our Equity Shares represented by the ADSs.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Indian Rupees and U.S. dollars based on rates published by the Reserve Bank of India:

<u>Fiscal Year Ended March 31,</u>	<u>Period End</u>	<u>Average ⁽¹⁾⁽²⁾</u>	<u>High</u>	<u>Low</u>
2011	44.65	45.57	47.57	44.03
2012	51.16	48.11	54.23	43.95
2013	54.39	54.53	57.22	50.56
2014	60.10	60.94	68.36	53.74
2015	62.59	61.22	63.75	58.43

Notes:

- (1) The average rate for each period differed from the exchange rates used in the preparation of our financial statements.
- (2) The column titled “Average” represents the average of the closing rate as at the last day of each month during the period.

The following table sets forth the high and low exchange rates for the previous six months and are based on daily closing rates published by the Reserve Bank of India:

<u>Month</u>	<u>High</u>	<u>Low</u>
January 2015	63.45	61.41
February 2015	62.43	61.68
March 2015	62.82	61.82
April 2015	63.61	62.16
May 2015	64.20	63.52
June 2015	64.18	63.51
July 2015	64.03	63.37

On July 30, 2015, the closing exchange rate in India was 64.01 to US\$1.00

RISK FACTORS

An investment in our ADSs involves a high degree of risk. You should carefully consider the following information about risks, together with the other information contained in this annual report on Form 20-F, including our consolidated financial statements and related notes, before you decide to buy our ADSs. If any of the circumstances or events described below actually arises or occurs, our business, results of operations and financial condition would likely suffer. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment. This annual report also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks faced by us described below and elsewhere in this annual report.

Risks Related to our Business and Company

We have a history of losses. We may incur losses in the future and we may not achieve or maintain profitability, which may impact our balance sheet and thus, the successful implementation of our growth plan.

We have incurred significant net losses and negative cash flows since our inception in January 1996. As of March 31, 2015, we had an accumulated deficit of approximately US\$109 million. We incurred a net loss of US\$13.8 million for the fiscal year ended March 31, 2015. We may in the future incur additional net losses and negative operating cash flows which could have a material adverse impact on our balance sheet and lead to the need for additional capital to implement our growth strategy.

As display advertising is facing challenging time which is part of a longer term industry trend. In order to grow our online user base and attract new user base through mobile applications, we are investing in making all of our services mobile friendly product and service offerings. Our ability to grow such revenues is dependent on the deployment of 3G and 4G data services by Indian mobile phone operators which we do not control. At present, we believe we have enough resources to continue to invest in our product and service offerings. If we make such investments or if such deployment does not occur, and if we are not yet generating free cash flow, we may need additional capital to implement this facet of our growth plans.

We have incurred and in the future may incur expenses in connection with acquisitions and investments. Accordingly, we will need to generate significant additional revenues in order to become profitable and may not be able to do so. If we are not yet profitable or generating free cash flow, we may need to raise additional capital. Our business model is not yet proven in India or the United States, and we cannot assure you that we will achieve profitability or that we will not incur operating losses in the future. If we are unable to achieve profitability, we will be unable to build a sustainable business. In this event, the price of our ADSs and the value of investments in our company would likely decline.

We cannot ensure that our existing cash balances will be sufficient to meet our future operating and capital requirements.

As of March 31, 2015 our cash balances was approximately US\$8.3 million, and while we believe that based on the current cash use rate this cash balance will be sufficient to meet our operating and capital requirements for the next five to seven quarters, there can be no assurance that will be the case. The adequacy of our available funds to meet our operating and capital requirements will depend on many factors, such as our ability to control our expenses, the growth in e-commerce marketplace, display advertising, optimization of cost of revenues relating to fee based services and cost saving initiatives in operating and other expenses. If we are unable to control our costs or do not generate sufficient revenue, we may need to seek alternative financing sources to fund our operations. There can be no assurance that such financing sources will be available when needed, whether they would be available on commercially reasonable terms or at all, or that our actual cash requirements will not be greater than anticipated. If we are unable to obtain future financing through the alternative financing sources or through other means, we may be unable to continue operations, which would have a material adverse effect on our business and financial condition.

We face significant competition in the India market for users, advertisers, publishers and distributors, principally from Google, Yahoo, Facebook, Microsoft and AOL and also from other traditional media companies and a host of other smaller competitors.

We face significant competition from Google, Yahoo, Facebook, Microsoft and AOL among other companies, each offering an integrated variety of Internet products, advertising services, technologies, online services and content in a manner similar to us.

These large competitors offer products and services that directly compete with our offerings, including consumer e-mail, search, instant messaging, photos, maps, video and photo sharing, content channels, mobile applications, and shopping services, among other offerings.

We also compete with traditional media companies to attract advertising revenues, both domestically and internationally. Currently, many advertisers allocate a portion of their advertising budgets to Internet advertising. In response, traditional media companies are increasingly expanding their content offerings on the Web and are competing for both offline and online revenues. We also compete with a variety of other providers of online services, including social media and networking sites like Facebook and Orkut for users, advertisers and developers. Social networking sites in particular are attracting a substantial and increasing share of users and user's online time, which could enable them to attract an increasing share of online advertising.

Some of our existing competitors and possible market entrants may have greater brand recognition for certain products and services, more expertise in a particular segment of the market, and/or greater operational, strategic, technological, financial, personnel, or other related resources than we do. In addition, Google, Yahoo, Facebook and Microsoft, among other companies, have access to considerable financial and technical resources with which to compete aggressively, including funding future growth and expansion by investing in acquisitions and/or in research and development. Further, emerging start-ups may be able to innovate and provide products and services faster than we can and in a manner more appealing to our target users. In addition, competitors may consolidate with each other or collaborate, and new competitors may enter the market.

We are also subject to competition from companies known as "aggregators", which aggregate advertising space in third-party websites and resell such space to our customers or potential customers. There has also been a trend toward industry consolidation so our smaller competitors today may become part of larger competitors in the future.

We may also face competition from companies engaged in providing mailing services to mobile users. Some of our existing competitors and possible additional entrants may have greater brand recognition for certain products and services and greater operational, strategic, technological, financial, personnel, or other resources than we do. In addition our e-commerce services face competition from the existing leading e-commerce companies who have significantly greater financial resources, longer operating histories and more experience in attracting and retaining users and managing customers than we do.

We may also face competition from companies engaged in procuring advertisement from advertisers who want to reach out to a niche customer segment by choosing to advertise in a particular city or specific area within a city and cannot afford to advertise on television channels. Some of our existing competitors (like Amagi Media Labs Pvt. Ltd.) and possible additional entrants may have greater brand recognition for certain products and services and greater operational, strategic, technological, financial, personnel, or other resources than we do.

If our competitors are more successful than we are in developing compelling products or services or attracting and retaining users, advertisers, publishers, developers, or distributors, our revenues and potential growth rates could decline. In addition, new competitors may enter the market which may adversely impact our financial performance.

Competition for visitors, customers, subscribers, advertisers and shopping partners is intense and is expected to increase significantly in the future as there are no substantial barriers to entry into our market. Furthermore, it is difficult to predict which online advertising pricing model, if any, will emerge as the industry standard. This makes it difficult to predict our future advertising rates and revenues. Intense competition in our businesses could have a material adverse effect on our results of operation, including our ability to achieve and sustain profitability. For additional information regarding our competition, please see “Business – Competition” in this annual report.

We face strong competition in our marketplace e-commerce business.

We have significant competition in the India market for e-commerce business from Snapdeal, Flipkart, Amazon and Ebay. Some of our current and potential competitors have greater resources, longer histories, more customers, and/or greater brand recognition. They may secure better terms from vendors, adopt more aggressive pricing, and devote more resources to technology, infrastructure, fulfilment, and marketing.

Competition may intensify as our competitors enter into business combinations or alliances and established companies in other market segments expand to become competitive with our marketplace e-commerce business. In addition, new and enhanced technologies, including search, web and infrastructure computing services, digital content and electronic devices, may increase our competition. The Internet facilitates competitive entry and comparison shopping, and increased competition may reduce our sales and profits.

Gross margin from marketplace e-commerce is lower than advertising business.

Currently we are focused on growing our ability to monetize the e-commerce marketplace and share of e-commerce marketplace has gone up from 19% in the fiscal 2013-14 to 27% in the fiscal year 2014-15. The cost of revenue relating to ecommerce marketplace is significantly variable and directly linked to revenue. Presently, e-commerce marketplace revenue has a lower gross margin than advertising revenues, which has resulted in a decline in average gross margin for the India Online business segment. The lower gross margin on account of higher variable cost of revenue for the e-commerce marketplace is because this business is in its early stages of market adoption, as our e-commerce marketplace grows relative to the rest of our business, it could negatively affect our ability to become profitable.

We could be liable for fraudulent or unlawful activities of sellers in our marketplace e-commerce business.

Under our seller programs, we may be unable to prevent sellers from collecting payments, fraudulently or otherwise, if buyers do not receive the products they ordered or if the products received are materially different from the sellers’ descriptions. Under our **Rediff Assurance**, we reimburse buyers for payments in these situations, and as our marketplace seller sales grow, the cost of this program will increase and could negatively affect our operating results. We also may be unable to prevent sellers on our sites or through other seller sites from selling unlawful goods, selling goods in an unlawful manner, or violating the proprietary rights of others, and could face civil or criminal liability for unlawful activities by such sellers.

We are subject to payments-related risks.

We accept payments using a variety of methods, including credit card, debit card, credit accounts (including promotional financing), gift cards, direct debit from a customer’s bank account, consumer invoicing, physical bank check, and payment upon delivery. For existing and future payment options we offer to our customers, we may become subject to additional regulations, compliance requirements, and fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, electronic checks, and promotional financing, and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card issuing banks’ costs, subject to fines and higher transaction fees, and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers, or facilitate other types of online payments, and our business and operating results could be adversely affected. We also offer co-branded credit card programs, which could adversely affect our operating results if terminated.

Our marketplace supplier relationships subject us to risks.

We have large number of marketplace suppliers that are important to our ongoing servicing of merchandise. We do not have long-term arrangements with most of our suppliers to guarantee availability of merchandise, components, or services, particular payment terms, or the extension of credit limits. If our current suppliers were to stop selling merchandise, components, or services to us on acceptable terms, or delay delivery, including as a result of one or more supplier bankruptcies due to poor economic conditions, as a result of natural disasters, or for other reasons, we may be unable to procure alternatives from other suppliers in a timely and efficient manner and on acceptable terms, or at all.

If we fail to optimize revenues through effective splicing in our local TV advertising business, we will continue to have negative gross margin.

The success of our local TV advertising business is dependent on effective splicing of advertising between national broadcasting and local (city specific) advertising. Effective splicing is the key factor to generate more revenues to recover broadcaster's cost and other direct costs. If we fail to effectively splice between national and local broadcasting, then our gross margins from these business will continue to be negative and result in higher operating losses.

Our future results and growth prospects may be materially and adversely affected if our expansion into new business segments and verticals is not successful.

We, as part of our growth strategy, have, from time to time, entered into new Internet business segments by leveraging our large Internet user base to generate additional revenue streams. For each new internet business or segment we enter into, we may face competition from existing leading players in that business. Further the operating and marketing challenges of the new Internet business segment(s) may be different from those that we currently face. If we cannot successfully compete and meet the challenges in the new Internet business segment(s), we may not be able to recover costs incurred for developing and marketing new businesses and accordingly our future results and growth prospects may be materially and adversely affected.

Our business could be disrupted if our investment in new products, services, technologies and new business strategy is not successful. Our current plans for growth depend in significant part on the further development of broadband internet and 3G and 4G networks in India.

We have invested significantly in the development of new products, services, technologies and new business strategies and will continue to so invest in the future. Such investment may involve significant risks and uncertainties including but not limited to inadequate returns on capital on our investments, and distractions of management from current and future operations. On account of the inherent risk involved in such investments, we offer no assurance that such investments will be successful and will not adversely affect our reputation, financial condition and operating results. Additionally, delay in rollout of 3G and 4G network in India will affect internet penetration and therefore, our revenue growth.

The success of our products and services depends on the acceptance of the internet in India, which may be slowed by cost and affordability issues, technical obstacles and unfavorable Government policies.

The growth of our India Online business is highly dependent on the growth in India of the number of PCs in use, the growth of Internet and broadband use and the growth of use of smart phones and other mobile devices such as tablets.

The growth of the telecom and mobile industry in India will be a significant factor in determining whether we can grow our business. As with many developing nations, the fixed line telecommunications infrastructure in India is not fully developed. Although this industry has been opened for private sector participation, service levels remain inferior to service levels in most developed countries. Further, telephone penetration rates, measured by the number of telephone lines per one thousand persons in India, are low when compared to most developed countries. In addition, limitations in network architecture in India sometimes limit Internet connection speeds. Network speed and cost constraint may severely limit the quality and desirability of using the Internet in India, which consequently may limit our ability to expand our pool of customers and reduce our desirability to online advertisers.

Further, our growth could be limited by the cost of obtaining hardware, software and communications links necessary to connect to the Internet in India. If much of India's population is not able to afford access to the Internet, it may be difficult for us to execute our business strategy.

In other developing Asian markets such as South Korea and Malaysia, an increase in broadband penetration rates led to rapid growth in the number of online subscribers. Currently, broadband penetration rates in India are very low compared to other developing countries. Several industry and government agencies believe that India could be a hotbed for broadband growth in future years based on the population and country demographics. However, if the broadband and telecom industry in India fails to register significant growth, our potential growth may also be affected.

If we are unable to develop new services or enhance existing services in anticipation of our users' needs, our users' level of engagement with our services may decline and our business could suffer as a result.

Our success is dependent, in part, on our ability to anticipate customers' needs in advance and develop new services or enhance the existing services to fulfill those needs, on a cost-effective and timely basis. For example, Customer Delight Centre, Data Journalism and Recommendation framework etc. The development and implementation of such services and any new services including the enhancement of existing service(s), entails significant technical and business risks. There can be no assurance that we will successfully implement new services or that any of our new products or services will be accepted by our users.

New technologies are giving rise to new business opportunities, such as in local search and social networking. We believe that much of our future growth will depend on our ability to seize upon these opportunities and successfully launch new products and services, and our ability to retain or improve the level of user engagement with our services. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions or customer requirements, our business and our future financial performance could be materially adversely affected.

Our strategy of acquiring businesses to complement our existing market offering may fail.

As part of our growth strategy, we have made selective strategic and opportunistic acquisitions of businesses that complement our existing market offering. Such acquisitions may involve uncertainties and risks, including but not limited to, government regulations, diversion of resources and management attention, costs and difficulties of integrating acquired businesses and managing a larger business, unforeseen liabilities and ongoing financial obligations.

If we fail to address such risks successfully, it may have a material adverse effect on our financial condition and growth prospects. Further, such acquisition(s) could require a significant amount of capital investment, which could decrease the amount of cash available to us for working capital or capital expenditures. In addition, if we fund the acquisition(s) through the use of our equity securities, we may dilute the value of our ADSs and the underlying ordinary shares.

More individuals are utilizing non-PC devices to access the Internet, and versions of our services developed for these devices might not gain widespread adoption by the devices' users, manufacturers, or distributors or might fail to function as intended on some devices.

The number of individuals, who access the Internet through devices other than a PC, such as mobile telephones and related "smartphones" or "tablet-based" devices, has substantially increased, and the trend is likely to continue. While we have dedicated significant resources over the past few years to develop offerings for mobile devices, our services were originally designed for rich, graphical environments such as those available on the desktop and PC. The different hardware and software, memory, operating systems, resolution, and other functionality associated with alternative devices may make our services unusable or difficult to use on such devices, and the versions of our services developed for these devices may not be compelling to users, manufacturers, or distributors of alternative devices. Similarly, the licenses we have negotiated to present third-party content to desktop and PC users may not extend to users of alternative devices. In those cases, we may need to enter into new or amended agreements with content providers in order to present a similar user-experience on the new devices. The content providers may not be willing to enter into such new or amended agreements on reasonable terms or at all.

Further, new devices, operating systems, networks, and platforms are continually being released. It is difficult to predict the problems we may encounter in developing versions of our services for use on these alternative devices and platforms. We may also need to devote significant resources to the creation, support and maintenance of such versions.

If we fail to detect click fraud or other invalid clicks, we could lose the confidence of our advertisers, which would cause our business to suffer.

We are exposed to the risk of fraudulent clicks and other invalid clicks on our ads from a variety of potential sources. Invalid clicks are clicks that we have determined are not intended by the user to link to the underlying content, such as inadvertent clicks on the same ad twice and clicks resulting from click fraud. Click fraud occurs when a user intentionally clicks on an ad displayed on a website for a reason other than to view the underlying content. An increase in click fraud or invalid clicks could cause our advertisers to lose confidence in the effectiveness of our services, which could negatively damage our brand and impact our performance.

New technologies could block our ads, which would harm our business.

Technologies have been developed that can block the display of industry ads, including our own. Most of our revenues are derived from fees paid to us by advertisers in connection with the display of ads on web pages. As a result, ad-blocking technology could adversely affect our operating results.

The ongoing economic slowdown in India, could continue to negatively impact revenues from some of our key customers and thus, negatively impact our business.

We are dependent on the health of the Indian and U.S. economies. A continued slowdown in Indian economy, an overall reduction in consumer and business spending, or future difficulties experienced in either country could have a material adverse impact on our business and our prospects.

Advertisement expenditures tend to be cyclical, reflecting overall economic conditions and the nature of industry, budgeting and buying patterns. Since a significant portion of our revenue is derived from advertisements, the adverse economic conditions have caused, and a continuation of adverse economic conditions could cause, additional decreases in or delays in advertising spending and internet user base is shifting from PC to Mobile and Non PC, a reduction in our revenues and a negative impact on our short-term ability to grow our revenues.

A significant portion of our Indian advertising revenues include revenues from the Banking Financial Services and Insurance (BFSI) segments and from other Internet companies, including those engaged in the business of jobs, travel, matrimonial, real estate and online shopping. Some of these companies are startups without proven long-term business models and are dependent on external funding for future growth. These companies have been adversely affected by the global economic slowdown, resulting in lower online advertising revenues than in the past. While general economic conditions have recently improved compared to the heart of the global economic recession, the robustness and pace of the global economic recovery remains uncertain and there is no assurance that these and other segments will recover from the impact of the recession, succeed in raising financial resources and increase online advertising spends.

Further, a future slowdown in the Indian economy may make it difficult for us to raise money in the equity and debt markets on terms favorable to us or at all, if we choose to conduct capital raises in accordance with our business plan and future growth opportunities, which may have an adverse effect on our financial condition and operating results.

Our publication business in the United States faces competition and industry-wide declines.

Our publication business in the United States faces competition from not only Internet-based publications but also from other publications targeted at Indian-Americans and from television channels featuring Indian news and programming. In addition, competition to provide news and information regarding India or content that is of interest to Indian-Americans in these markets for paying subscribers for our India Abroad newspaper, which is subscription-based, is intense due to the presence of other paid newspapers such as News India Times, Indian Express and India West, among others. Further, our publications also face competition from free newspapers and from electronic media, such as television channels dedicated to Indian news and programming and online publications and services. If our U.S. publishing businesses are unable to successfully compete, our results of operation could be adversely affected.

A slowdown in economic growth, in particular, a slowdown in the growth of companies that advertise products or services targeted at Indian-Americans, may also reduce advertising revenues for our U.S. publications. Further, as is the case with our contracts with online advertisers, our contracts with advertising customers for our India Abroad business usually do not commit them to continue to provide us with a specific volume of business and can typically be terminated by them with or without cause, with little or no advance notice and without penalty. Any of these factors could have an adverse effect on our business and our future financial performance.

Our revenues could be adversely affected if we are unable to successfully adapt to new forms of pricing for the services and products we offer.

Increased competition or the actions of our existing competitors may result in:

- loss of visitors and decreased website traffic;
- loss of paid subscribers;
- loss of advertisers;
- reduced operating margins;
- loss of market share; and

- diminished value in our services.

Any one of these factors could materially and adversely affect our business, financial condition and operating results. For additional information regarding our competition, please see “Business – Competition” in this annual report.

Increasing consumer resistance to online advertising may result in loss of revenues

There is a growing consumer resistance to intrusive advertising online. In our desire to improve the user experience on our site, we have reduced the number of advertisements on our site and in particular, eliminated all advertising from our home page. As a consequence of this, we experienced a decline in our advertising revenues and this may continue to decline based on market conditions. Although we are hopeful that a better user experience will lead to a higher number of users over time, we can however give no assurances that this will happen. If we are unable to compensate for the loss of advertising revenues from such restriction with incremental revenues from e-commerce marketplace and display advertising due to increased user traffic, our results of operations could be materially adversely impacted.

Our quarterly operating results may fluctuate significantly and may fail to meet the expectations of securities analysts and investors, which may cause the price of our ADSs to decline.

Our quarterly results have fluctuated significantly in the past and may continue to fluctuate significantly in the future based on a variety of factors. These factors could affect both our near and long-term performance. Some of these factors include but are not limited to:

- increased competition;
- slowdown in the Indian and global economies;
- lower than expected revenues from one or more of our customers;
- changes in prices for our product and service offerings;
- increases in personnel, marketing and other operating expenses;
- our ability to attract new users and to retain existing users at reasonable costs;
- our ability to adequately maintain, upgrade and develop our website, our computer network and the systems that we use to process customer orders and payments;
- the timing of our expansion plans in India and other geographic markets;
- seasonality in retail sales;
- technical difficulties, system or website downtime or Internet service disruptions; and
- entry into new businesses or development of new products or services requiring substantial investments.

Our operating results are volatile and can be difficult to predict. As a result, quarter-to-quarter comparisons of our operating results may not be good indicators of our future performance. In addition, it is possible that our operating results in any future quarter could be below the expectations of investors generally and any published reports or analyses on us. In that event, the market price of our ADSs may decline.

We may not be able to grow our business if online advertising in our markets does not expand.

Our business strategy depends heavily on the anticipated growth of e-commerce marketplace and online advertising in our markets and the growth of our revenues depends on increased revenues generated by e-commerce marketplace and online advertising. We anticipate that a high portion of our future revenues will continue to be derived from e-commerce marketplace and online advertising on our website. Online advertising is an evolving business and our ability to generate and maintain significant advertising revenues will (among other factors) depend on:

- our ability to attract and retain advertisers at profitable rates in light of intense competition;
- our ability to generate and continue to grow a large community of users with demographics attractive to advertisers;
- advertisers’ acceptance of the Internet as an effective and sustainable medium;
- the effectiveness of our advertising delivery, tracking and reporting systems; and
- our ability to adapt, including technologically, to new forms of Internet advertising.

Different pricing models are used to sell online advertising, and it is difficult to predict which, if any, of the models will emerge as the industry standard or standards. This makes it difficult to project our future advertising rates and revenues. A reduction in traffic on our website may cause new advertisers not to enter into contracts with us and could cause existing advertisers not to renew their contractual arrangements with us, each of which, in turn, would reduce our potential advertising revenues. Additionally, any development of Internet software that blocks advertisements before they appear on a user’s screen, may hinder the growth of online advertising and could materially and adversely affect our ability to grow our online advertising revenues and our business. Also, a slowdown in economic growth, whether in India or the United States, and in particular a slowdown in the growth of companies that advertise on the Internet, may result in a reduction in our advertising revenues.

Our contracts with advertising customers do not commit them to continue to provide us with a specific volume of business and can typically be terminated by them with or without cause, with little or no advance notice and without penalty. Additionally, our contracts with advertising customers are usually limited to a specific project and/or for a specific time period and not any future work. There are also a number of factors, other than our performance, which are not within our control that could cause the loss of advertising customers. Early termination of material contracts or non-renewal of an expired material contract could have a material adverse effect on our business and our future financial performance.

The loss of one or more significant advertisers could adversely affect our revenues.

We derive a considerable portion of our revenues from certain key advertisers. For the fiscal year ended March 31, 2015, our top ten advertisers in India accounted for approximately 17% of our India Online advertising revenues and approximately 7% of our India Online receivables. For the same period, for our U.S. publishing business, our top ten advertisers contributed approximately 31% of total U.S. publishing revenues. Any failure to meet advertiser expectations could result in the cancellation or non-renewal of contracts, which typically can be terminated by advertisers with or without cause, with little or no advance notice and without penalty. The loss of, or a significant reduction in the volume of business from, one or more of our large advertisers could have a material adverse effect on our operating results and financial condition.

Our operations could be disrupted by unexpected network interruptions caused by system failures, natural disasters or unauthorized tampering of our systems.

Our online businesses rely heavily on the Internet and, accordingly, depend upon the continuous, reliable and secure operation of Internet servers, related hardware and software and network infrastructure, such as telephone lines leased from service providers. The continual accessibility of our websites and the performance and reliability of our network infrastructure are critical to our reputation, and our ability to attract and retain users, advertisers and merchants. Any system failure or performance inadequacy that causes interruptions in the availability of our services or increases the response time of our services could reduce our appeal to advertisers and consumers. Factors that could significantly disrupt our operations include but are not limited to:

- system failures and outages caused by fire, floods, earthquakes, tsunamis, power loss, telecommunications failures and similar events;
- software errors; computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems;
- security breaches related to the storage and transmission of proprietary information, such as credit card numbers or other personal information; and
- terrorist acts or other acts of violence.

While we have taken steps to improve security and network reliability, we have limited backup systems and redundancy. The failure of these backup systems could lead to the disruption of our services and the loss of important data. We have suffered temporary service outages in the past from time to time that have resulted in a disruption of our services. Future disruptions or the occurrence of any of the foregoing factors may result in users being temporarily unable to access our services. Any sustained disruption will reduce the number of visitors to our website and could have a material adverse impact on the transactions handled through our website. Such disruptions could also reduce the number of advertisers and online shopping on our site and materially affect our operating results, which may lead to a decline in the market price of our ADSs.

We seek to protect our computer systems and network infrastructure from physical break-ins, as well as security breaches and other disruptive problems. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. There can be no assurance that these security measures will be effective.

If someone breaches our network security or otherwise misappropriates sensitive data about our users, we could be subject to liability. These liabilities could include fraud claims and other claims for misuses of personal information, such as unauthorized marketing purposes. These claims could result in litigation and could have a material adverse effect on our business, results of operations and financial condition.

We do not carry material business interruption insurance to protect us in the event of a catastrophe, even though such an event could lead to a significant negative impact on our business. Any sustained disruption in Internet access provided by third parties could also adversely affect our business.

We may lose a significant portion of our assets if banks in India collapse.

A significant portion of our assets is held in the form of cash and cash equivalents. We maintain a majority of such cash and cash equivalents in Indian Rupees with banks in India. In case one or more of these banks collapses due to financial crisis, or any futures ones, we may lose a substantial portion of our cash and cash equivalents. This could have a material adverse effect on our business, results of operations and financial condition.

We may not benefit from our acquisitions and investments and our acquired businesses could increase our net losses.

We have made several strategic and opportunistic acquisitions and investments in order to penetrate new markets, generate additional revenue streams and provide value-added services to our users. We may, if opportunities arise, acquire or invest in developing products, technologies or companies in the future. However, there can be no assurance that our acquisition and investment strategy will be successful or that we will realize the anticipated benefits from such acquisitions or investments. Lack of success in our acquisition and investment strategy could result in significant write-offs relating to such acquisitions and investments and thus, adversely impact our financial performance. Such transactions are accompanied by a number of risks, including:

- the failure to identify operating weaknesses of the acquired business during the course of due diligence and negotiations of these transactions;
- the difficulty of assimilating the operations, third-party relationships and personnel of the acquired companies with our operations;
- diversion of management time and focus from operating our business to acquisition integration process;
- the difficulty of incorporating acquired technology, software or content into our products, and unanticipated expenses related to such integration;
- the impairment of relationships with employees and customers as a result of any integration of new management personnel;
- the potential unknown liabilities associated with acquired businesses;
- the failure to develop successfully new products or technologies;
- the failure to popularize such products or technologies and/or derive expected revenues therefrom;
- unfavorable changes in business environment and government regulations;
- unfavorable changes in accounting rules and guidelines relating to our acquisitions;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- retention of employees from the businesses we acquire; and
- litigation or other claims in connection with the acquisition or investment, including claims from terminated employees, customers, former stockholders, or other third parties.

Any or all of our future acquisitions may face similar risks and we may not be successful in addressing these risks or any other problems encountered in connection with such acquisitions.

Our business and growth will be impaired if we are unable to retain our existing key personnel and hire additional skilled employees.

We are dependent on certain key members of our management team. In particular, our success depends upon the continued efforts of our Chairman and Managing Director, Ajit Balakrishnan. All of our employees are located in India and the United States, and each may voluntarily terminate his or her employment with us. Our planned activities will require additional expertise in sales and marketing, technology and other areas. The labor market for skilled employees is extremely competitive, and the process of hiring employees with the necessary skills is time consuming and may lead to the diversion of resources. We may not be able to continue to retain existing personnel or identify, hire and successfully integrate additional qualified personnel in the future. The loss of the services of key personnel, especially the unexpected death or disability of such personnel, or the inability to attract additional or replacement qualified personnel, could impair the growth of our business.

We are dependent on our agreements with mobile service providers for service delivery and fee collection.

Our mobile value added services, depend mainly on the cooperation of a large number of private and government mobile phone operators who have the necessary licenses to provide mobile services to consumers across various states/cities in India. We rely on all of these mobile phone operators to provide network and gateways for our mobile value added services. We also utilize their billing systems to collect service fees from customers. Certain of these mobile phone operators also provide services to their customers (such as the downloading of ringtones), which compete with the mobile services we offer. This may make them less eager to cooperate with us. If any or all of these mobile service providers encounter technical problems, or if they refuse to cooperate with us or reduce fees payable to us, our ability to provide mobile services may cease or be severely disrupted, which may have a significant and adverse impact on our future operating results.

We rely on increased sales of, and high renewal rates for, our subscription and fee-based products and services.

Growth in our India Online revenues will depend on the increase in users of our fee-based Internet services, including paid e-mail services, other subscription services and mobile value added service in India. If not enough users adopt and use our fee-based Internet services, our India Online revenue may not increase.

We depend on mobile operators to reach out to their customers.

We have arrangements with most Indian mobile operators which allow the customers of such mobile operators to download ringtones, wallpapers and other products from our servers. These customers can also access information relating to news, business and other information from us by using short messaging services. Some operators permit us to selectively send SMS messages, advertising our mobile products to a section of their customer base. The Telecom Regulatory Authority of India (“TRAI”) framed rules to prevent unsolicited commercial communications to mobile phone users who sign up for a “Do Not Disturb” registry. TRAI has directed operators to get written consent from users for activating value-added services (VAS) such as call ring back tone and hello tunes on their mobile phones. These and any other regulatory actions may have a material adverse impact on our future mobile VAS revenues.

Potential liability for information we publish may require us to defend against legal claims, which may cause significant operational expenditures and have an adverse impact on our financial results.

We may be subject to claims for defamation, libel, copyright or trademark infringement or other legal actions relating to the information we publish. For example, recently our Managing Director, Editor-in-chief and an Assistant Editor have been named as defendants in a complaint made at the Sessions Court in Chennai which has alleged that an article published on our website on the health status of the Chief Minister of Tamilnadu amounts to a defamation of her reputation. These types of claims have been brought, sometimes successfully, against news and opinion publishing businesses in the past. Our insurance coverage may not adequately protect us against these claims. Liability claims could require us to spend significant time and money in litigation and to pay significant damages. As a result, liability claims, whether or not successful, could seriously damage our reputation and business.

For information regarding pending litigation filed against us, please see “Business — Litigation and other legal matters” in this annual report.

We may be liable to third parties for information uploaded on or retrieved from our website.

We could be exposed to liability for content that may be accessible through our website or content and materials that we develop or that our users may upload or post in our social networking sites, message boards, chat rooms, blogs or via our other interactive services. For example, we are a party to a criminal writ petition filed in the High Court of Mumbai, India, which alleged that we, through our website, www.rediff.com, provided a search facility that enabled Internet users to view pornographic, objectionable and obscene material.

We may also be subject to claims for defamation, negligence, copyright or trademark infringement, personal injury or other legal theories relating to the information we post or products sold by third parties on our website. For example, we had been named as a defendant in proceedings filed by The Board of Control of Cricket in India (“BCCI”) in the High Court of Madras, where BCCI sought to obtain a permanent injunction against a vendor who depicted the image of “IPL”. We could also become liable if confidential information is disclosed inappropriately on or through our website.

It is also possible that if any information provided through our services contains errors, third parties could make claims against us for losses incurred in reliance on the information. Please see the section entitled “Business – Litigation and other legal matters” in this annual report for more information on the litigation described above.

We also offer Internet-based e-mail services, which could expose us to potential liabilities or claims resulting from:

- unsolicited e-mail;
- lost or misdirected e-mail;
- illegal or fraudulent use of e-mail;
- interruptions or delays in e-mail service; and
- loss or deletion of data stored in mailboxes.

Our video sharing platform, called iShare, allows members to upload and share music, videos and photos. Under our terms of use, our members are responsible for their accounts and must agree and undertake not to post or upload any material that violates or infringes any copyright or other privacy laws and acknowledge that Rediff.com assumes no responsibility for the content accessed or uploaded through this service. Nonetheless, we could be subject to litigation within or outside of India which could include civil or criminal prosecution and civil liability. Defending such litigation could involve substantial management time and cost and we can give no assurance that we would succeed in defending any such litigation.

The laws in India and the United States relating to the liability of companies which provide online services, like ours, for activities of their users, are still relatively unclear. Investigating and defending these claims is an expensive process, even if they do not result in liability. We do not carry insurance to protect us against all types of claims, and there is no precedent governing such liabilities under Indian law. Further, our business is based on establishing the Rediff.com website as a trustworthy and dependable provider of content and services. Allegations of impropriety, even if unfounded, could damage our reputation, disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses.

For information regarding pending litigation filed against us, please see “Business — Litigation and other legal matters” in this annual report.

If we are unable to provide innovative search experiences and other services that generate significant traffic to our website(s), our business could be harmed, causing our revenues to decline.

Internet search is characterized by rapidly changing technology, significant competition, evolving industry standards, and frequent product and service enhancements. We must continually invest in improving our users’ search experience—including improving the relevance of our search results, as well as presenting users with a search experience that is responsive to their needs and preferences in order to continue to attract, retain, and expand our user base. We currently deploy our own technology to provide search results on our network and failure to keep pace with industry and/or develop new innovative search offering could adversely impact our operating results.

We may be liable to third parties for the products they purchase online.

Consumers may sue us if any of the products or services offered on our website’s marketplace are defective, fail to perform properly and/or injures the user. Although our agreements with manufacturers and distributors whose products are displayed on our website’s marketplace typically contain provisions intended to limit our exposure to such liability claims, these provisions may not be sufficient to limit all of our liability from such claims. Product warranties are the responsibility of those who sell products on our website’s marketplace, although our reputation can be adversely affected if a user is not satisfied with a purchase. Liability claims could require us to spend a considerable amount of resources, time and money in litigation and to pay significant damages. Allegations of impropriety, even if unfounded, or poor service provided by manufacturers and distributors on our website’s marketplace, could damage our reputation, disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses.

For information regarding pending litigation filed against us, please see “Business — Litigation and other legal matters” in this annual report.

In addition, the laws relating to the online sale of goods and services are not fully developed. The various laws and regulations covering online sale of products and their interpretation involve a significant degree of uncertainty. Further, the application of tax law as it relates to online transactions for goods and services is likewise uncertain. Our business, financial condition and operating results may be materially affected if we were required to obtain such registrations or comply with various additional laws and regulations or pay additional taxes.

Privacy concerns may prevent us from selling demographically targeted advertising in the future and make us less attractive to advertisers.

We collect personal data from our user base in order to better understand our users and their needs and to help our advertisers target specific demographic groups. If privacy concerns or regulatory restrictions prevent us from selling demographically targeted advertising, we may become less attractive to advertisers. For example, as part of our future advertisement delivery system, we may integrate user information such as advertisement response rate, name, address, age or e-mail address, with third-party databases to generate comprehensive demographic profiles for individual users. However, if we are unable to construct demographic profiles for Internet users because users refuse to give consent, we will be less attractive to advertisers and our business may suffer.

Regulatory authorities around the world are considering a number of legislative proposals concerning data protection. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Further, failure or perceived failure by us to comply with our policies, applicable legal and other requirements, related to the collection, use, sharing or security of personal information, or other privacy, data-retention or data-protection matters could result in a loss of user confidence in us, damage to our brands, resulting in a loss of users, advertising partners, or affiliates, which could adversely affect our business.

We may not be able to manage our operations effectively if we grow, which could harm our business.

We anticipate expansion of our business in India as we address growth in our customer base and market opportunities. In order to manage the expected growth of our operations and personnel, we will be required to improve existing and implement new operational and financial systems, procedures and controls, and to expand, train and manage our employee base. Further, our management will be required to maintain and expand our relationships with various other partners, including but not limited to, mobile phone operators, Internet and other online service providers and other third parties necessary to operate and grow our business. We cannot assure you that our current and planned personnel, systems, procedures and controls will be adequate to support our future operations or that such relationships will be maintained or developed.

Currency exchange rate fluctuations may adversely impact our operating results and financial condition.

The exchange rate between the Indian Rupee and the U.S. dollar has fluctuated substantially both historically and in recent years, and could continue to fluctuate substantially in the future. Our Indian revenues are translated into U.S. Dollars for reporting purposes at average annual U.S. Dollar/Indian Rupee exchange rates, which are computed by us based on daily closing rates published by the Reserve Bank of India. If the Indian Rupee depreciates further, such depreciation may adversely affect our reported revenues and operating results in U.S. Dollars.

Additionally, because a substantial portion of our cash and cash equivalents is currently held in Indian Rupees, devaluation or depreciation of the value of the Indian Rupee will adversely affect the value of our cash reserves in foreign currency terms. In addition, our market valuation could be materially adversely affected by the devaluation of the Indian Rupee if U.S. investors analyze our value and performance based on the U.S. dollar equivalent of our financial condition and operating results.

A small group of our existing shareholders control our Company and may have interests which conflict with those of our other shareholders or owners of our ADSs.

As of March 31, 2015 our six largest shareholders beneficially owned an aggregate of approximately 63% of our Equity Shares.

As a result, such shareholders could act collectively to exercise control over most matters requiring approval by our shareholders, including the election of directors and approval of significant corporate transactions among other matters. Under Indian law, a simple majority is sufficient to control all shareholder action except for those items which require approval by a special resolution. In case of a special resolution, approval of three-fourths of the shareholders present and voting is required. Examples of actions that require a special resolution include:

- amending our Articles of Association;
- issuing additional shares of capital stock, except for pro rata issuance to existing shareholders;
- commencing any new line of business; and
- commencing liquidation.

Further, Ajit Balakrishnan, Diwan Arun Nanda and Rediffusion Holdings Private Limited (formerly Rediffusion Advertising Private Limited), are entitled to appoint and have appointed Mr. Balakrishnan as a Director and as our Chairman so long as they hold, singly or jointly, not less than 10% of our issued, subscribed and paid-up capital. Mr. Balakrishnan currently serves an indefinite term as a Director and is not required to retire by rotation.

The interests of our controlling shareholders may differ from our other shareholders or owners of our ADSs and could result in a delay or prevention of a change in control of our Company even if a transaction of that sort would be beneficial to our other shareholders, including the owners of our ADSs, or in the best interest of our Company.

For additional information regarding our principal shareholders, please see “Principal Shareholders” in this annual report.

The laws of India do not protect intellectual property rights to the same extent as those of the United States, and we may be unsuccessful in protecting our intellectual property rights, which could lead to a reduction in our revenues and an increase in our expenses.

Our intellectual property rights are important to our business. We rely on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property.

Our efforts to protect our intellectual property may not be adequate. Our competitors may independently develop similar technology or duplicate our products or services. Unauthorized parties may infringe upon or misappropriate our products, services or proprietary information. In addition, the laws of India do not protect proprietary rights to the same extent as the laws of the United States, and the global nature of the Internet makes it difficult to control the ultimate destination of our products and services. The misappropriation or duplication of our intellectual property could disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses. We may need to litigate to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time-consuming and costly and may not ultimately prove successful which could have an adverse effect on our financial results.

We could be subject to intellectual property infringement claims as the number of our competitors grows and the content and functionality of our website or other product or service offerings overlap with competitive offerings. Defending against these claims, even if not meritorious, could be expensive and divert our attention and resources from operating our business. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damages awards and forced to develop non-infringing technology, obtain a license or cease selling the applications that contain the infringing technology. We may be unable to develop non-infringing technology or obtain a license on commercially reasonable terms, or at all.

For additional information regarding our intellectual property rights, please see “Business - Intellectual Property” in this annual report.

The limited installed personal computer base in India limits our pool of potential customers and restricts the growth of our business.

The market penetration of, or access to, personal computers, or PCs, and, consequently, the Internet in India is far lower than in the United States. Alternate methods of obtaining access to the Internet, such as through smart phones, cable television modems or set-top boxes for televisions, although available, are available in a limited manner in India. We cannot assure you that the market penetration of personal computers in India will increase rapidly or at all, or that alternate means of accessing the Internet will develop and become widely available in India. If these events do not occur we may not be able to expand our customer base, which will make it difficult for us to execute our business strategy.

The success of our e-commerce platform depends on its acceptance and growth in India, which is uncertain.

Many of our existing and proposed products and services are designed to facilitate e-commerce in India, and demand and market acceptance for these products and services by consumers is highly uncertain. Critical issues concerning the commercial use of the Internet, such as legal recognition of electronic records, validity of contracts entered into through the Internet and the validity of digital signatures, are governed in India by the Information Technology Act, 2000 (the “IT Act”). In addition, many Indian businesses have deferred deploying e-commerce initiatives for a number of reasons, including the existence or perception of, among other things:

- inconsistent quality of service;
- lack of legal infrastructure relating to e-commerce in India;
- lack of security of commercial data such as credit card numbers;
- low number of Internet users in India; and
- low levels of credit card penetration in India.

If usage of the Internet, credit cards and e-commerce in India does not substantially increase and the legal infrastructure and network infrastructure in India are not further developed, we are not likely to achieve significant growth of our e-commerce products and services which could adversely impact our operating result.

Management’s use of estimates may affect our income and financial position.

To comply with GAAP, management is required to make various estimates, judgments and assumptions. The facts and circumstances on which management bases these estimates, judgments, assumptions, and management’s judgment of the facts and circumstances, may change from time to time and this may result in significant changes in the estimates, with an impact on our assets or income. Current and future accounting pronouncements and other financial reporting standards may adversely affect the financial information we present. We regularly monitor our compliance with all of the financial reporting standards that are applicable to us and any new pronouncements that are relevant to us. Findings of our monitoring activity or new financial reporting standards may require us to change our internal accounting policies and to alter our operational policy so that it reflects new or amended financial reporting standards. We cannot exclude the possibility that this may have a material impact on our assets, income, or cash flows.

If we fail to or are unable to implement and maintain effective internal controls over financial reporting, the accuracy and timeliness of our financial reporting may be adversely affected.

We are subject to reporting obligations under U.S. securities laws. The SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring every public company to include a report of management on the effectiveness of such company's internal control over financial reporting in its annual report. In addition, an independent registered public accounting firm must issue an attestation report on the effectiveness of the company's internal control over financial reporting.

We recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. If we fail to maintain effective internal control over financial reporting in the future, we and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in the loss of investor confidence in the reliability of our financial statements. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act. If we are not able to continue to meet the requirements of Section 404 in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by the SEC or other regulatory authorities. Any such action could adversely affect the accuracy and timeliness of our financial reporting.

Risks Related to Investments in Indian Companies.

We are incorporated in India, and a large part of our assets, business operations and employees are located in India. Consequently, our financial performance and the market price of our ADSs will be affected by social and economic developments in India and the policies of the Government of India, including taxation and foreign investment policies, as well as changes in exchange rates, interest rates and controls, among other matters.

Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C., on September 11, 2001, New Delhi on December 13, 2001, the Mumbai train bombings on July 11, 2006, the terror attacks in Mumbai on November 26, 2008 and July 13, 2011 as well as other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Travel restrictions as a result of such attacks may have an adverse impact on our ability to operate effectively. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

If communal disturbances or riots erupt in India, or if regional hostilities increase, this would adversely affect the Indian economy, the health of which our business depends upon.

Some parts of India have experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, the market for our services may be adversely affected, resulting in a decline in our income.

The Asian region has from time to time, experienced instances of civil unrest and hostilities among neighboring countries, including those between India and Pakistan. Since May 1999, military confrontations between India and Pakistan have occurred in Kashmir. The hostilities between India and Pakistan are particularly threatening because both India and Pakistan are nuclear powers. Hostilities and tensions may occur in the future and on a wider scale. Also, since 2003, there have been military hostilities and continuing civil unrest and instability in Iraq, Afghanistan, Egypt, Libya, Syria and other part of Middle East. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our ADSs, and on the market for our services.

Future political instability in India could halt or delay the liberalization of the Indian economy and adversely affect economic conditions in India generally and our business in particular.

The Government of India has traditionally exercised and continues to exercise significant influence over many aspects of the economy. Our business, and the market price and liquidity of our ADSs, may be affected by interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. We cannot assure you that these liberalization policies will continue in the future. Any significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally, including our business.

In the event that the Government of India changes its tax policies in a manner that is adverse to us, our tax expense may materially increase.

In the Finance Act, 2012, the Government of India introduced a new service tax based on a negative list of services. Consequently, all services have become taxable, except specifically exempted services. The Finance Act, 2015 has increased the rate from the 12% plus 0.36% surcharge to a combined rate of 14% effective from 1st June 2015. Further the Act also introduced Swachh Bharat Cess (clean India campaign) on all or certain taxable services at a rate of 2% on the value of such taxable services, which is not yet in effect. This would increase the cost of input services.

The Union Budget, 2015 has proposed to implement Goods and Service Tax (GST) starting April 1, 2016. It is proposed to combine other indirect taxes such as Central Excise duty, Service tax, Octroi, VAT and Sales tax, entry tax, etc., into GST, thus avoiding multiple layers of taxation that currently exist in India. The proposed levying of GST on the supply of Goods and Services will harmonize the Indirect Tax structure in the country.

The Finance Act, 2012 has also made certain retrospective amendments effective June 1, 1976, such as broadening the term "royalty". Any retrospective tax amendments may adversely affect our financial condition and results of operations.

The Finance Act, 2013 has increased the tax withholding rate from 10% to 25% in respect of the payment to be made to non-residents towards "Royalty" and / or "Fees for Technical Services". However, the Finance Act, 2015 has amended the rate of tax withholding on payment made to non-residents to 10% from 25% at present, subject to furnishing of Indian PAN by such non-residents. The new rates are effective from April 1, 2015. In case Double Taxation Avoidance Agreements prescribing lower withholding tax rate than the above, such rate would be applicable subject to fulfillment of prescribed conditions and documentation including furnishing of Indian PAN. As we procure various software licenses and technical services from non-residents in course of delivering our products and services, the cost of withholding tax on such procurements may increase and adversely affect our results of operations.

We operate in jurisdictions that impose transfer pricing and other tax-related regulations on us, and any failure to comply could materially and adversely affect our profitability.

We are required to comply with various transfer pricing regulations in India. Failure to comply with such regulations may impact our effective tax rates and consequently affect our net margins.

Indian law limits our ability to raise capital and the ability of others to acquire us, which could prevent us from operating our business or entering into a transaction that is in the best interests of our shareholders.

Indian law constrains our ability to raise capital through the issuance of equity or convertible debt securities. Foreign investment in an Indian company may require approval from relevant government authorities in India including the Reserve Bank of India. The Government of India has classified existing businesses into various categories for automatic approval of foreign direct investment up to certain prescribed percentages. Under the current guidelines, the Government of India provides for approval under the automatic route for foreign direct investment proposals relating to the information technology sector.

We cannot assure you that equity or other forms of financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, our ability to fund our operations, take advantage of anticipated or unanticipated opportunities, develop or enhance our infrastructure and services, or otherwise respond to competitive pressures would be significantly limited. Our business, operating results and financial condition could be adversely affected by any such limitation.

Our ability to acquire companies organized outside of India may depend on the approval of the Government of India and the Reserve Bank of India. Our failure to obtain approval for acquisitions of companies organized outside India may restrict our growth, which could negatively affect our revenues.

As part of our business strategy, we may plan to acquire complementary businesses, including businesses based outside of India. For the acquisition of a business based outside India we may, under certain circumstances, be required to obtain approval of the Reserve Bank of India and/or the Government of India. Under guidelines issued by the Reserve Bank of India, the acquisition of companies organized outside India is permitted under certain circumstances without prior approval if such acquisition does not exceed 400% of the net worth of the acquiring company as of the date of the last audited balance sheet or unless the acquisition is funded with cash from acquiring company's existing foreign currency accounts or with cash proceeds from the issuance of ADRs/ADSs. This ceiling includes contribution to the capital of companies organized outside India, loans granted by the Indian party to such companies organized outside India and all of the guarantees issued by the Indian party to or on behalf of such companies organized outside India.

If we move forward with such an acquisition outside of India, we cannot assure you that we will be able to obtain any required approval from the Reserve Bank of India and/or the Government of India. Our failure to obtain approval from the Reserve Bank of India and/or the Government of India for acquisitions of companies organized outside India may restrict our growth, which could negatively impact our business and prospects and the market value of our ADSs.

Statistical and third-party data in this document and documents incorporated by reference herein may be incomplete or unreliable.

We have not independently verified data from industry publications and other third-party sources and therefore cannot assure you that they are complete or reliable. Such data may also be produced on different bases from those used in Western countries. Therefore, discussions of matters relating to India, its economy or our industry are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable.

It may be difficult for you to enforce any judgment obtained in the United States against us, or our affiliates.

We are incorporated under the laws of the Republic of India and many of our directors and executive officers reside outside of the United States. In addition, a large part of our assets and the assets of many of these persons are located outside of the United States. As a result, you may be unable to:

- effect service of process upon us outside India or these persons outside the jurisdiction of their residence; or
- enforce against us in courts outside of India or these persons outside the jurisdiction of their residence, judgments obtained in U.S. courts, including judgments predicated upon the federal securities laws of the United States.

We have been advised by our Indian counsel that the United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments of courts in the United States in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment which has been obtained in the United States. A judgment of the courts in the United States shall be conclusive as to any matter directly adjudicated between the parties to the suit except if Indian courts were of the opinion that such judgment:

- was not rendered by a court of competent jurisdiction;
- was not rendered on the merits of the case;
- appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases in which such law is applicable;
- was obtained in proceedings which are opposed to "natural justice"; or
- sustains a claim founded on a breach of any law in force in India.

Risks Related to the ADSs and Our Trading Market

An active or liquid market for our ADSs is not assured.

Trading volume in our ADSs is inconsistent and we cannot assure you that an active, liquid trading market in our ADSs will be established. Holders of our ADSs are entitled to withdraw the Equity Shares underlying the ADSs from our depository facility at any time, subject to certain legal restrictions.

In addition, under current Indian law, Equity Shares may only be deposited into our depository facility in exchange for ADSs and, under certain circumstances, the number of ADSs that can be outstanding at any time is limited as follows: after any offering of ADSs, Equity Shares can be deposited for issuance of ADSs only to the extent that (a) holders have surrendered ADSs and withdrawn Equity Shares from the ADS facility and (b) such holders sold such Equity Shares through stockbrokers registered with the Securities and Exchange Board of India (“SEBI”) in a domestic Indian stock market. Therefore, unless the law is changed, the number of outstanding ADSs and the trading volumes for all ADSs may significantly decrease at any time to the extent that Equity Shares are withdrawn from our depository facility and not deposited for the re-issuance of ADSs, which may adversely affect the market price and the liquidity of the market for our ADSs.

Currently there is no public trading market for our Equity Shares in India or elsewhere, which, together with existing Indian laws that restrict the conversion of outstanding equity shares into ADSs, reduces your ability to sell our Equity Shares represented by ADSs.

Currently there is no public trading market for our Equity Shares in India or elsewhere, and we cannot assure you that we will take steps to develop one or that we will be able to meet applicable listing guidelines or regulations to list our Equity Shares on a stock exchange in India or elsewhere. Our Equity Shares are currently only traded on the NASDAQ Global Market in the form of ADSs. Under current Indian laws and regulations, outstanding Equity Shares not listed in India may not be deposited into our depository facility except in certain limited circumstances or with certain regulatory approvals. Thus, if you elect to surrender your ADSs and receive Equity Shares, you will not be able to trade those Equity Shares on any securities market. Further, you will be prohibited from re-depositing such unlisted outstanding Equity Shares with our Depository.

Under current Indian regulations and practice, approval of the Reserve Bank of India is not required for a renunciation in favor of a resident of India of rights to subscribe to equity shares pursuant to a rights offering or for the sale of equity shares underlying ADSs by a non-resident of India to a resident of India, unless the sale breaches the pricing guidelines laid down for this purpose by the RBI, which specify that where the equity shares of an Indian company are not listed on a stock exchange in India, the transfer of shares shall be at a price not less than the fair value to be determined by a SEBI registered Category-I Merchant Banker or a Chartered Accountant as per the discounted free cash flow method. The price per share arrived at should be certified by a SEBI registered Category-I Merchant Banker/Chartered Accountant.

Our management has broad discretion in using the proceeds from our securities offerings and cash from operations and therefore investors will be relying on the judgment of our management to invest those funds effectively.

Our management has broad discretion with respect to the use of the net proceeds from our securities offerings and cash from our operations. As of March 31, 2015, we held approximately US\$8.3 million as cash and cash equivalents and short term deposits with banks on which we are earning interest.

We intend to use these funds primarily to develop additional platforms for the growth of our online business, product development, and general corporate purposes, including capital expenditures and strategic investments, partnerships and acquisitions. However, there is a possibility that we may be unable to make successful strategic investments, partnerships or acquisitions in the near future. Further, there could be a risk that our management may use these funds in an inefficient or ineffective manner.

Our ADS market price is highly volatile and could drop unexpectedly in the future. Should our ADS market price drop below \$1.00, our ADSs may be delisted from the NASDAQ Global Market.

The stock markets in the United States have from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of technology companies, particularly Internet companies. Volatility in the price of our ADSs may be caused by factors outside of our control and may be unrelated or disproportionate to our operating results. In the event that the bid price of our ADSs falls below \$1.00 and remains below \$1.00 for more than 30 consecutive days, our ADSs may be delisted from the NASDAQ Global Market. The delisting of our ADSs from the NASDAQ Global Market could negatively affect the market price of our ADSs and impair your ability to sell such ADSs.

In the past, following periods of volatility in the market price of a public company’s securities, securities class action litigation has often been instituted against that company. Securities class action litigation had been instituted against us in the United States in the past. Such litigation, if brought against us in the future, even if unsuccessful, could damage our reputation and result in substantial costs and a diversion of our management’s attention and resources.

Owners of our ADSs may be restricted in their ability to exercise preemptive rights and thereby may suffer future dilution of their ownership position.

Under the Indian Companies Act, 2013, a company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the preemptive rights have been waived by adopting a special resolution by holders of three-fourths of the company's equity shares which are voted on the resolution. U.S. owners of ADSs may not be able to exercise preemptive rights for Equity Shares underlying ADSs unless a registration statement under the Securities Act is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any given registration statement as well as the perceived benefits of enabling the owners of our ADSs to exercise their preemptive rights and any other factors that we deem appropriate to consider at the time the decision must be made. We may elect not to file a registration statement related to preemptive rights otherwise available by law to our shareholders. In the case of such future issuance, the new securities may be issued to our Depository, which, if there is a trading market for such new securities which may not be the case, may sell the securities for the benefit of the owners of our ADSs. The value, if any, our Depository would receive upon the sale of such securities cannot be predicted. To the extent that owners of ADSs are unable to exercise preemptive rights granted in respect of the Equity Shares represented by their ADSs, their proportional interests in our Company would be reduced.

Owners of our ADSs may be restricted in their ability to exercise voting rights because of the practical and legal limitations associated with instructing our Depository to vote on your behalf.

Holders of ADSs may exercise voting rights only through a depository, unlike an owner of Equity Shares, who can exercise voting rights directly. An owner of ADSs generally will have the right under the deposit agreement to instruct our Depository to exercise the voting rights for the Equity Shares represented by the ADSs. Owners of ADSs have no rights pursuant to the Companies Act, under which we are incorporated, and are limited to those rights granted to them pursuant to the depository agreement.

If our Depository timely receives voting instructions from an owner of ADSs, it will endeavor to vote the securities represented by those ADSs in accordance with such voting instructions. In the event that voting takes place by a show of hands, our Depository will cause the custodian to vote all deposited securities in accordance with the instructions received from owners of a majority of the ADSs for which our Depository receives voting instructions. However, the ability of our Depository to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure that holders of ADSs will receive voting materials in time to enable them to return voting instructions to our Depository in a timely manner.

In June 2009 The Ministry of Company Affairs (MCA) of the Government of India has clarified that a depository receipt holder cannot be considered to be a shareholder of the Company until such time as the holder elects to transfer / redeem depository receipts for underlying equity shares. It has been further clarified that the depository bank cannot be considered a nominee of the holder under the Indian Companies Act.

We do not pay dividends and currently have no plan to pay dividends in the foreseeable future.

We currently do not pay cash dividends and do not anticipate paying cash dividends to the owners of our Equity Shares or ADSs in the foreseeable future. Accordingly, investors must rely on sales of their Equity Shares or ADSs, which may increase or decrease in value, as the only way to realize cash from their investment. Investors seeking cash dividends should not purchase our ADSs.

We may be classified as a passive foreign investment company for United States federal income tax purposes, which could subject United States investors in the ADSs or Equity Shares to adverse tax consequences.

We do not expect to be classified as a passive foreign investment company ("PFIC") for United States federal income tax purposes for the most recent taxable year ended March 31, 2015. However, there is no guarantee that the Internal Revenue Service will agree with our determination. Moreover, it is uncertain whether we will be classified as a PFIC for any future taxable year. PFIC status is a factual determination made annually on the basis of the composition of our income and the value of our active versus passive assets. We currently maintain a significant amount of passive assets, including cash, which contributes significantly to the risk that we may be or become classified as a PFIC. If we do not spend substantial amounts of our liquid assets for business development purposes or if our market capitalization does not substantially increase, we may also be classified as a PFIC for one or more future taxable years. If we are or become classified as a PFIC, United States investors holding our ADSs or our Equity Shares may be subject to penalizing tax and interest charge rules on gain recognized on the sale or other disposition of our ADSs or our Equity Shares and on the receipt of distributions on our ADSs or Equity Shares to the extent such distributions are treated as an "excess distribution" under the United States federal income tax rules. Please see the section in this annual report entitled "Taxation – United States Federal Income Tax Considerations – Passive Foreign Investment Company Rules".

Sales of substantial amounts of securities in the public market could depress the price of our ADSs and could impair our ability to raise capital through the sale of additional Equity Shares.

The market price of our ADSs could decline as a result of sales of a large number of Equity Shares represented by ADSs on a U.S. stock exchange or elsewhere, or the perception that such sales could occur. Such sales also might make it more difficult for us to sell Equity Shares in the future at a time and at a price that we deem appropriate. As of March 31, 2015, we had an aggregate of 13,795,178 Equity Shares outstanding. Of the outstanding Equity Shares, 9,295,956 ADSs, representing 4,647,978 Equity Shares, are freely tradable. Our remaining Equity Shares may be sold in the United States pursuant to a registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act. Further, certain holders of at least 30% of our Equity Shares can require us, subject to limitations, to effect a registration of such Equity Shares and/or to list the Equity Shares either on the NASDAQ Global Market (formerly the NASDAQ National Market), the National Stock Exchange of India or the Bombay Stock Exchange Limited (formerly The Stock Exchange, Mumbai).

We may be required to list our Equity Shares on an Indian stock exchange. If we were to list our Equity Shares on an Indian stock exchange, conditions in the Indian securities market may require compliance with new and changing regulations framed by Securities Exchange Board of India (SEBI), listing requirements of stock exchange, corporate governance, accounting and public disclosure requirements which might add uncertainty to our compliance policies and increases our costs of compliance. Further, If we were to list our Equity Shares on an Indian stock exchange, conditions in the Indian securities market may affect the price or liquidity of our Equity Shares and indirectly of our ADSs.

On June 28, 2006, the Ministry of Finance (MoF) of the Republic of India issued amendments to the “Issue Of Foreign Currency Convertible Bonds And Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993” (the “Scheme”). The amendments included a statement that Indian companies that have issued depository receipts and/or foreign currency convertible bonds prior to August 31, 2005 will be permitted to comply with listing conditions on the Indian stock exchanges within three years of starting to make profits. However, by virtue of notification issued by the MoF on October 21, 2014, the issuance of depository receipts has been taken out of the 1993 Scheme and is now regulated by the Depository Receipts Scheme, 2014. The 2014 Scheme allows Indian companies, whether listed or unlisted, to access the international capital markets using depository receipts. Such issuances can either be through a public offering of depository receipts or through a preferential allotment or qualified institutional placement. They can also either be sponsored by the issuer company or unsponsored such as when an existing shareholder sells its holding through the issue of depository receipts. These issuances are subject to the usual foreign investment regime, including in relation to sectoral caps as well as pricing. Moreover, such issuances are permitted only to investors in certain specific jurisdictions as listed in the 2014 Scheme, which currently consists of a list of 34 countries. The earlier condition of mandatory listing in India is dispensed with.

We may be required by the Government of India at some point in time to list on a local Indian stock exchange. We may not be able to comply with any timeline for listing and other standards imposed on us, and we are uncertain as to the consequences to us of any non-compliance. If we were to list our equity shares on an Indian stock exchange, we will have to comply with changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the SEBI rules and regulations and stock exchange listing requirements which may create uncertainty for companies like ours. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

The Indian securities markets are smaller than securities markets in more developed economies and are more volatile than the securities markets in other countries. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, from time to time, disputes have occurred between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If we were to list our Equity Shares on an Indian Stock Exchange and similar problems occur in the future, they could harm the market price and liquidity of the Equity Shares and this could have an adverse effect on the price and liquidity of our ADSs.

BUSINESS

Overview

Our legal name is Rediff.com India Limited and our commercial name is Rediff.com. We were incorporated in India on January 9, 1996 as Rediff Communication Private Limited under the Indian Companies Act. We converted to a public company on May 29, 1998. On February 15, 2000, we changed our name to Rediff.com India Limited. Our principal office is located at Mahalaxmi Engineering Estate, 1st Floor, L. J. First Cross Road No-1, Mahim (West), Mumbai 400 016, India, and our telephone number is +91-22-6182-0000. Our Internet address is www.rediff.com. Other information included in the website is not incorporated by reference into this document.

We are a leading internet platform that enables content sharing and e-commerce for consumers and enterprises through our website and mobile application in India and elsewhere in the world.

Through Vubites, we also provide a platform for TV advertising targeting for small, medium and large corporate enterprises. In the United States, our news and information platform comprises of a weekly print newspaper named "India Abroad" and an internet website under the name "Rediff India Abroad".

In June 2000, we issued 5.3 million ADSs, representing 2.65 million Equity Shares, at a price of US\$12.00 per ADS, raising net proceeds of US\$57.3 million, after underwriting discounts and other expenses, and we listed our ADSs on the NASDAQ Global Market (formerly the NASDAQ National Market). In November 2005, we issued an additional 3.0 million ADSs, representing 1.5 million Equity Shares, at a price of US\$15.86 per ADS, raising net proceeds of US\$44.1 million, after underwriting discounts and other expenses, and these ADSs were also listed on the NASDAQ Global Market. Our ADSs are listed and traded on the NASDAQ Global Market under the ticker symbol REDF. The net proceeds of our ADS offerings have been used by us, and in future, are intended to be used by us, to develop content for our Internet website, to advertise and promote our brand, to improve the technological capabilities of our company, and for general corporate purposes, including capital expenditures, strategic investments, partnerships and acquisitions.

On November 26, 2010, we acquired Vubites India Private Limited ("Vubites") for approximately US\$0.30 million in cash and the assumption of a \$2.7 million loan. Vubites helps small and local businesses advertise on national TV channels within their cities to reach their target audiences.

Our Markets

We believe that the growth of our revenues and profits from our India Online business is dependent on the growth of the Indian Internet market accessed from PCs and smartphones, which in turn is dependent on public and private investment for broadband infrastructure, the evolution of adequate online payment mechanisms and e-commerce logistic in India, as well as the adoption of online advertising by advertisers, and our ability to execute on our plans.

Our market share of internet users in India accessing the internet from home and the office using PCs as measured by ComScore is presently 20%, and our future growth and profitability is directly dependent on our maintaining this market share as India's internet user growth increases with the planned launch by mobile phone operators of 3G and 4G mobile data services.

The growth of our international business, particularly our US operations, is dependent on our ability to deliver PC and mobile based services that appeal to the Indian American population that we presently serve with our weekly print newspaper India Abroad and our website Rediff India Abroad.

Our overall growth is also dependent on general economic conditions in all our markets, particularly India and the adoption of internet advertising by consumer companies in the finance, consumer durable and consumer electronics and auto industries and increase in monetization of our user base for e-commerce marketplace.

Our Opportunities

We believe our opportunities are driven by the following factors, among others:

- We were an early entrant in the Indian Internet market and our brand continues to be recognized and trusted by Indian Internet users. We were the first company in India to introduce an e-commerce platform and related services and through the expansion of our service offering, have retained a loyal user base following, with opportunities for expansion;
- We offer services based on contemporary technology, thus making them easy to use and accessible through PCs, smart phones and tablet-based devices that have Internet capabilities. We have invested over the years in our news media and e-commerce platforms to ensure our services are readily available and easy to use across virtually all operating systems, mobile devices and communications platforms;

- We expect the growth of e-commerce in India to be fueled by anticipated improvements in broadband access, online payment infrastructure and distribution and fulfillment facilities, an increase in credit and debit card penetration rates, and the development of alternative payment mechanisms for online purchases, such as cash on delivery; and
- We expect the growth in Internet access in India through PCs, smart phones and other mobile devices such as tablets to be further fueled by the recent issuance of 3G licenses in India and the expected roll out of both 3G and 4G services.

We believe that, as an operator of an internet platform with a large number of users, we are well positioned to benefit from the anticipated growth of revenues generated from these services, as well as new services we may offer in the future.

Our Strategy

We are focused on providing an internet platform that makes it easy for consumers and online shoppers to discover content and products that is to their liking. We make continuous efforts to improve the usability of our platform, add new features and improve the security and robustness of transactions on our platform.

We also make continuous efforts to make it easy for merchants and content creators to list their products and services on our platform and we provide them with analytics to help them improve their business on our platform.

Our news and information services are made up of both original content that we create, as well as content that we crawl and index from the world-wide web, as well as content that is licensed from third party providers. Such content is in the form of text, audio and video.

Our free and reliable email service, rediffmail, is a key draw for users to come to our site repeatedly. This email service is continuously improved by reducing spam and improving usability. A paid version of this service is in use with highly discerning customers, including many insurance and pharmaceutical companies. We have created mobile apps to use this mail service across many popular platforms, including Android and Apple iPhone.

Our e-commerce marketplace platform has continuously improved services to help merchants list their products and we continuously expand the number of logistics services available to these merchants and also widen the number and type of payment mechanisms available to shoppers. In the past few months we have fundamentally upgraded the analytics support we provide to merchants and we are presently testing with them a new mobile app to help merchants manage their business with us with less effort.

Presently, we are able to get a fraction of our user base to shop on our website. With the deployment of mobile applications we expect our user base to grow significantly. With the help of mobile technology we are helping our merchants to list their products and services at a faster pace. We also intend to increase the current merchant base, which will help to increase product listings / SKUs. We continue to invest in creating and deploying algorithms that help match users with the content and product listings on our platform. We believe that all this will help us to increase the monetization of e-commerce marketplace.

Our India Online Business

Our Rediff.com India website consists of information, communication and content services, free community products and platforms, e-commerce and mobile services. With 17 million monthly active users in India, as reported by ComScore Media Metrix (March 2015 report) we believe Rediff.com is one of the most recognized online brands in India and among the Indian community worldwide.

Information and Content

We deliver information and content to our users in an easy-to-use interface for both PC and mobile phones. The information and content channels currently available to our users include news, business, movies, cricket/sports and several other topics of interest. We currently offer this information and content without charge to our users.

We believe, based on the data provided by the ComScore, that a significant percentage of our online users are in the 18- to 34-year old age group. As such, we place emphasis on reaching younger users through focused information and content relevant to this audience, and target our marketing efforts to reach this demographic, as well as others, both in metro and small towns in India. Our specific offerings include:

E-mail

We offer our users a variety of e-mail solutions tailored to their needs.

- Rediffmail, our flagship e-mail service, is provided free of charge to our users. We have now made our interface more user friendly by providing easy navigation tools to quickly perform actions like reading unread mails, composing a new mail, deleting mails and accessing the calendar and contacts. The service is also accessible on mobile devices and is designed to work seamlessly on most mobile phones.
- Rediffmail PRO is aimed at the small and medium sized enterprise (“SME”) segment in India. Rediffmail ePro services are designed for use by large enterprises.

Local TV Advertising

Vubites enables local businesses to advertise on national TV channels within their city. Vubites works with TV broadcasters and cable multi-system operators (MSOs) in the principal cities of India, enhancing local advertiser’s revenues by helping to make advertising on TV more affordable. Vubites offers web-based tools that small merchants can use to create low cost TV ads in mpeg2 format, which play on television directly, an online media planning tool with which advertisers can create their media plan without any assistance, and a technology to insert TV ads at the city level.

Content Sharing Platform

Our content sharing platform has several components. **Rediff Blogs** enables users to set up their own blogs and publish their thoughts and ideas directly and instantly on the web as well as the ability to visit other blogs and comment on them. Users can also post pictures and create multiple blogs under a single username and password.

On our video sharing platform, **Rediff iShare**, videos are now available for viewing on iPhones and other operating systems (OS). Video files are now available in both MP4 and flash video formats.

Rediff MyPage is our free online social networking product which allows users to become part of a network by creating and uploading profiles that include details about their profession, education and interests. Thereafter, users can invite friends to join their network and can become linked to a larger network.

Get Ahead, our editorial content channel, also supports a forum for questions and answers. This social media platform allows users to post questions and answers on various issues, and vote for the most relevant answers within a community environment. **ZaraBol** allows users to share messages.

MONEYWIZ provides stock market quotes, company information and a personal portfolio tracker, business news, feature articles, expert columns and interviews. Our business channel offers business news from India and coverage of Indian stock markets. This channel also provides regular columns and feature stories, as well as personal finance information. Our free, real-time stock market indices and stock quotes tool, which enables users to benchmark returns on their investments has been well received by users.

e-commerce Marketplace

Rediff Shopping is an online marketplace which allows users to purchase products and services listed on our platform by various merchants. We offer products and services from merchants in various categories which currently include apparel and accessories, mobile phones and accessories, electronics, automobiles, home décor and related furnishings, toys, games, flowers, jewelry and a host of other products.

Customers can pay for their purchases using a variety of payment options, including credit cards, debit cards, online banking services, cash on delivery, gift vouchers and checks/demand drafts. We have entered into agreements with leading Indian banks to facilitate payment processes. In our effort to provide more users with the convenience of online shopping, we partnered with India Post as a logistics partner. This allows us to service more than 26,000 pin codes (similar to zip codes in the United States) across the country. We also continue to work with our vendors to improve delivery cycles to better serve our customers and believe our logistics network enables us to reach virtually all regions of India, a key competitive differentiator.

Rediff Shopping also features a vendor rating system to enable online shoppers on our e-commerce platform to rate their shopping experience with different online merchants. Customers are invited to provide feedback when items are delivered, rating their experience with the vendor as satisfactory, unsatisfactory or undecided. Vendors are rated based on the feedback provided.

Our Revenue Sources

Our India online business primarily includes revenues from both advertising and fee-based services. Online advertising includes revenues from advertisements and sponsorships of events on web. Fee-based services include revenues from online shopping, subscription services.

Advertising

Advertising includes revenues from banner advertising, performance-based advertising, e-mail and text link campaigns and sponsorships of events on web. Our advertisers enter into agreements pursuant to which they either pay a fixed fee per thousand banner impressions for a given time-period, usually ranging from a few weeks to months, or a variable fee depending upon the number of clicks or leads provided to them through our website.

Some of our advertisers also enter into agreements pursuant to which they pay a fixed fee for a guaranteed number of impressions on our site. Our rate per thousand impressions, commonly referred to as CPMs, for banner advertisements varies depending on banner size, location of the advertisements on our site, the targeted geographical areas and the extent to which the advertisements are targeted to a particular audience. Discounts from standard CPM rates may be provided for higher volume and longer-term advertising contracts. We have introduced other formats for advertisers to broaden the appeal of the advertisements to our users, such as text links, image ads, video ads and any combinations of these options.

We had over 379 advertisers on our Rediff.com India website during the fiscal year ended March 31, 2015. Our top ten advertisers accounted for approximately 17% of our India advertising revenues for the fiscal year ended March 31, 2015.

Fee-based services

Revenues from fee-based services primarily includes income from various paid subscription service products, and from our online shopping marketplace.

Subscription service revenues primarily include income from our various paid e-mail service products and domain name registration and web hosting services. The revenue for subscription based products is recognized over the period of the subscription.

Online shopping revenues primarily consist of commissions earned on the sale of electronics, books, music, apparel, confectionery, gifts and other items to customers who shop from vendors on our online store. Revenues from online shopping services also include fees charged to vendors for creating, designing and hosting the vendors' product information on our website.

Our Infrastructure

Technology

Our operating infrastructure is scalable and has been designed with a view to deliver many millions of page views per day and allow users to access our products and services quickly and efficiently from different locations and devices worldwide. Our web pages are generated, served and cached by servers all over India.

We use a wide range of web application servers on Linux and Windows platforms. Servers are maintained mainly at telecom companies data centers in India and abroad. In addition we use the cloud infrastructure offered by Amazon Web Services and Akamai to extend our reach. We have the capability to deliver content using our own content delivery network and also use a third party content delivery network when needed. We have architected our service in such a way as to protect our systems from the effects power outages, break-ins and other service interruptions. We continuously monitor our system for accessibility, load, system resources, network intrusion and latency. We have built a scalable column store data warehouse to cater to surges in demand for storage and for faster retrieval of data.

Our services are accessible over PCs and mobile devices, such as smart phones and tablets. We have the ability to detect the browser capabilities and geographic location of the user to serve pages with appropriate layouts and supported features. We log user activity while at the same time protecting their privacy.

Advertising

Our sales and marketing professionals are responsible for securing advertisers and shopping merchants, planning and creating advertising campaigns and obtaining and analyzing customer feedback. Sales team members are based in Mumbai, New Delhi, Bangalore, Chennai, Hyderabad and New York. The sales team coordinates regularly regarding advertising across all of our businesses. Our sales team includes designers, copywriters, programmers and campaign managers.

In India, our sales team focuses its sales efforts on major advertisers as well as smaller corporations and advertising agencies and provides them with consultation on the design and placement of their web-based advertising and advertising measurement analysis. In the past few years, a number of advertising agencies have been established in India to promote the Internet as an advertising medium among Indian advertisers. In addition, several full-service advertising agencies in India have expanded their operations by creating and growing their Internet / interactive advertising divisions. These agencies manage the advertisement purchases of their customers (third party advertisers) across media (TV, Print, Radio, Internet etc.) and are referred as digital agencies. We present the merits of our internet user base visiting our website www. Rediff.com to these digital agencies and attempt to be included in the internet display advertisement budget of their customers. These digital agencies place purchase orders for specific campaigns on behalf of their customers with credit terms ranging from 60 to 90 days and for period ranging up to four weeks. Our advertising business from digital agencies were accounted for approximately 60% of our advertisement revenues during fiscal year ended March 31, 2015.

Online Shopping

Our shopping platform has a host of user-friendly features such as product search and detailed product category listings. The “tracking order”, “view account”, “shopping bag details” and “order status update by automated e-mail” features make online shopping convenient for users. Users can place orders from anywhere in the world for delivery in India. They can pay for purchases by credit card, local check, cash-on-delivery or direct debit to an Internet banking account with designated Indian banks. Our customer service officers address customer inquiries and solicit feedback from users to seek to continuously improve our offerings. Customers are invited to provide feedback when items are delivered using our vendor rating system, rating their experience with three options — satisfied, unsatisfied or undecided.

Once a user places an order on our website, we process and collect payment (except where the method of payment is C.O.D.) and notify the merchant, who then packages the product and arranges for delivery through one of our designated couriers or the user’s designated courier. We make payment to the merchant once we receive proof that the merchant has delivered the product. Most products purchased through our website are delivered within ten business days. Product warranties are the responsibility of those who sell products on our website’s marketplace, although our reputation can be adversely affected if a user is not satisfied with a purchase. Therefore, we monitor complaints and merchant’s rating and remove merchant with bad satisfaction record.

Pursuant to the terms of our agreements with merchants, we may receive a one-time entry fee and a separate commission on the sale of each product posted on our website.

Our sales force targets manufacturers and vendors of the leading products in India for them to offer their products through the Rediff Shopping platform. We also target manufacturers and vendors that supply products in categories that are fast moving over the Internet.

Electronic Payments

We were among the first Internet companies in India to accept credit cards for online payments. Users can use leading international and Indian credit cards and online money transfer methods for online payments. All online transactions are secured by VeriSign Secure Socket Layer (SSL) technology.

We have entered into agreements with Axis Bank, Citibank N.A., and ICICI Bank Limited to automate Visa and Master Card credit card payments through our website.

United States Publishing Business

Our United States publishing business consists of the India Abroad weekly print news paper and the Rediff India Abroad website, which is targeted at the Indian-American community in North America.

India Abroad, which we acquired in April 2001, was established over 40 years ago and is one of the oldest weekly newspapers focused on the Indian community residing in North America and Canada. The newspaper is published in the United States.

The paper is divided into five sections: News, Community, Business and Sports, Classifieds and Magazine. India Abroad offers classified advertising, which includes advertisements listed together in sequence by the nature of the advertisement, such as matrimonial, business/finance, employment, medical and real estate. The paper also has a Bulletin Board on the back cover which offers enhanced classified advertising. India Abroad also has an associated website, www.indiaabroad.com, which allows users to start and renew subscriptions, make payments and change their delivery addresses. Users can also place classified advertisements through this website. Subscribers can have copies of e-edition e-mailed to them for their convenience. The Rediff India Abroad website offers information and content that is similar to the information and content on our Rediff.com India website, along with additional offerings relevant to North American users.

Competition

There are a large number of companies, both in India and internationally and based both in India and in other countries that provide websites and mobile application focusing on users in India who compete with us for website visitors, online advertising and online shopping, and subscription revenues. Our current and anticipated competitors include Google, Yahoo, Facebook, Microsoft, AOL, eBay, Amazon, Snapdeal, Flipkart as well as a host of other international and Indian companies.

Competition is intense and is expected to increase in the future, as there are no barriers to entry into the markets that we serve. Our competitive ability is determined by how quickly we anticipate user needs and respond with new features on our various service offerings, our execution skills and our financial management skills.

We also need to continue to make investments in our marketing efforts.

We also compete for advertising revenue with other forms of media, such as print media, radio and television, as well as companies known as “aggregators”, which aggregate advertising space in third party websites and resell such space to, among others, our customers and potential customers.

In our e-commerce marketplace we face competition not only from other e-commerce players but also from physical-world retailers, publishers and their vendors, distributors and manufacturers.

Many of our competitors have a longer operating history, greater name recognition, larger customer base and greater management, financial, technical, marketing, sales, brand and other resources than we do. They may secure better terms from suppliers, adopt more aggressive pricing, and devote more resources to technology, infrastructure, fulfillment, and marketing. Further, they can use their superior experience and resources in a variety of competitive ways, including by investing more aggressively in research and development, creating superior content, making acquisitions and competing more aggressively for advertisers also may enter into business combinations or alliances that strengthen their competitive positions. In addition, emerging start-ups may be able to innovate and provide products and services faster than we can. There has also been a trend toward industry consolidation, as a result of which our smaller competitors today may become larger in the future. If our competitors are more successful than we are at generating visitors and website traffic, our revenues may decline.

Intellectual Property

Intellectual property rights are important to our business. We rely on a combination of copyright, trademark and trade secret laws, confidentiality procedures and contractual provisions to protect our intellectual property. We require employees, independent contractors and, when practicable, vendors to enter into confidentiality agreements upon the commencement of their relationships with us. These agreements generally provide that confidential information developed or made known during the course of a relationship with us must be kept confidential.

Our efforts to protect our intellectual property may not be adequate. Our competitors may independently develop similar technology or duplicate our products or services. Unauthorized parties may infringe upon or misappropriate our products, services or proprietary information, including our domain name. For example, there are some parties who have registered domain names similar to or slightly different from our domain name, Rediff.com, and we have taken legal action in India and overseas to protect our rights in respect of our domain names. We do not believe that the outcome of these lawsuits will have a material adverse effect on our business. However, the laws of India do not protect proprietary rights to the same extent as the laws of the United States. Further, the global nature of the Internet makes it difficult to control the ultimate destination of our products and services. In the future, further litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time-consuming and costly, and there can be no assurance we would prevail in it.

We could be subject to intellectual property infringement claims as the number of our competitors grows and the content and functionality of our websites or other product or service offerings overlap with competitive offerings. Defending against these claims, even if they are not meritorious, could be expensive and divert our attention from our operations. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damage awards and be forced to try to obtain or develop non-infringing assets, obtain a license or cease selling the applications that contain the infringing matter. If this were to occur, we may be unable to develop non-infringing assets or obtain a license on commercially reasonable terms, or at all.

We rely on a variety of technologies that are licensed from third parties. The software developed by these third parties is used in our website to perform key functions. These and other third-party licenses may not be available to us on commercially reasonable terms in the future. The loss or inability to obtain or retain any of these licenses could delay the introduction of software enhancements, interactive tools and other features until equivalent technology can be licensed or developed. Any such delays could materially adversely affect our business, operating results and financial condition.

We have registered our trademarks for “Rediff”, “Rediff on the Net and Design (Square)” and “Rediff.com” under various classes with the United States Patent and Trademark Office. We have received registration for our trademarks “Rediff”, “Rediff.com”, “Rediffmail”, “Rediffmail Mobile”, “Rediff Mobile”, “Rediff Bol”, “Rediffmail NG Mobile”, “Rediff iShare”, “Sociali” and “Rediff Shopping”, and have applied for registration for “RediffDeal Ho Jaye” and “Rediff ZaraBol”, in India. We have also received copyright registration for our artworks entitled “How Hot Is This Stock”, “origami dog” and “sociali” and for 40 “profile photo illustrations” in India.

Facilities

India

Our corporate headquarters are located in Mumbai, India, where we lease approximately 22,700 square feet in two buildings. In one facility we lease approximately 10,800 square feet and in the other we lease a total of approximately 11,900 square feet under three separate lease agreements. The lease for our 10,800 square-foot facility will expire on January 20, 2017. In regard to our 11,900 square-foot facility, one lease, for 3,000 square feet, expires on October 31, 2015, a second lease, for 3,000 square feet of adjoining offices, expired on September 30, 2014 and was renewed for another three years to until September 30, 2017. The third lease, for 5,900 square feet will expire on April 30, 2017. Further, we lease offices in Delhi and Bangalore.

United States

Our U.S. subsidiary leases approximately 6,300 square feet of office space in New York, the lease for which expires on May 31, 2018.

We do not anticipate having material difficulties renewing any of our current leases or, alternatively, entering into different space arrangements if necessary.

Seasonality

Seasonal fluctuations in Internet advertising have affected, and are likely to continue to affect, our business. Internet advertising in India is generally slow during the first half of the fiscal year for most Indian companies. Such seasonal trends have in the past caused, and will likely continue to cause, fluctuations in our quarterly results, including fluctuations in sequential revenue growth rates.

Litigation and Other Legal Matters

Action Relating to Access to Pornographic Material

On June 21, 2000, the Company, certain of our present and then directors and others (Ajit Balakrishnan, Arun Nanda, Abhay Havaldar, Sunil Phatarphekar, Charles Robert Kaye and Tony Janz) were named as defendants in a criminal complaint (RCC Complaint Number 76 of 2000) filed by Mr. Abinav Bhatt, who was then a 22-year old student, before the Judicial Magistrate, First Class, Pune, India, alleging commission of an offence under Section 292 of the Indian Penal Code (IPC) for distributing, publicly exhibiting and putting into circulation obscene, pornographic and objectionable material. The RCC Complaint alleged that we, through our website www.rediff.com, provided a search facility that enabled Internet users to view obscene, pornographic and objectionable material. On November 27, 2000, the Judicial Magistrate passed an order on the complaint holding that a prima facie case under Section 292 of the IPC had been made out against us and directed commencement of criminal proceedings against all the defendants. A criminal writ petition was filed in the High Court of Mumbai (*Sunil N. Phatarphekar & Ors. v. Abhinav Bhatt and Ors.* , Mumbai High Court, Criminal Writ Petition No. 1754 of 2000), seeking, among other relief, the setting aside of the order of the Judicial Magistrate. The High Court of Mumbai, in its order dated December 20, 2000, while granting interim relief to the petitioners in the Writ Petition, stayed the order of the Judicial Magistrate pending final disposal of the Writ Petition. The Writ Petition has been admitted by the High Court of Mumbai and currently hearings have commenced. While we believe that the lawsuit is without merit, and that we and our directors have a valid defense to the charges, in the event that we are unsuccessful in our defense, we and our directors may face both criminal penalties and monetary fines or damages. Under Indian law, any person who publishes or transmits or causes to be published in electronic form any material which is lascivious or appeals to the prurient interest, or whose effect is such as to tend to deprave and corrupt persons who are likely, having regard to all relevant circumstances, to read, see or hear the matter contained or embodied in it, shall be punished (i) for the first conviction, with imprisonment of up to five years and with a fine of up to Rs.100,000 (approximately US\$1,700); and (ii) in the event of a second conviction, with imprisonment of up to ten years and with a fine of up to Rs.200,000 (approximately US\$3,400).

Actions Relating to Trademark Infringement

In May, 2008, a complaint was filed by The Board of Control of Cricket in India (“BCCI”) against Sandeep Goyal and us, alleging that the depiction of images in the online game known as Indian Fantasy League, started by Sandeep Goyal and hosted on the Web through our hosting services, infringed the Indian Premier League (“IPL”) trademark. BCCI is seeking (a) a permanent injunction restraining defendants from the use of logo “Indian Fantasy League.com”; (b) shutdown of the website Indianfantasyleague.com; and (c) a rendering of the accounts of all profits earned by the website and damages of Rs.1.0 million (approximately US\$17,000). We have filed our response to the BCCI complaint, and among the defenses we have raised are: (a) it is Sandeep Goyal who has infringed the trademark of IPL and not Rediff.com; (b) Rediff.com only provides the domain hosting and web based e-mail solution services which enables the subscriber to set up and manage their website as per the terms and conditions of Rediff business solutions; and (c) subscribers such as Sandeep Goyal are required to abide by and comply with the terms and conditions we impose on our subscribers, which provide that the subscriber shall be solely responsible for producing, electronically uploading and maintaining such subscriber’s website, and such subscriber shall ensure that all uploaded material shall be owned and/or properly licensed by the subscriber and shall not adversely affect any rights of any third party. Although we and our legal counsel believe that we have valid defenses to the charges and we do not ascertain any monetary claims against us. But if we are unsuccessful in our defense, we could be subject to monetary fines or damages.

In February, 2006, a complaint was filed by Marksman Pvt. Ltd. against various telecom operators and internet service providers and Rediff.com, alleging infringement of Marksman’s copyright by way of the dissemination of information relating to scores, alerts, updates and other events, via Short Message Service (SMS) technology on wireless and mobile telephones, in respect of One Day International Cricket Matches (“ODIs”) during India’s tour of Pakistan scheduled in February, 2006. We have filed our response, and among the defenses we have raised are: (a) Rediff.com, along with other telecom operators and service providers, has not infringed Marksman copyrights; and (b) the information relating to scores, alerts, updates and other events were sourced from the public domain and as such no exclusivity can be claimed. The one-judge panel, while dismissing a request for an interim order, has directed the defendants to maintain the accounts of the SMSs received during the ODIs. Marksman would have to first amend the suit to seek damages before any claim could stand against Rediff.com. In 2006, Marksman sought to amend the suit to include damages. Although we believe we have valid defenses to the charges, if we are unsuccessful in our defense, we could be subject to monetary fines or damages.

We cannot predict the outcome of these lawsuits, nor can we predict the amount of time and expense that may be required to resolve these lawsuits. If these lawsuits become time-consuming and expensive, or if there are unfavorable outcomes against us in these cases, there could be a material adverse effect on our business, financial condition and results of operations. We may be subject to additional lawsuits filed in the future.

We currently hold insurance policies for the benefit of our directors and officers (the “D&O Policy”), which provide coverage against certain claims. However, the amount of coverage may not be sufficient for our needs, or the various exclusions in the D&O Policy could result in denial of coverage. In any such case, we would have to self-fund all or a substantial portion of our indemnification obligations.

Other proceedings

We are also subject to other legal proceedings and claims, which have arisen in the ordinary course of our business and which include some claims from the Indian tax authorities. These proceedings and claims, when ultimately concluded and determined, will likely not, in the opinion of management, have a material effect on our results of operations or financial statements.

We have not recognized any loss accrual for the litigation disputes as the Company believes that it is probable that it would be successful on resolution of the litigation. The maximum total loss relating to these disputes would be approximately US\$20,400 excluding any interest and penalties, which amounts cannot be reasonably estimated at this point of time.

Subsidiaries

Rediff Holdings, Inc. (“Rediff Holdings”) is a wholly owned subsidiary of ours and is incorporated in the State of Delaware. Rediff Holdings holds all of the outstanding voting shares of Rediff.com, Inc. (formerly thinkindia.com) and all of the outstanding voting shares of India Abroad Publications Inc.

Rediff.com, Inc. runs our North America - based Internet website operations, is incorporated in Delaware. India Abroad Publications Inc., which publishes India Abroad, is a New York corporation,. Value Communication Corporation, an Illinois corporation incorporated in 1996, is another subsidiary of ours. In April 2004, we sold its business to Worldquest Networks, Inc. (“WQN”).

Vubites India Private Limited. Vubites is a wholly owned subsidiary of ours and an Indian-incorporated entity that offers affordable local TV advertising in India.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and operating results should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this annual report particularly in the "Risk Factors" section of this annual report.

Overview

We are a leading internet platform for content sharing and e-commerce in India. Our websites and Mobile apps offer a variety of internet-based consumer and enterprise services.

Through our subsidiary company Vubites, we provide a platform for targeting TV advertising. According to ComScore, in March 2015, India had 80 million unique individuals accessing the internet using PCs from home and the office, of which 17.5 million, or 20%, visited Rediff.com.

In addition to our Indian business we operate a subsidiary in the United States, "India Abroad", which operates both a weekly print newspaper as well as an online website providing news and information services to users in the United States.

We have incurred significant net losses and negative cash flows in the process of creating and establishing a variety of internet-based services and achieving a critical mass since our inception in January 1996. We incurred a net loss of US\$13.8 million for the fiscal year ended March 31, 2015, taking into account an impairment charge of US\$3.2, and as of the same date we had an accumulated deficit of US\$109 million, compare to a net loss of US\$7.5 million and an accumulated deficit of US\$95.2 million for the fiscal year ended March 31, 2014. As of March 31, 2015, our cash balance was approximately US\$8.3 million, and we believe that based on the current cash use rate this cash balance will be sufficient to meet our operating and capital requirements for next five to seven quarters. On July 29, 2015, as described in Note 26, we have entered into an arrangement with an investor in accordance with which the Company, at its option, has the right to obtain financing in exchange for issuance of ADS, subject to certain conditions as described in Note 26. We are focused on expanding the reach of our services and on generating additional revenues, while controlling our expenses, and to achieve profitability in the near future.

Our reportable business segments are:

- India Online business, comprised of revenues from online advertising (which includes display, performance and sponsorship formats) and fee-based services (which includes e-commerce marketplace fees and revenues from subscription-based email services and mobile value added services).
- US Publishing business, comprised of revenues from advertising and subscription for India Abroad print and online properties and online advertising revenue from the Rediff India Abroad website.

Critical accounting policies and the use of estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent liabilities. On an on-going basis, we evaluate our estimates, including but not limited to allowances for doubtful trade accounts receivables, impairment of goodwill, property, plant and equipment, intangible and investments, useful lives of property, plant and equipment and intangible assets, valuation of deferred tax assets, stock based compensation and employee benefits. We base our estimates on historical experience and on assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The following are the critical accounting policies used in the preparation of our consolidated financial statements. Refer to Note 2 to the Consolidated Financial Statements for a more complete discussion of all of the Company's significant accounting policies.

Revenue Recognition

India Online business

India Online business includes revenues from advertising, sponsorship and fee based services. Advertisement and sponsorship income is derived from customers who advertise on our website or from targeted mailers to Rediffmail subscribers. Fee based services include fee we earn from our e-commerce marketplace, subscription fees for our email services and our share of revenues from mobile value added services.

Revenue from display advertisement is recognized as impressions of or clicks on display advertisements are delivered or broadcast. Impressions are delivered when a sold advertisement appears in pages viewed by users. Clicks are delivered when a user clicks on the advertisement. Revenues are also derived from sponsor links placed in specific areas of the Company's website, which generally provide users with direct links to sponsor websites. Revenue from sponsor links is recognized ratably over the period in which the advertisement is displayed, provided that no significant Company obligations remain and collection of the resulting receivable is probable. Company obligations may include guarantees of a minimum number of impressions, or times, that an advertisement appears in pages viewed by users of the Company's website. To the extent that minimum guaranteed impressions are not met, the Company defers recognition of the corresponding revenues until the guaranteed impression levels are achieved. The Company also earns revenues from the sending of mail shots to its users on behalf of advertisers and such revenues are recognized on delivery. We report our online advertisement revenues on a gross basis principally because we are the primary obligor to our advertisers.

e-commerce marketplace fee, which is comprised of the commissions and shipping revenue is recognized after receipt of confirmation that the online customer has accepted delivery of the goods. The cost of incentives provided to online customers like coupons and promo codes are reduced from revenue and where such incentives exceed the revenue amount, the excess is recognized as cost of revenue.

Subscription service revenue, which is comprised of subscription fees for email and related services provided to small and large enterprises is deferred and recognized pro rata over the terms of such subscription.

Mobile value-added services revenues are derived from providing value added short messaging services ("SMS"), ring tones, picture messages, logos, wallpapers and other related services to mobile phone users. The company contracts with third-party mobile phone operators for sharing revenues from this service. Mobile value-added services revenue is recognized when this service is rendered.

US Publishing business

US Publishing business primarily include advertising and sponsorship revenues and consumer subscription revenues earned from the publication of India Abroad, a weekly newspaper distributed primarily in the United States. It also includes the advertising revenues of Rediff India Abroad, the website catering to the Indian community in the United States.

Advertising revenues are recognized at the time of publication of the related advertisement. Subscription income is deferred and recognized pro rata as fulfilled over the terms of such subscription.

Revenues from banners and sponsorships are recognized over the contractual period of the advertisement, commencing when the advertisement is placed on the website, provided that no significant obligations remain and collection of the resulting receivable is probable. Obligations may include guarantee of a minimum number of impressions, or times that an advertisement appears in pages viewed by users of the Company's website. To the extent that minimum guaranteed impressions are not met, the Company defers recognition of the corresponding revenues until the guaranteed impression levels are achieved.

Allowances for doubtful accounts receivable and other recoverable

We maintain allowances for doubtful accounts receivable and other recoverable for estimated losses resulting from the inability of our customers to make contractually agreed payments. We establish an allowance for doubtful accounts on trade accounts receivable after considering the financial condition of the customer, ageing of the accounts receivable, historical experience and the current economic environment. Trade account receivable balances are written off against allowances only after all means of collections have been exhausted and potential of recovery is considered remote.

Depreciation and amortization

We depreciate/amortize our assets on a straight-line basis over the useful life of the assets, which range from one to ten years.

Goodwill

Goodwill is tested for potential impairment on an annual basis, which is performed on January 1 or in interim periods if events and circumstances indicate a potential impairment. As reporting units are determined after an acquisition or evolve with changes in business strategy, goodwill is assigned and it may no longer retain its association with a particular transaction. All revenue streams and related activities of a reporting unit, whether acquired or organic, are available to support the carrying amount of goodwill. The reporting units for impairment assessment have been identified as the US Publishing business. Under the applicable accounting standard, goodwill impairment analysis is a two-step test. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step is performed. The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. The adjustments to measure the assets, liabilities and intangibles at fair value are only for the purpose of measuring the implied fair value of goodwill and these adjustments are not reflected in the consolidated balance sheet. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversals of goodwill impairment losses are not permitted.

Estimating the fair value of reporting units is a subjective process that requires significant estimates and assumptions, particularly related to cash flows and the appropriate discount rates. The fair values of the reporting units were determined using a valuation technique consistent with the income approach. For the purposes of the income approach, internal forecasts were used to estimate the future cash flows (including a terminal value approach to estimate cash flows beyond the final year of the forecast) after considering current economic conditions and trends, estimated future operating results and growth rates. Due to the inherent uncertainty involved in making those estimates, actual results could differ from the estimates. The Company evaluates the merits of each significant assumption, both individually and in aggregate, used to determine the fair value of the reporting unit, as well as the fair values of the corresponding assets and liabilities within the reporting unit, for reasonableness. Cash flows are discounted based on a discount rate which the Company believes adequately reflects the inherent risk in the businesses of the reporting unit, uncertainty in the economic environment and risks associated with the internally developed forecasts.

During the fiscal year 2013, we tested the goodwill of the US Publishing business, which arose from the acquisition of the print newspaper India Abroad in 2001, for impairment. As a result of the goodwill impairment test, we concluded that goodwill was impaired and accordingly we recorded a goodwill impairment charge of US\$2.0 million. The impairment was on account of the weakness in the publishing industry which resulted in reduction of the US publishing business projected operating results and estimated future cash flows.

Impairment or disposal of long-lived assets (excluding goodwill)

We evaluate long-lived assets, such as property, plant and equipment and purchased or internally developed intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. When such events occur, we assess the recoverability of the assets group based on the undiscounted future cash flow the assets group is expected to generate and recognize an impairment loss when estimated undiscounted future cash flow expected to result from the use of the assets group plus net proceeds expected from disposition of the assets group, if any, is less than the carrying value of the assets group. If we identify an impairment, we reduce the carrying amount of the assets group to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values. We use estimates and judgments in our impairment tests and if different estimates or judgments had been utilized, the timing or the amount of any impairment charges could be different.

During the fiscal year ended March 31, 2015, we recognized an impairment loss of US\$ 3,200,089 on its Property, plant and equipment relating to its India Online business. India Online business includes revenue from advertising and fee based services. The impairment was on account of decline in advertisement revenue as there has been a continued reduction in spends by customers which is consistent with industry trends. As a consequence, we have been experiencing a decline in our display advertisement revenue, and incurring net operating cash losses. The fair value of the India Online business asset group is insignificant.

Intangible Assets

Intangible assets consist of customer contracts and intellectual property carried at cost and amortized over their estimated useful lives, generally on a straight-line basis over three and seven years, respectively, that best reflects the economic benefits of the intangible assets.

Impairment of Intangible Assets

Intangible assets, such as purchased technology, are generally recorded in connection with a business acquisition. The value assigned to intangible assets is usually based on estimates and judgments regarding expectations for the success and life cycle of the acquired technology. We monitor acquired intangible assets for impairment on a periodic basis by reviewing indicators of impairment. If an indicator exists we compare the fair value to the unamortized cost of the intangible asset. The recoverability of the intangible assets is primarily dependent upon our ability to commercialize the acquired technology, secure new customers and retain existing customers, increase and maintain awareness of the acquired technology and the related service. The fair value of the acquired intangible assets is based on the estimated undiscounted future cash flows derived from such intangible asset. Our assumptions about future revenues and expenses require significant judgment associated with forecast of the performance of the acquired technology and the related service, ability to secure customers and maintain our market position. Actual revenues and costs could vary significantly from these forecasted amounts.

Current Trends and Business Outlook

Our overall revenue for fiscal 2015 was US\$15.3 million, a decline of 5% as compared to the previous year. Our revenue from India Online was US\$13.1 million, a decline of 2% and our revenue from our US Publishing business was US\$2.2 million, a decline of 19% as compared to the previous fiscal year.

Within the India Online business, the fee-based business grew strongly at 25% year-over-year led by our e-commerce marketplace fees that grew 35%. This was not enough to overcome a decline of 19% in online advertising revenue. We continue to invest our marketplace technology platform, invest in algorithms to improve customer service and expand the number of merchants on our platform.

The challenges we faced in our India online advertising segment is partly a reflection of the challenge that display advertising is facing worldwide, and in part also a reflection of difficult business conditions in India for advertisers in the consumer finance and consumer durable industries.

There are three different factors that have an influence on advertising revenues in our India Online segment. First, online display advertising (this is advertising where banner ads are shown to users who visit Rediff's website and where Rediff gets paid for the number of times these banners are displayed to these users), like all forms of advertising is very sensitive to the economic environment particularly as it affects consumer products and services and consumer durables industries. Second, size and growth of online advertising as a category is dependent on the size and growth of the internet user base in India. Finally, the prices that Rediff gets for our display advertising inventory is dependent on Rediff's pricing power, which in turn is dependent on our share of the internet users in India.

Taking the first factor, economic environment, the Indian government, through its Central Statistical Organization, has recently released figures for 2014 which says that while India's GDP (at factor cost) grew 4.9% on a year-on-year basis in the first half of 2014 and 4.6% in the second half of 2014, the Manufacturing sector (which contains the consumer industries critical for advertising) grew a mere 0.1% in the first half of 2014 and actually declined 1.5% in the second half. The index of industrial production, also recently released, shows the consumer goods industries declined 18.6% in November 2014, the most recent month of 2014 for which figures are available, on a year-on-year basis.

The second driver of online advertising revenue is the size and growth of the internet user base, and a good proxy for this is the internet penetration rate. India's internet penetration rate in 2013-14 was estimated to be in the low double digits 11%, compared to 43% for China and 23% for Indonesia according to Mary Meeker of Kleiner Perkins. This low penetration is inhibiting the shift from other media to internet as has been seen in other countries.

The third driver for the Company's online advertising growth is Company's share of India's internet user base. According to ComScore, Rediff's monthly unique users for the month March 2015 was 17 million compared to 80 million for India which represents a 20% share, a relatively large share, which gives us a reasonable pricing power.

The decline in advertising revenue for India Abroad, a print newspaper, and an iconic voice for the Indian American community is because in the United States the print newspaper industry has been continuously declining since fiscal 2007. Revenue from the US Publishing business has been declining coincident with the overall decline in publishing industry. However, our target audience for the newspaper is niche and the Indian diaspora and hence we believe that with our efforts it is possible to arrest this decline in revenues from the publishing business and make it remain flat in the near future.

Revenue from fee-based business accounted 32%, 39% and 50% respectively, of India Online business revenues for the fiscal years ended March 31, 2013, 2014, and 2015 respectively. This increasing share is due to both a year over year increase in absolute fee-based revenues, as well as an absolute decline in advertising revenue. Cost of revenue relating to advertising is largely fixed in nature. Whereas cost of revenue relating to fee-based services are significantly variable and directly linked to fee-based revenue. Presently fee-based revenues have a lower gross margin than advertising revenues, which has resulted in a decline in average gross margin for the India Online business segment from 40% in March 31, 2013, to 38% in March 31, 2014, and to 32% in March 31, 2015. The lower gross margin on account of higher variable cost of revenue for the fee-based businesses is because the fee based business are in their early stages of market adoption, and are likely to reach their optimum scale in the next two to three years.

Our subscription based email services for enterprise scored many wins from high quality and discerning customers. This service won the CIO award in its category for the second year in succession.

Vubites, our TV ad targeting platform gained wider acceptance during the year from advertisers, TV networks and Cable Operators.

In order to grow our online user base and attract new advertisers, we expect to continue to invest in new products and product enhancements, expand the content and services on our network and procure more bandwidth and network equipment.

We believe that the growth of our revenues and profits from our India Online business is dependent on the growth of the Indian Internet market and mobile phone user base, the evolution of adequate online payment mechanisms, a consequent increase in advertising and fee-based revenues and our ability to capture a sizeable share of any increases in revenues from such developments. In this context we look forward to the proposed aggressive deployment of 3G and 4G data services by Indian mobile phone operators which is expected in late 2015. We are preparing for this new mobile era by investing in making all our services mobile friendly.

Actual results may differ materially from those suggested by our forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, the impact on our business of a continued economic slowdown or a downturn in the sectors in which our clients operate, our ability to successfully implement our strategy, acceptance of new products and services, the development of broadband Internet and 3G and 4G networks in India, our ability to successfully integrate the businesses we have acquired, competition, demand for our online and offline service offerings, changes in the Internet marketplace, technological changes, investment income, cash flow and our exposure to market risks. By their nature, certain of our disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impacts could materially differ from those that have been estimated. For further discussion of forward-looking statements, see the discussion under the "Forward-Looking Statements" section of this annual report.

Operating Results

Results of our reportable business segments were as follows (amount in US\$ million):

	2013			2014			2015		
	India Online Business	US Publishing Business	Total	India Online Business	US Publishing Business	Total	India Online Business	US Publishing Business	Total
Revenues from external customers:									
Advertising	8.5	2.9	11.4	8.2	2.5	10.7	6.6	2.1	8.7
Fee based services	4.0	0.3	4.3	5.2	0.2	5.4	6.5	0.1	6.6
Total revenues	12.5	3.2	15.7	13.4	2.7	16.1	13.1	2.2	15.3
Cost of revenues	7.5	2.5	10.0	8.3	2.1	10.4	8.9	1.9	10.8
Segment Results	5.0	0.7	5.7	5.1	0.6	5.7	4.2	0.3	4.5

The comparative analysis presented below relates to our operations.

Fiscal Year Ended March 31, 2015 compared to Fiscal Year Ended March 31, 2014

Revenues

Our overall revenues for the fiscal year ended March 31, 2015 declined by 5% to US\$15.3 as compared to US\$16.1 million for the previous fiscal year.

India Online business

We recognized US\$13.1 million in revenues from our India Online business for the fiscal year ended March 31, 2015, as compared to US\$13.4 million for the fiscal year ended March 31, 2014, a decrease of 2%, over the previous fiscal year. This decrease is primarily due to a decline of 19% in India online advertising revenue. Our India Online business is comprised of advertising business and fee-based business. Our advertising revenue is declining because display advertising is facing challenges worldwide and in India advertisers in the consumer finance and consumer durable industries are facing difficult business conditions. Within the India Online business segment the fee-based business grew by 25% year-on-year led by our e-commerce marketplace fees that grew by 35% as compared to previous fiscal year.

During the fiscal year ended March 31, 2015, the Indian rupee depreciated against the US dollar by approximately 1% and hence did not have any significant impact on revenue due to currency translation.

U.S. Publishing business

We recognized US\$2.2 million revenues for the U.S. Publishing business for the fiscal year ended March 31, 2015, as compared to US\$2.7 million for the fiscal year ended March 31, 2014, representing a decrease of approximately US\$0.5 million, or 19%, over the previous fiscal year. In the United States the newspaper industry has been continuously declining since fiscal 2007. Revenue from US Publishing business has been declining coincident with the overall decline in publishing industry. However, our target audience for the newspaper is niche and Indian Diaspora and hence we expect that our revenues from publishing business will continue to remain flat in near future.

Cost of revenues

In the fiscal year ended March 31, 2015 cost of revenues were US\$10.8 million as compared to US\$10.4 million in the previous fiscal year, an increase of US\$0.4 million or by 4%. During the fiscal year ended March 31, 2015, cost of revenue was 71% of the total revenues as compared to 65% of total revenues for the fiscal year ended March 31, 2014.

India Online business

Cost of revenues for the India online business includes Internet communication, data storage and software usage costs, the cost of content for the Rediff websites, the cost of editorial functions (including payroll costs and travel costs of staff in the editorial department), stock-based compensation costs, the direct costs of providing fee-based services such as courier charges, content cost for mobile value-added services, cost of domain registrations and the cost relates to broadcaster.

In the fiscal year ended March 31, 2015 cost of revenues for the India Online business was US \$8.9 million (68% of revenue) as compared to US \$8.3 million (62% of revenue) for the fiscal year ended March 31, 2014. This represents an increase of US\$0.6 million, or 6% over the previous fiscal year. This increase was primarily related to increase in direct costs of providing fee- based services.

Cost of revenue relating to advertising business consists of mostly fixed in nature. Whereas cost of revenue relating to fee-based services are variable in nature and directly linked to fee-based revenue. An increase in fee-based revenue increases the corresponding cost of revenue. As fee-based revenues presently have a lower gross margin than advertising revenues, this has resulted in a decline in average gross margin for the India Online business segment from 38% in March 31, 2014 to 32% in March 31, 2015.

During the fiscal year ended March 31, 2015, the Indian rupee depreciated against the US dollar by approximately 1% and hence did not have any significant impact on cost of revenue due to currency translation.

We anticipate that our cost of revenues in absolute dollar terms for our India Online business will increase during the fiscal year ended March 31, 2016, as compared to the fiscal year ended March 31, 2015, as we expect to incur additional costs to continue to grow our business.

U.S. Publishing business

Cost of revenues for the U.S. Publishing business includes printing and circulation costs (including payroll costs) for our weekly news paper “India Abroad”.

In the fiscal year ended March 31, 2015 cost of revenues for the U.S. Publishing business was US \$1.9 million (88% of revenue) as compared to US \$2.1 million (76% of revenue) for the fiscal year ended March 31, 2014. This represents a decrease of US\$0.2 million over the previous fiscal year.

Segment results

Analysis of the results presented below is based on the segment results as assessed by the Company’s chief operating decision maker and has been determined as revenues less cost of revenues before operating expenses.

India Online business

Segment profit of the India Online business was US\$4.2 million and US\$5.1 million for the fiscal year ended March 31, 2015 and 2014. However, fee based revenues grew significantly but this growth was offset by increased cost of revenues and decrease in revenues from online advertising which has higher gross margin.

U.S. Publishing business

Segment profit of the U.S. publishing business was US\$0.3 million and US\$0.6 million for the fiscal year ended March 31, 2015 and 2014.

Operating expenses

Operating expenses include sales and marketing expenses, product development expenses, depreciation and amortization, general and administrative expenses, long-lived impairment and foreign exchange loss (gain) net.

In the fiscal year ended March 31, 2015, operating expenses were US \$19.5 million as compared to US \$18.1 million for the fiscal year ended March 31, 2014. This represents an increase of US\$1.4 million, or 8% over the previous fiscal year.

During the fiscal year ended March 31, 2015, the Indian rupee depreciated against the US dollar by approximately 1% and hence did not have any significant impact on operating expenses due to currency translation.

Sales and marketing expenses

Sales and marketing expenses primarily include employee compensation for sales and marketing personnel, stock-based compensation cost, advertising and promotion expenses, sales support cost, distribution cost and market research costs. For the fiscal year ended March 31, 2015, sales and marketing expenses were US\$5.5 million, compared to US\$3.9 million for the fiscal year ended March 31, 2014, representing an increase of US \$1.6 million over the previous fiscal year. This increase was mainly on account of marketing spends incurred for the brand building of the Company.

We expect that our sales and marketing expenses in absolute dollar terms will not increase substantially for the fiscal year ended March 31, 2016.

Product development expenses

Product development expenses primarily include software development expenses and compensation for product development personnel including stock-based compensation costs. Third-party technology and development expense, and other related operating costs are also included in product development expenses. For the fiscal year ended March 31, 2014 and 2015, product development expenses were US\$2.3 million.

We expect to continue to invest in product development to maintain our position as a leading Internet destination for the global Indian community. Therefore, we expect our product development expenses in absolute dollar terms to increase in the future.

Depreciation and amortization expenses

For the fiscal year ended March 31, 2015, depreciation and amortization expense was US\$1.7 million compared to US\$3.1million for the fiscal year ended March 31, 2014, representing a decrease of US\$1.4 million, or 44%. This decrease was due to a lower base of depreciable assets.

General and administrative expenses

General and administrative costs primarily consist of compensation for administrative personnel, fees for legal and professional services, allowances for doubtful accounts and promissory notes, insurance premiums, stock-based compensation costs and general administrative costs. For the fiscal year ended March 31, 2015 and 2014, general and administrative expenses were US\$6.7 and US\$7.2 million, respectively, a decrease of US\$0.5 million or 8%, as compared to previous fiscal year 2014.

Long-lived assets impairment

During the fiscal year ended March 31, 2015, we recognized an impairment loss of US\$ 3,200,089 on its Property, plant and equipment relating to its India Online business. India Online business includes revenue from advertising and fee based services. The impairment was on account of decline in advertisement revenue as there has been a continued reduction in spends by customers which is consistent with industry trends. As a consequence, we have been experiencing a decline in our display advertisement revenue, and incurring net operating cash losses. The fair value of the India Online business asset group is insignificant.

Other income (expenses), net

Other income (expenses), net, primarily comprised of interest income, interest income on income tax refunds, gain on sale of investments and miscellaneous income. During the fiscal year ended March 31, 2015 and 2014, net other income were US\$1.2 million and US\$4.7 million, respectively.

Interest income

Interest income for the fiscal year ended March 31, 2015 was US\$0.9 million, compared to US\$1.3 million for the fiscal year ended March 31, 2014, representing a decrease of US\$0.4 million, or 31%. The decrease in interest income was primarily due to utilization of bank deposits held under cash and cash equivalents.

Interest income on Income tax refunds

During the fiscal year ended March 31, 2015 and 2014, we received income tax refunds for prior income tax assessment years along with the interest of US\$0.1 million and US\$0.6 million, respectively.

Miscellaneous income

During the fiscal year ended March 31, 2015, we received our share of depository service fees (DSF) of US\$0.19 million for the fiscal years 2012, 2013 and 2014.

Net income (loss)

As a result of the foregoing, our net loss for the fiscal year ended March 31, 2015 was US\$13.8 million, taking into account the long lived assets impairment loss of US\$3.2million, as compared to a net loss of US\$7.5 million for the fiscal year ended March 31, 2014.

Fiscal Year Ended March 31, 2014 compared to Fiscal Year Ended March 31, 2013

Revenues

Total revenues for the fiscal year ended March 31, 2014 increased by 3% to US\$16.1 million from US\$15.7 million for the fiscal year ended March 31, 2013.

India Online business

We recognized US\$13.4 million in revenues from our India Online business for the fiscal year ended March 31, 2014, as compared to US\$12.5 million for the fiscal year ended March 31, 2013, an increase of US\$0.9 million, or 7%, over the previous fiscal year. This increase resulted primarily from the growth in our online marketplace business. Our India Online business comprises of advertising business and fee-based business. Fee-based business revenues accounted for approximately 39% of total India Online business revenues. During the fiscal year ended March 31, 2014, fee-based revenue grew by 30% whereas advertising revenue declined by 4%. The advertising business is declining because of slow growth in Indian economic environment, Indian internet user base and our share in Indian internet user base.

In addition, our reported revenues in fiscal year 2014 were adversely affected by currency translation of Indian Rupee to US dollar. During the fiscal year ended March 31, 2014, the Indian rupee depreciated against the US dollar by approximately 12%. Had the exchange rate between Indian rupees and US dollars remained constant, our India Online revenues in constant currency terms for fiscal 2014 would have been approximately US\$14.9 million, rather than our reported revenues of US\$13.4 million, or an increase of 19% rather than our reported increase of 7%.

U.S. Publishing business

We recognized US\$2.7 million in revenues for the U.S. Publishing business for the fiscal year ended March 31, 2014, as compared to US\$3.2 million for the fiscal year ended March 31, 2013, representing a decrease of approximately US\$0.5 million, or 12%, over the previous fiscal year. The decrease in revenues was primarily due to a decrease in print revenues from our weekly newspapers “India Abroad” and “India in New York”. In the United States, the newspaper industry has been continuously declining since fiscal 2007. Our US Publishing business is also declining at a similar pace as the overall decline in publishing industry in the United States.

Cost of revenues

In the fiscal year ended March 31, 2014 and 2013, cost of revenues were US\$10.4 million, or 65% of the total revenues for the fiscal year ended March 31, 2014 as compared to 64% of total revenues for the fiscal year ended March 31, 2013.

India Online business

Cost of revenues for the India online business includes Internet communication, data storage and software usage costs, the cost of content for the Rediff websites, the cost of editorial functions (including payroll costs and travel costs of staff in the editorial department), stock-based compensation costs, the direct costs of providing fee-based services such as courier charges, content cost for mobile value-added services, cost of domain registrations and the cost relates to broadcaster..

In the fiscal year ended March 31, 2014 cost of revenues for the India Online business was US \$8.3 million (62% of revenue) as compared to US \$7.5 million (60% of revenue) for the fiscal year ended March 31, 2013. This represents increase of US\$0.8 million, or 12% over the previous fiscal year. This increase was primarily related to increase in direct costs of providing fee- based services and higher costs of buying spots from broadcaster.

Cost of revenue relating to advertising consists of mostly fixed costs in nature. Whereas cost of revenue relating to fee-based services are variable in nature and directly linked to fee-based revenue. An increase in fee-based revenue increases the corresponding cost of revenue. As fee-based revenues presently have a lower gross margin than advertising revenues, this has resulted in a decline in average gross margin for the India Online business segment from 40% in March 31, 2013 to 38% in March 31, 2014.

During the fiscal year ended March 31, 2014, the Indian rupee depreciated against the US dollar by approximately 12%. Had the exchange rate between Indian rupees and US dollars remained constant, our India Online cost of revenues in constant currency terms for fiscal 2014 would have been approximately US\$9.2 million, rather than our reported cost of revenue of US\$8.3 million, or an increase of 23% rather than our reported increase of 11%.

U.S. Publishing business

Cost of revenues for the U.S. Publishing business includes printing and circulation costs (including payroll costs) for the “India Abroad” and “India in New York” newspapers.

In the fiscal year ended March 31, 2014 cost of revenues for the U.S. Publishing business was US \$2.1 million (76% of revenue) as compared to US \$2.5 million (78% of revenue) for the fiscal year ended March 31, 2013. This represents a decrease of US\$0.4 million, or 16% over the previous fiscal year. U.S. Publishing cost of revenue is largely fixed in nature and this small reduction was on account of saving in paper printing and mailing costs.

Segment results

Analysis of the results presented below is based on the segment results as assessed by the Company’s chief operating decision maker and has been determined as revenues less cost of revenues before operating expenses.

India Online business

Segment profit of the India Online business was US\$5.1 million and US\$5.0 million for the fiscal year ended March 31, 2014 and 2013. There was increase in the revenues on account of excellent growth in the fee based revenues but this growth was offset by increased cost of revenues.

U.S. Publishing business

Segment profit of the U.S. publishing business was US\$0.6 million and US\$0.7 million for the fiscal year ended March 31, 2014 and 2013.

Operating expenses

Operating expenses include sales and marketing expenses, product development expenses, depreciation and amortization, general and administrative expenses, long-lived impairment and foreign exchange loss (gain) net.

In the fiscal year ended March 31, 2014, operating expenses were US \$18.1 million as compared to US \$19.6 million for the fiscal year ended March 31, 2013. This represents decrease of US\$1.5 million, or 8% over the previous fiscal year.

During the fiscal year ended March 31, 2014, the Indian rupee depreciated against the US dollar by approximately 12%. Had the exchange rate between the Indian rupee and the US dollar remained constant, our India Online cost of revenues in constant currency terms for fiscal 2014 would have been approximately US\$20.1 million, rather than our reported operating expenses of US\$19.6 million, or an increase of 3% rather than our reported decrease of 8%.

Sales and marketing expenses

Sales and marketing expenses primarily include employee compensation for sales and marketing personnel, stock-based compensation cost, advertising and promotion expenses, sales support cost, distribution cost and market research costs. For the fiscal year ended March 31, 2014, sales and marketing expenses were US\$3.9 million, compared to US\$3.3 million for the fiscal year ended March 31, 2013, representing an increase of US \$0.6 million, or 19%, over the previous fiscal year. This increase was mainly on account of marketing spends and higher sales support and distribution costs for online marketplace business.

Product development expenses

Product development expenses primarily include software development expenses and compensation for product development personnel including stock-based compensation costs. Third-party technology and development expense, and other related operating costs are also included in product development. For the fiscal year ended March 31, 2014, product development expenses were US\$2.3 million, compared to US\$2.9 million for the fiscal year ended March 31, 2013, representing a decrease of US \$0.6 million, or 22%, over the previous fiscal year. This decreased was mainly on account of optimizing the technical support cost.

Depreciation and amortization expenses

For the fiscal year ended March 31, 2014, depreciation and amortization expense was US\$3.1 million compared to US\$3.7 million for the fiscal year ended March 31, 2013, representing a decrease of US\$0.6 million, or 16%. This decrease was due to lower capital expenditures in previous reporting years which resulted in a lower base of depreciable assets.

General and administrative expenses

General and administrative costs primarily consist of compensation for administrative personnel, fees for legal and professional services, allowances for doubtful accounts and promissory notes, insurance premium, stock-based compensation cost and general administrative costs. For the fiscal year ended March 31, 2014 and 2013, general and administrative expenses were US\$7.2 and US\$7.6 million, respectively. There was decrease in expenses by US\$0.4 million or 5% as compared to previous fiscal year 2013. During the fiscal year 2014, we saved costs in various expenses like insurance, repairs and maintenance and admin /office related expenses.

Long-lived assets impairment

In fiscal year 2014, we recognized impairment loss of US\$1,550,991 comprising mainly of intellectual property and computer equipment relating to the Company's subsidiary Vubites, which enables businesses to advertise locally (targeted advertising in local and specific cities in India) on national television channels. Vubites offers web based tools for small businesses to create low cost advertisement for television broadcast. This business is dependent on effective splicing and sale to local businesses in different cities of broadcasting spots purchased from national television channels. The impairment resulted from similar targeted advertising services now being offered directly by the television channels and on account of aggressive sales and marketing strategy launched by competitors which have provided them with deeper market access. Additionally, in fiscal 2014, the Company abandoned an application related project included in 'Capital work-in-progress' and as a result impaired an amount of US\$39,380.

Other income (expenses), net

Other income (expenses), net, primarily comprised of interest income, interest income on income tax refunds, gain on sale of investment /equity method investee, promissory note impairment and miscellaneous income. During the fiscal year ended March 31, 2014 and 2013, net other income were US\$4.7 million and US\$2.3 million, respectively.

Interest income

Interest income for the fiscal year ended March 31, 2014 was US\$1.3 million, compared to US\$2.0 million for the fiscal year ended March 31, 2013, representing a decrease of US\$0.7 million, or 35%. The decrease in interest income was primarily due to utilization of bank deposits held under cash and cash equivalents.

Interest income on Income tax refunds

During the fiscal year ended March 31, 2014 and 2013, we received income tax refunds for the earlier income tax assessment years along with the interest of US\$0.6 million and US\$0.04 million, respectively.

Gain on sale of investment

During the fiscal year ended March 31, 2014, the Company sold its investment in Runa Inc. for a total consideration of US\$4,145,927 and recognized a gain of US\$2,740,940. An amount of US\$613,992 of the total consideration has been held in escrow for certain representations and warranties contained in the sale agreement. These representations and warranties have been assessed as accurate and the fair value of any obligation resulting from these representations and warranties is insignificant. Of the total amount held in escrow US\$152,457 and US\$461,545 was recovered in October, 2014 and recoverable in April, 2015 respectively.

Net loss

As a result of the foregoing, our net loss for the fiscal year ended March 31, 2014 was US\$7.5 million, taking into account a one-time gain on a sale of investment of US\$2.74 million and long lived assets impairment loss of US\$ 1.59 million, as compared to a net loss of US\$11.4 million for the fiscal year ended March 31, 2013, a decrease of 35%. The prime reason for this decline was increase in our overall revenues, saving in our overall costs, interest income on income tax refunds and the one-time gain on sale of investment.

Cash Flows

	For the Fiscal Year Ended March 31,		
	2013	2014	2015
	US\$	US\$	US\$
Net cash used in from operating activities	(2,540,551)	(2,832,837)	(7,339,013)
Net cash generated by (used in) investing activities	(547,678)	2,067,248	(1,056,092)
Net cash provided by financing activities	—	—	—
Net decrease in cash and cash equivalents	(3,088,229)	(765,589)	(8,395,105)
Effect of exchange rate changes on cash	(1,433,127)	(2,107,705)	(461,323)

Fiscal Year Ended March 31, 2015

Net cash used in operations was US\$7.3 million, after adjusting our net loss of US\$13.8 million to account for non-cash items and changes in working capital. Non-cash items, comprising depreciation, amortization, allowances for doubtful debts, impairment and stock-based compensation costs, totaled US\$5.5 million. Despite the net cash used in operations, our working capital only decreased by US\$1.0 million due to efficient management of working capital.

Net cash used in investing activities was US\$1.1 million, consisting of purchases of servers and other capital equipment. As of March 31, 2014, we had cash and cash equivalents of US\$8.3 million. We believe that based on the current cash use rate this cash balance will be sufficient to meet our operating and capital requirements for the next five to seven quarters. However, we will require additional financing in the future to fund our operations and capital requirements.

On July 29, 2015, the Company entered into a Purchase Agreement with Lincoln Park Capital Fund, LLC, an Illinois limited liability company (“Investor”). The Purchase Agreement provides that the Company has the right to sell to the Investor, and the Investor has the obligation to purchase from the Company, up to an aggregate of US\$15 Million of the Company’s American Depositary Shares (“ADSs”) over the 36-month term of the Agreement in amount as described in the Purchase Agreement. Upon shareholder approval and upon effectiveness of registration statement covering the resale of ADSs, the Company can elect its discretion to sell ADSs to the investor pursuant to either regular purchase amounts or accelerated purchase amounts. The amounts of ADSs which may be sold to the Investor pursuant to any regular purchase range from 40,000 ADSs to 100,000 ADSs, depending on the then current trading price of the Company’s ADSs on Nasdaq (but not to exceed US\$500,000 on any single purchase date). In addition, the Company has the right, but not the obligation, to sell accelerated purchase amounts. The purchase price for any ADSs sold pursuant a regular purchase , will be 98% of the lower of (a) the lowest sale price of the ADSs on Nasdaq on the regular purchase date or (b) the average of the three lowest closing sale prices over the preceding 10 trading-day period. The purchase price for any ADSs sold pursuant to an accelerated purchase, will be 98% of the lower of (a) the closing sale price of the ADSs on Nasdaq on the accelerated purchase date or (b) 94% of a volume weighted average purchase price on the accelerated purchase date. The Company will file an application with the Nasdaq to list the ADSs to be sold to the Investor pursuant to the Purchase Agreement. The Company is required to file a registration statement covering the resale of the ADSs, so that such ADSs may be sold by the Investor from time to time pursuant to a Registration Rights Agreement entered into between the Company and Investor. Under the Purchase Agreement, the Investor and its affiliates have a beneficial ownership limitation of 4.99% of the then issued and outstanding equity securities of the Company. The issuance of the shares underlying the ADSs must be approved by the Company’s shareholders prior to any purchases under the Purchase Agreement. The Purchase Agreement and Registration Rights Agreement also contain customary representations, warranties, conditions and indemnification provisions. A copy of the Purchase Agreement has been filed with this 20F as Exhibit 4.15.

Fiscal Year Ended March 31, 2014

Net cash used in operations was US\$2.8 million, after adjusting our net loss of US\$7.5 million to account for non-cash items and changes in working capital. Non-cash items, comprising the sale of investment, depreciation, amortization, allowances for doubtful debts, impairment and stock-based compensation costs, totaled US\$2.7 million. Our working capital decreased by US\$2.0 million. The decrease was a result of better cash management process in receivables and payables and recoverable taxes.

Net cash generated by investing activities was US\$2.1 million, consisting of purchases of servers and other capital equipment aggregating US\$1.4 million in connection with the expansion of our network and data storage facility, fully offset by the sale of investment that generated cash of US\$3.5 million.

As of March 31, 2014, we had cash and cash equivalents of US\$17.2 million.

Fiscal Year Ended March 31, 2013

Net cash used in operations was US\$2.5 million, after adjusting our net loss of US\$11.4 million to account for non-cash items and changes in working capital. Non-cash items, comprising the sale of equity investments, depreciation, amortization, allowances for doubtful debts, goodwill and promissory note impairment and stock-based compensation costs, totaled US\$6.1 million. Our working capital decreased by US\$2.8 million. The decrease was a result of better cash management process in receivables and payables.

Net cash used in investing activities was US\$0.5 million, consisting of purchases of servers and other capital equipment aggregating US\$1.9 million in connection with the expansion of our network and data storage facility, partially offset by the sale of an equity investment that generated cash of US\$1.4 million.

As of March 31, 2013, we had cash and cash equivalents of US\$20.0 million.

Contractual Obligations

Our contractual obligations relate to operating leases and capital commitments, payments for which are to be made as per the table below:

Year ended March 31,	Operating leases	Capital commitments
	US\$	US\$
2016	492,935	424,517
2017	293,624	—
2018	237,989	—
2019	40,753	—
Total	1,065,301	424,517

Capital Expenditures

Our principal capital expenditures are for purchase of computer equipment, such as servers for our websites. In the fiscal years ended 2015, 2014 and 2013, we had capital expenditures of US\$1.4 million, US\$1.5 million and US\$2.1 million, respectively.

Internal and external costs incurred to develop internal use software during an application development stage is capitalized when the Company's managing director has authorized and committed to funding the development, and it is probable that the software development will be complete and the software will perform the function intended. Upgrades and enhancements are capitalized only when these relate to additional features or result in additional functionality that the existing software is incapable of performing. All costs incurred during the preliminary project, post-implementation and operation stages are expensed as incurred.

Dividends

We have not declared or paid any cash dividends on our equity shares since our inception and we do not expect to pay any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business. For additional information, please see the sections of this annual report entitled "Risk Factors — Risks Related to our Business" and "Taxation".

We believe our cash balances and liquid assets and cash generated from future operations will be adequate to satisfy anticipated working capital requirements, capital expenditures and investment commitments for the next twelve months. As business and market conditions permit, we may from time to time, invest in or acquire complementary businesses, products or technologies. These activities may require us to seek additional equity or debt financing to fund such activities, which could result in ownership dilution to existing shareholders, including holders of our ADSs. We believe that our working capital is sufficient for our present requirements.

Income Tax Matters

The reconciliation of estimated income tax expense at Indian statutory income tax rate to income tax expense reported in our statement of comprehensive loss is as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	US\$	US\$	US\$
Loss before income taxes and equity in net loss (earning) of equity method investee	(11,549,781)	(7,624,180)	(13,797,779)
Indian statutory income tax rate	32.445%	33.990%	34.608%
Expected income tax expense (benefit)	(3,747,327)	(2,591,459)	(4,775,135)
Tax effect of:—			
Adjustments to reconcile expected income tax expense to reported income tax expense:			
Employee stock-based compensation	245,313	163,683	147,674
Valuation allowance recognized during the year	3,060,830	1,998,669	4,875,019
Goodwill impairment	648,900	—	—
Tax in foreign jurisdictions	(142,710)	262,459	(247,558)
Earnings (loss) of equity method investees	27,354	—	—
Others	(125,608)	13,874	14,791
Income tax expense (benefit)	<u>(33,248)</u>	<u>(152,774)</u>	<u>14,791</u>

The reconciliation of income tax expenses are as follows:

Income tax expense/(benefit) for the year ended March 31, 2015 of US \$ 14,791. The reasons for major reconciliation items are i) Change in Valuation allowance recognized during fiscal year ended March 31, 2015 amounting to \$ 4,875,019 on account of recurring loss. ii) Effect of different overseas tax rate of US \$ 247,558 for the year ended March 31, 2015. iii) Effect of Non-deductible expense of Employee stock option of US \$ 147,674 for the fiscal year ended March 31, 2015.

Rediff India's (including Vubites) net operating loss carry forwards aggregating approximately US\$16,942,394 as of March 31, 2015 will expire between April 2015 and March 2021.

As of March 31, 2015, ValuCom has net operating loss carry forwards available to offset future federal taxable income of US\$3,033,000, which expire in years 2020 through 2035.

As of March 31, 2015, Rediff Holdings, Inc. has net operating loss carry forwards of approximately US\$6,229,000 for federal income tax purposes, which expire in years 2020 through 2035.

Rediff's unabsorbed depreciation of US\$18,642,739 can be indefinitely carried forward.

Market Risks

Foreign Currency Exchange Rate Risk

The functional currency for our Indian operations is the Indian Rupee. We are exposed to foreign currency exchange rate fluctuations, principally the fluctuations of the U.S. dollar to Indian Rupee exchange rate. We face foreign currency exchange risk with respect to funds held in foreign currencies and in particular will have foreign exchange losses with respect to these funds, if there is an appreciation in the value of the Indian Rupee compared to such foreign currency. We also face foreign currency exchange risk from accounts payable to overseas vendors, which we partially mitigate with receivables in foreign currency from overseas customers and balances in foreign currency with overseas banks.

The following table sets forth information about our net foreign currency exchange (U.S. dollars) exposure as of March 31, 2015:

	As of March 31, 2015 (in US\$ thousands)
Accounts payable in U.S. dollars (include intercompany payable of US\$950,661)	(1,183)
Accounts receivable in U.S. dollars, net of allowance (include intercompany receivable of US\$123,286)	501
Cash balances held in U.S. dollars	24
Net foreign currency exchange exposure	(658)

We are not currently trying to reduce our exposure to foreign currency exchange rate fluctuations by using hedging transactions. However, we may choose to do so in the future. We may not be able to do this successfully. Accordingly, we may experience economic losses and negative impacts on earnings and equity as a result of foreign currency exchange rate fluctuations. If the Indian Rupee appreciates against the U.S. dollar by one Rupee, the net foreign currency exchange loss as of March 31, 2016 would be approximately US\$11,000.

Interest Rate Risk

We hold interest-bearing accounts in India and fluctuations in interest rates affected our interest earnings for the fiscal year ended March 31, 2015. These interest rates are linked to the interest rates prevailing in India. We expect that our interest earnings will continue to be affected in the future by fluctuations in interest rates. A hypothetical 1% increase or decrease in the prevailing interest rates applicable to cash deposits during such period would have affected our interest income by approximately US\$84,000.

Off-balance Sheet Arrangements

As of the date of this annual report, we are not a party to any off-balance sheet obligations or arrangements.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition" and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early application not permitted. We are currently evaluating the effects, if any, that the adoption of this guidance will have on the Company's financial position, results of operations and cash flows."

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern. The amendments in this ASU provides guidance about managements responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as going concern and to provide related disclosures. In accordance with this guidance, in connection with preparing financial statements, and entity's management should evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810) - Amendments to the Consolidation Analysis", which provides guidance for reporting entities that are required to evaluate whether they should consolidate certain legal entities. In accordance with ASU 2015-02, all legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2015-02 on our consolidated financial statements.

MANAGEMENT

The following table sets forth, as of June 30, 2015, the name, age and position of each of our directors and executive officers.

Name	Age	Position
Ajit Balakrishnan ⁽¹⁾⁽²⁾	67	Chairman and Managing Director
Swasti Bhowmick	49	Chief Financial Officer
Diwan Arun Nanda ⁽¹⁾⁽²⁾	71	Director
Sunil N. Phatarphekar ⁽¹⁾⁽²⁾⁽³⁾	51	Director
Ashok Narasimhan ⁽¹⁾	67	Director
Sridar Iyengar ⁽¹⁾⁽³⁾	68	Director
M. Madhavan Nambiar ⁽¹⁾⁽³⁾	64	Director

(1) Member of the Board of Directors

(2) Member of the Compensation Committee

(3) Member of the Audit Committee

Ajit Balakrishnan is the founder, Chairman and Managing Director of the Company. He is a director of Rediffusion Holdings Private Limited, Rediffusion Dentsu Young & Rubicam Private Limited, Quintrol Technologies Private Limited, Rediff Holdings Inc USA, India Abroad Publications, Inc., India In New York, Inc., India Abroad Publications (Canada) Inc., Rediff.com Inc USA and Value Communications Corporation. Mr. Balakrishnan is also Chairman of the Board of Governors of The Indian Institute of Management Calcutta and Chairman of the Working Group of Internet Governance set up by the Government of India. Mr. Balakrishnan holds a Bachelor's Degree in Physics from Kerala University and a Post Graduate Diploma in Management from the Indian Institute of Management, Calcutta. At our annual general meeting held on September 30, 2013, our shareholders re-appointed Mr. Balakrishnan for a five-year term as Managing Director with effect from August 22, 2013.

Swasti Bhowmick joined us in February 2012 as our Chief Financial Officer. He joined us from Tata TeleServices Ltd., where he helped create the Finance Transformation Roadmap. He has over 20 years of experience in Sales Accounting, Cost Management, MIS, Budgeting, Credit Control and Operations Finance in IT/Telecom, including managing startups and established FMCG brands. Swasti is a member of The Institute of Chartered Accountants of India and a member of The Institute of Cost Accountants of India. He also holds an Executive MBA from the Indian Institute of Management, Calcutta.

Diwan Arun Nanda has been a director of the Company since its incorporation in 1996. Mr. Nanda is also a director of Rediffusion Holdings Private Limited, Arion Horse Company Private Limited, Rediffusion Dentsu, Young & Rubicam Private Ltd., Wunderman India Private Limited, Rediffusion Dentsu, Young & Rubicam Pvt. Ltd. Sri Lanka, Everest Brand Solutions Pvt. Ltd., Clariant Chemicals (India) Limited, Yes Bank. and Oriental Hotels Ltd. Mr. Nanda holds a Bachelor's Degree in Commerce from Loyola College, Chennai University, and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad .

Sunil N. Phatarphekar is an Attorney and has been a director of the Company since 1998. Mr. Phatarphekar is also a director of several other Indian companies. Mr. Phatarphekar is proprietor of SNP Legal (Advocates), a Mumbai law firm. Prior to that, he was a partner of Doijode, Phatarphekar & Associates. After obtaining his Bachelor's Degree in Commerce from Jai Hind College, Bombay University, and a Bachelor's Degree in Law from Government Law College, Bombay University, he joined Crawford Bayley & Company. Thereafter, he was a partner at two Mumbai law firms, Mahimtura & Co. and Shah Desai Doijode & Phatarphekar.

Ashok Narasimhan has been a director of the Company since 2002. He is a limited partner and advisor for a number of U.S. and Indian venture capital funds. He is also a director on the board of Tarang Software Technologies Pvt. Limited, Genie Technologies India Pvt. Limited, Atma Investments and Resources Pvt. Limited. Earlier, he was Chairman and Co-Founder of July Systems Inc and prior to that, he was founder of Prio, Inc., where he served as Chairman and CEO from early 1996 until its merger with InfoSpace. He subsequently served on the Board of InfoSpace. Prior to that, he served as Head of Worldwide Marketing and Business Development of VeriFone, a leader in automated electronic payment transactions. Earlier, he was the founding President of Wipro's IT organizations. He holds a Bachelor's Degree in Physics from Madras University and a Post-Graduate Diploma in Management from the Indian Institute of Management, Calcutta.

Sridar A. Iyengar has been a director of the Company since September 2004. He is co-founder of ‘The Sounding Board’ and serves on the Board of various companies, and other companies. He advises many early-stage companies in the United States and India. From 1968 until his retirement in March 2002, he was employed by KPMG, retiring as the Partner-in-Charge of KPMG’s Emerging Business Practice. He worked as a partner in all three of KPMG’s regions - Europe, America and Asia Pacific - as well as in all four of KPMG’s functional disciplines - assurance, tax, consulting and financial advisory services. He was Chairman and CEO of KPMG’s India operations between 1997 and 2000 and during that period was a member of the Executive Board of KPMG’s Asia Pacific practice. Prior to that, he headed up the International Services practice on the west coast of the United States. On his return from India in 2000 he was asked to lead a major effort of KPMG’s focused on delivering audit and advisory services to early stage companies. He also served as a member of the Audit Strategy group of KPMG LLP. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and holds a Bachelor’s Degree in Commerce (Honors) from the University of Calcutta.

M. Madhavan Nambiar has spent over 36 years in the Indian Administrative Service with many years focused on Information Technology. Mr. Nambiar most recently served as Secretary to the Government of India, first in the Ministry of Information Technology and then in the Ministry of Civil Aviation. Mr. Nambiar is a Fellow at the Judge Business School, University of Cambridge. He serves on the Board of various companies such as Hotel Leelaaventure Ltd., Loyal Textile Mills Ltd, Catholic Syrian Bank Ltd etc. He holds a Bachelor of Arts Degree from Loyola College, Madras University and a Master of Business Administration Degree from the Faculty of Management Studies, Delhi University. He has been recently appointed as Chairman, Indian Institute of Technology and Management, Trivandrum.

Board Composition

On March 16, 2000, we amended our Articles of Association to set the minimum number of directors at three and the maximum number of directors at seven. We currently have seven directors. Our Articles of Association provide as follows:

- Ajit Balakrishnan, Diwan Arun Nanda and Rediffusion Holdings Private Limited (earlier called Rediffusion Advertising Private Limited), are entitled to appoint and have appointed Mr. Balakrishnan as Director on the Board and Chairman of Rediff.com India Ltd. so long as they hold, singly or jointly, not less than 10% of the issued, subscribed and paid up capital of Rediff.com India Ltd. Mr. Balakrishnan serves an indefinite term and is not required to retire by rotation.
- The remaining directors on the Board of Directors are non-permanent directors who are appointed by shareholders and retire by rotation. Ashok Narasimhan and Rashesh Shah retired by rotation and were re-elected by the shareholders at our last annual general meeting held on September 29, 2014. Diwan Arun Nanda and Madhavan Nambiar will retire by rotation at our next Annual General Meeting of shareholders, which is scheduled to be held on or before September 30, 2015.

As of the date of this annual report, our Board has determined that the following members qualify as independent directors: Sunil N. Phatarphekar; Sridar A. Iyengar; Ashok Narsimhan and M. Madhavan Nambiar.

No directors have service contracts with us providing for benefits upon termination of their service as a director.

Code of Ethics

Effective February 15, 2004, we adopted a code of ethics for all of our employees and for all of our directors and senior officers in accordance with the provisions of the Sarbanes-Oxley Act of 2002. On July 19, 2005, we adopted amendments to the code of ethics for our officers. On August 19, 2005, we adopted amendments to the code of ethics for our directors.

We will provide a copy of the codes of ethics for our directors, officers and employees to any person without charge, upon a written request sent to our principal executive office.

Audit Committee

The Audit Committee of the Board of Directors reviews, acts on and reports to the Board of Directors with respect to various auditing and accounting matters, including the recommendation of our independent auditors, the scope of the annual audits, fees to be paid to the independent auditors, the performance of our independent auditors and our accounting practices.

As of the date of this annual report, our Audit Committee is comprised of the following members, all of whom are independent directors, as determined by the NASDAQ listing standards applicable to us: Sridar A. Iyengar, Sunil N. Phatarphekar and M. Madhavan Nambiar.

Audit Committee Financial Expert

Mr. Sridar A. Iyengar has been designated the independent audit committee financial expert as defined under the applicable rules of the SEC issued pursuant to Section 407 of the Sarbanes Oxley Act of 2002. Prior to his appointment as a member of our Board of Directors, Mr. Iyengar was a partner at KPMG, retiring in March 2002 as Partner-in-Charge of KPMG’s Emerging Business Practice.

Compensation Committee

The Compensation Committee of the Board of Directors administers our stock option plans. The members of the Compensation Committee are Ajit Balakrishnan, Diwan Arun Nanda and Sunil N. Phatarphekar.

NASDAQ Corporate Governance Requirements

In general, corporate governance principles for Indian companies whose shares are not traded on any Indian stock exchange are set forth in India's Companies Act. Corporate governance principles under provisions of Indian law may differ in significant ways from corporate governance standards for U.S. NASDAQ-listed companies. The corporate governance standards for U.S. NASDAQ-listed companies are included in the "5000" series of the NASDAQ Stock Market Rules, known as the NASDAQ Listing Rules and referred to herein as the "Rules". Under Rule 5615(a)(3), foreign private issuers such as ourselves are permitted to follow certain home country corporate governance practices in lieu of certain of the requirements of the Rules. Under the Rules, foreign private issuers must disclose any alternative home country practices that they follow.

The following are the requirements of the Rules we do not follow and the home country practices we follow in lieu of these Rule requirements. Our independent Indian counsel has submitted to the NASDAQ a letter, dated June 27, 2005, certifying that our corporate governance practices as described below are not prohibited by and are consistent with Indian law.

(i) *Rule 5250(d)(2) and Rule 5250 (d)(3) - Distribution of quarterly and interim reports*

In lieu of the requirements of Rule 5250(d)(2) and Rule 5250(d)(3), we follow Indian law, under which companies whose shares are not traded on any Indian stock exchange are not required to prepare and/or distribute quarterly and interim reports to shareholders. However, we have in the past regularly released copies of press releases and conference call transcripts relating to our quarterly results of operations by posting them on our website. Further, we furnish press releases relating to our quarterly results of operations with the SEC on Form 6-K and we currently intend to continue to do so.

(ii) *Rule 5605(b)(1) - Independent Directors*

In lieu of the requirements of Rule 5605(b)(1), we follow the Companies Act, which does not require that a majority of the Board of Directors of Indian companies be comprised of independent directors. Nevertheless, as of the date of this annual report, our Board has determined that four out of its seven members are independent.

(iii) *Rule 5605(b)(2) - Executive sessions of Independent Directors*

In lieu of the requirements of Rule 5605(b)(2), we follow the Companies Act, which does not require independent directors to hold regularly scheduled meetings at which only such independent directors are present (i.e., executive sessions). Under the Companies Act, our Board of Directors as a whole is responsible for monitoring our business, although it is permitted to delegate specific responsibilities to designated directors or to non-director executive officers.

(iv) *Rule 5605(d) - Compensation of Officers*

In lieu of the requirements of Rule 5605(d), we follow Indian law, which requires companies to form a Compensation Committee in case of remuneration payable to specified managerial personnel by companies having no profits or inadequate profits. In such a case, a "Remuneration Committee" is required to be constituted for approving the payment of remuneration to certain specified "managerial personnel" as defined in the Companies Act. Such Remuneration Committee, if constituted for this purpose, should consist of at least three non-executive independent directors including nominee directors, if any. For purposes of the Companies Act "managerial personnel" include the company's managing director, whole time director and manager, each as defined under the Companies Act.

We do not pay and currently do not intend to pay any remuneration to any of our managerial personnel as defined in the Companies Act. As such, we are not required to constitute a Remuneration Committee under the Companies Act. However our Board of Directors has formed a compensation committee, which currently comprises of three directors including one independent director, for the sole purpose of administering our stock option plans and other compensation plans as may be approved by our shareholders from time to time.

Four of our directors, Mr. Ajit Balakrishnan, Mr. Sridar Iyengar, Mr. Sunil Phatarphekar and M. Madhavan Nambiar, receive remuneration from our wholly-owned US subsidiary Rediff Holdings, Inc., in their capacity as directors of that subsidiary. There is no restriction under Indian law on paying remuneration to directors of an Indian company having no profits or inadequate profits who are, at the same time, also directors of a non-Indian subsidiary.

(v) *Rule 5605(e) - Nomination of Directors*

In lieu of the requirements of Rule 5605(e), we follow the requirements of the Companies Act pursuant to which directors are required to be appointed by shareholders at their general meeting. In addition, under the Companies Act, our board can make appointments, subject to any regulations in a company's articles of association, to fill any casual vacancies caused if the office of a director is vacated before his term of office has expired. Any person so appointed shall hold office only up to the date up to which the director in whose place he is appointed would have held office. Our board also has the power to appoint additional directors who shall hold office only up to the date of our next annual general meeting of the company. The Companies Act also allows our board to appoint an alternate director to act for a director during his absence for a period of not less than three months from the state in which the board meetings are ordinarily held. Finally, our Articles of Association states that Ajit Balakrishnan, Diwan Arun Nanda and Rediffusion Holdings Private Limited (earlier called Rediffusion Advertising Private Limited), are entitled to appoint and have appointed Mr. Balakrishnan as Director on the Board and Chairman of Rediff.com India Ltd. so long as they hold, singly or jointly, not less than 10% of the issued, subscribed and paid up capital of Rediff.com India Ltd. Mr. Balakrishnan serves an indefinite term and is not required to retire by rotation.

(vi) *Rule 5620(c) - Quorum*

In lieu of the requirements of Rule 5620(c), we follow the Companies Act, under which a quorum for purposes of a meeting of the holders of our common stock is considered present as long as five of our members are present in person.

(vii) *Rule 5620(b) - Solicitation of Proxies*

As a foreign private issuer, we are not subject to Regulations 14A and 14C under the Securities and Exchange Act of 1934, as amended. As such, in lieu of the requirements of Rule 5620(b), we follow the requirements of the Companies Act. Section 105 of the Companies Act, 2013 prohibits a company incorporated there-under, such as us, from soliciting proxies. Because we are prohibited from soliciting proxies under Indian law, we will not meet the proxy solicitation requirement of Rule 5620(b). However, in accordance with Indian law, we give written notices of all our shareholder meetings (containing a statement that a shareholder is entitled to appoint a proxy, or, where that is allowed, one or more proxies, to attend and vote instead of himself, and that a proxy need not be a member) to all our shareholders and we also furnish such notices with the SEC under Form 6-K.

Other than as noted above, we intend to comply with all other applicable NASDAQ corporate governance standards.

Employees

As of March 31, 2015, we had 338 employees and full-time consultants. Of such employees, 129 are in our shopping, sales and marketing teams, 78 are creative and editorial, 98 are dedicated to technology and product development, 3 are dedicated to production and circulation and 30 are administrative. We believe that our relationship with our employees is good. The table sets forth the distribution of our employees by main category of activity:

Department	As at March 31,		
	2013	2014	2015
Technology and Product Development	122	107	98
Sales and Marketing	144	127	129
Editorial	79	78	70
General & Administration	32	31	30
Creative	13	14	8
Production & Circulation	7	7	3
Total	397	364	338

Compensation

Our Articles of Association provide that each of our directors may receive an attendance fee for every Board and Committee meeting, provided that no director shall be entitled to an attendance fee in excess of Rs.2,000 per meeting. During the fiscal year ended March 31, 2015, we did not pay any attendance fees to our directors. Mr. Ajit Balakrishnan, who is our Managing Director, does not receive any additional compensation for his service on our Board of Directors. Directors of our US subsidiaries receive compensation for their service on the boards of these subsidiaries.

The following table sets forth details regarding compensation paid to executive officers and directors of the Company during the fiscal year ended March 31, 2015.

Name	Salary and other compensation (US\$)
Ajit Balakrishnan	200,000(1)
Swasti Bhowmick	136,209(2)
Sridar A. Iyengar	25,000(1)
Sunil Phatarphekar	20,000(1)
M. Madhavan Nambiar	20,000(1)

- (1) Each of Mr. Balakrishnan, Mr. Iyengar Mr. Phatarphekar and Mr Nambiar receive a salary and/or other compensation from Rediff Holdings, Inc., our wholly-owned U.S.-incorporated subsidiary, in their capacity as directors of Rediff Holdings, Inc. None of them receive any salary from Rediff.com India Limited. During the fiscal year ended March 31, 2012, Sridar Iyengar was granted 9,000 options (equivalent to 9,000 shares) under Employee Stock option Plan 2006 at exercise price of US\$21.25.
- (2) Swasti Bhowmick was granted 10,000 options (equivalent to 5,000 equity shares) under ADR linked Employee Stock option Plan 2006 at exercise price of \$6.34 in the fiscal year ended March 31, 2012. The Plan will expire in February 2022.

Employee Benefit Plans

2002 Stock Option Plan

In January 2002, our Board of Directors approved the 2002 Stock Option Plan (“2002 plan”) which provides for the grant of incentive stock options and non-statutory stock options to our employees. All options under these plans are exercisable for our ADSs. Necessary approvals from the regulators in India have been obtained. During the fiscal year ended March 31, 2004, we made appropriate filings with the SEC prior to the first exercise date of the options granted under the 2002 plan. Unless terminated sooner, this plan will terminate automatically in January 2012. A total of 280,000 of our Equity Shares were reserved for issuance under the 2002 plan of which 12,000 equity shares were reserved under 2015 Stock Option Plan.

During the fiscal year ended March 31, 2015, 7,000 options equivalent to 3,500 equity shares lapsed at a weighted average price of \$11.37 per share.

Unless otherwise determined by the Board of Directors, the warrants granted under the 2002 plan vest at a rate of 25% on each successive anniversary of the grant date, until fully vested. The options granted under the 2002 ADR plan vest at the rates set forth in every award.

2004 Stock Option Plan

In June 2004, our Board of Directors approved the 2004 Stock Option Plan (“2004 plan”), which provides for the grant of stock options to our employees. All options under the 2004 plan are exercisable for our ADSs. Unless terminated sooner, the 2004 plan will terminate automatically in January 2014. A total of 358,000 Equity Shares are currently reserved for issuance pursuant to the 2004 plan of which 91,000 equity shares were reserved under 2015 Stock Option Plan.

During the fiscal year ended March 31, 2015, 45,500 options equivalent to 22,750 equity shares were granted at the price of US\$3.74 per share. During the same fiscal year, 110,224 and 3,000 options equivalent to 55,112 and 1,500 equity shares at a weighted average exercise price of US\$10.97 and US\$3.74 per share lapsed and forfeited due to resignation of the employees.

Under the terms of the 2004 plan, our Board of Directors or a committee or a sub-committee of the board will determine and authorize the grant of options to eligible employees. These options will vest at the rates set forth in each award. Each option grant carries with it the right to purchase a specified number of our ADSs at the exercise price during the exercise period, which expires ten years from the date of grant. The exercise price is determined by our Board of Directors (or a committee or a sub-committee of the board) and shall be no more than 110% of the fair market value and no less than 50% of the fair market value of our ADSs on the date of the grant.

We have obtained the approvals for the implementation of the 2004 plan. We also made the necessary filings with the SEC prior to the first exercise date of the options granted under the 2004 plan.

2006 Employee Stock Option Plan

Our 2006 Employee Stock Option Plan (the “ESOP 2006”) allows for the grant to our employees of options to purchase our Equity Shares. Each option granted gives the employee the right to purchase a specified number of our Equity Shares under the ESOP 2006. The ESOP 2006 was adopted and approved by our Compensation Committee on June 20, 2006 in accordance with the approval granted by our shareholders on March 31, 2006. A total of 150,000 Equity Shares were approved for issuance under the ESOP 2006.

During the fiscal year ended March 31, 2015, 1,250 options equivalent to 1,250 equity shares at a weighted average exercise price of US\$0.16 per share were forfeited due to resignation of the employees.

Equity Shares acquired upon the exercise of options granted pursuant to the terms of the ESOP 2006 are not subject to any lock-ups. In the case of termination or resignation of the employee, the employee shall have the right to exercise only the options vested up to the time of termination or resignation, and the unvested warrants options shall lapse. In the case of the death of an employee, all options granted to him or her shall vest in full on his or her legal heirs. The period during which vested options may be exercised expires ten years after the date of grant.

2006 ADR Linked Employee Stock Option Plan

Our 2006 ADR Linked Employee Stock Option Plan (the “ADR Linked ESOP 2006”) allows for the grant to our employees of options to purchase our ADRs representing Equity Shares of the Company. Each option granted gives the employee the right to purchase a specified number of our ADRs under the ADR Linked ESOP 2006. The ADR Linked ESOP 2006 was adopted and approved by our Compensation Committee on October 3, 2006 in accordance with the approval granted by our shareholders on March 31, 2006. A total of 520,000 Equity Shares (equivalent to 1,040,000 ADRs) were approved for issuance under the ADR Linked ESOP 2006.

ADRs acquired upon the exercise of options granted pursuant to the terms of the ADR Linked ESOP 2006 are not subject to any lock-ups. In the case of termination or resignation of the employee, the employee shall have the right to exercise only the options vested up to the time of termination or resignation, and the unvested options shall lapse. In the case of the death of an employee, all options granted to him or her shall vest in full on his or her legal heirs. The period during which vested options may be exercised expires ten years after the date of grant.

2015 Stock Option Plan

The compensation committee authorized the 2015 stock option plan in their meeting held on January 27, 2015. Under the plan 103,000 equity shares (comprising of 12,000 equity shares from 2002 Stock Option Plan and 91,000 equity shares from 2004 Stock Option Plan) were reserved. Unless terminated sooner, any grant under this plan will terminate automatically after expiry of 10 years from the date of grant.

During the year ended March 31, 2015, 73,600 options equivalent to 36,800 equity shares were granted at the exercise price of US\$3.74.

Under the terms of the 2015 plan, the board or a committee or a sub-committee of the board will determine and authorize the grant of options to eligible employees. Such options vest at the rate of 25% on each successive anniversary of the grant date, until fully vested. Each option grant carries with it the right to purchase one ADS at the exercise price during the exercise period, which expires ten years from the date of grant.

Retirement Plans

Gratuity

The Company provides for gratuity on an actuarial valuation. The Company has an unfunded defined benefit retirement plan covering eligible employees in India. This plan provides for a lump-sum payment to be made to vested employees at retirement, death or termination of employment of an amount equivalent to 15 days basic salary, payable for each completed year of service. These gratuity benefits vest upon an employee’s completion of five years of service.

The following tables set out the amounts recognized in the Company’s consolidated financial statements for the fiscal years ended March 31, 2013, 2014 and 2015. The measurement date used is March 31 of the relevant fiscal year.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	US\$	US\$	US\$
<i>Change in benefit obligation</i>			
Benefit obligation at the beginning of the year	446,146	527,512	511,506
Actuarial (gain) loss	14,941	(60,402)	27,963
Service cost	75,039	75,405	69,402
Interest cost	44,025	46,086	52,790
Benefits paid	(26,382)	(27,314)	(70,427)
Effect of exchange rate changes	(26,257)	(49,781)	(22,184)
Benefit obligation at the end of the year	<u>527,512</u>	<u>511,506</u>	<u>569,050</u>

Accumulated benefit obligation was US\$292,701 and US\$319,026 as of March 31, 2014 and 2015 respectively.

Net gratuity cost for the years ended March 31, 2013, 2014 and 2015 comprise of the following:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	US\$	US\$	US\$
Service cost	75,039	75,405	69,402
Interest cost	44,025	46,086	52,790
Recognized net actuarial (gain) loss	14,941	(60,402)	27,963
Net gratuity cost	<u>134,005</u>	<u>61,089</u>	<u>150,155</u>

The assumptions used in accounting for gratuity in the years ended March 31, 2013, 2014 and 2015 were as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Discount rate	8.75%	9.60%	8.45%
Rate of increase in compensation	7.00%	7.00%	7.00%

The following benefit payments, which reflect expected future services, are expected to be paid:

<u>Year ending March 31,</u>	<u>US\$</u>
2016	37,961
2017	123,838
2018	45,854
2019	62,965
2020	57,837
2021-2025	493,338

The expected benefits are based on the same assumptions used to measure the company's benefit obligation as of March 31, 2015.

Provident Fund

Employees based in India and the Company each, contribute at the rate of 12% of salaries to a provident fund maintained by the Government of India for the benefit of such employees. The provident fund is a defined contribution plan. Accordingly, the Company expenses such contributions as incurred. Amounts contributed by the Company to the provident fund, in aggregate, were US\$259,684, US\$228,075 and US\$231,528 for the years ended March 31, 2013, 2014 and 2015 respectively.

Compensated Absences

The Company provided US\$161,779, US\$155,598 and US\$114,634 for the years ended March 31, 2013, 2014 and 2015, respectively, as the compensated absences liability for the amounts to be paid as a result of employee's rights to compensated absences, considering anticipated forfeiture, in the year in which earned.

RELATED PARTY TRANSACTIONS

Six of our largest shareholders beneficially hold an aggregate of approximately 63% of our Equity Share capital. As a result, such shareholders, if they were to act collectively, could exercise control or significantly influence most matters requiring shareholder approval, including significant corporate transactions.

Product Development Expenses

During the fiscal years ended March 31, 2013, we incurred product development expenses (including amounts capitalized) of US\$95,395 on account of services rendered by Tachyon Technologies Private Ltd, an equity method investee.

Trade account receivable write off

During the year ended March 31, 2013, we wrote off US\$206,974 trade account receivables from Edelweiss Capital Service Ltd. in which a director of Rediff is shareholder and director, against the recorded allowance. The allowance for trade account receivables were made in fiscal year ended March 31, 2012.

EXCHANGE CONTROLS

Foreign investments in India are governed by the provisions of the Foreign Exchange Management Act 1999 (“**FEMA**”) and are subject to the regulations issued by the Reserve Bank of India (“**RBI**”) from time to time. The Foreign Direct Investment Scheme under the Reserve Bank’s Automatic Route enables Indian companies, other than those specifically excluded, to issue shares to persons residing outside India without prior permission from the RBI, subject to certain conditions. Subject to certain exceptions and compliance with pricing and reporting requirements prescribed by the RBI, general permission has been granted for: (i) for transfers of shares or convertible debentures held by a person resident outside India other than Non-Resident Indian (“**NRI**”), to any person resident outside India and (ii) NRIs are permitted to transfer shares or convertible debentures of Indian company to other NRIs.

General permission has also been granted for transfers between a person resident in India and a person resident outside India subject to stipulated conditions. In cases where such conditions are not met, approval of the Central Government and the Reserve Bank of India may be also required. Banks in India may currently allow remittance from India by a person resident in India of up to US\$250,000, per financial year, for any permitted current or capital account transaction or a combination of both under liberalized remittance scheme.

Issue of securities through the depository receipt mechanism

Until December 2014, the issuance of securities through the depository receipts mechanism was governed by the Foreign Currency Convertible GDRs and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 (“**1993 Scheme**”) as amended from time to time. On October 21, 2014, the Ministry of Finance (“**MoF**”) implemented the Depository Receipts Scheme, 2014 (“**New Scheme**”) by virtue of which issuance of depository receipts has been taken out of the 1993 Scheme and is now regulated by the New Scheme, the Companies Act and Companies (Issue of Global Depository Receipts) Rules, 2014 (Depository Receipts Rules). The New Scheme has come into effect from December 15, 2014.

Under the New Scheme, any Indian company, listed or unlisted, private or public or any other issuer or person holding permissible securities is eligible to issue or transfer permissible securities (including *inter alia*, shares, bonds, derivatives and unit of mutual funds, and similar instruments issued by private companies, provided that such securities are in dematerialized form to a foreign depository for the purpose of issuance of depository receipts in permissible jurisdictions that are FATC and IOSC compliant. Persons barred from accessing international capital markets, are not permitted to issue securities through the depository mechanism.

A foreign depository may issue depository receipts by way of a public offering or private placement or in any other manner prevalent in a permissible jurisdiction. An issuer may issue permissible securities to a foreign depository for the purpose of issuing depository receipts by any mode permissible for such issuance to investors. Further, holders of permissible securities may transfer such securities to a foreign depository for the purpose of the issue of depository receipts, with or without the approval of the issuer company, through transactions on a recognized stock exchange, bilateral transactions or by tendering through a public platform.

Under the New Scheme, securities can be issued through the depository receipt mechanism up to such a limit that the aggregate underlying securities issued to foreign depositories for issuance of depository receipts along with securities already held by persons resident outside India, does not exceed the applicable foreign investment limits prescribed by regulations framed under the Foreign Exchange Management Act, 1999.

The New Scheme provides that underlying securities shall not be issued to a foreign depository for issuance of depository receipts at a price which is less than the price applicable to a corresponding mode of issuance to domestic investors. A foreign depository may exercise voting rights, if any, associated with the underlying securities whether pursuant to voting instructions from the holder of depository receipts or otherwise. Further, a holder of depository receipts issued against underlying equity shares shall have the same obligations as if it is the holder of the equity shares if it has the right to issue voting instruction.

Restrictions on Sale of the Equity Shares Underlying the ADSs and for Repatriation of Sale Proceeds

A person resident outside India may transfer the ADSs held in Indian companies to another person resident outside India without any permission. An ADS holder is permitted to surrender the ADSs held by him in an Indian company and to receive the underlying equity shares under the terms of the Deposit Agreement. Under Indian regulations, the re-deposit of these equity shares with the depository to ADSs may not be permitted.

An Active or Liquid Market for Our ADSs is Not Assured

Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. Liquidity of a securities market is often a function of the volume of the shares that are publicly held by unrelated parties. Although ADS owners are entitled to withdraw the Equity Shares underlying the ADSs from the depository facility at any time, subject to certain legal restrictions, there is no public market for our Equity Shares in India or elsewhere and consequently we cannot assure you of an active or liquid market for the Equity Shares.

TRADING MARKET

General

There is no public market for our Equity Shares in India, the United States or any other market. Our ADSs evidenced by ADRs have been traded in the United States, initially on the NASDAQ National Market (now the NASDAQ Global Market), under the ticker symbol “REDF” since June 14, 2000, when they were issued by our depository, Citibank, N.A., pursuant to a Deposit Agreement. From June 24, 2002 to October 6, 2006, our ADSs traded on the NASDAQ Capital Market (formerly the NASDAQ Small Cap Market) under the same ticker symbol. Beginning on October 9, 2006, our ADSs have been trading on the NASDAQ Global Market. Each ADS represents one-half of one Equity Share.

The number of outstanding Equity Shares as of March 31, 2015 was 13,795,178. We have been informed by our depository that as of March 31, 2015, there were 23 record holders of ADRs evidencing 9,295,956 ADSs (representing 4,647,978 Equity Shares) in the United States.

Annual and Quarterly high-low price history:

	Price Per ADS (in U.S. dollars)	
	High	Low
Fiscal year ending March 31, 2010	4.50	1.75
Fiscal year ending March 31, 2011	9.90	1.69
Fiscal year ended March 31, 2012	17.98	4.89
Fiscal year ending March 31, 2013	7.21	1.82
Fiscal year ending March 31, 2014		
First Quarter (April 1, 2013 to June 30, 2013)	3.54	2.30
Second Quarter (July 1, 2013 to September 30, 2013)	2.81	2.05
Third Quarter (October 1, 2013 to December 31, 2013)	3.35	2.10
Fourth Quarter (January 1, 2014 to March 31, 2014)	2.62	2.01
Fiscal year ending March 31, 2015		
First Quarter (April 1, 2014 to June 30, 2014)	3.85	2.03
Second Quarter (July 1, 2014 to September 30, 2014)	3.31	2.25
Third Quarter (October 1, 2014 to December 31, 2014)	2.47	1.80
Fourth Quarter (January 1, 2015 to March 31, 2015)	2.33	1.73
Fiscal year ending March 31, 2016		
First Quarter (April 1, 2015 to June 30, 2015)	2.19	1.77

Monthly high-low price history for previous six months:

Previous six months	High	Low
February 2015	2.02	1.82
March 2015	2.00	1.73
April 2015	2.19	1.80
May 2015	1.92	1.78
June 2015	2.08	1.77
July 2015	1.87	1.59

Fees and other payments made by the Depository

During fiscal year ended March 31, 2015, the Company received US\$185,000 towards sharing of depository service fees for the fiscal years 2012, 2013 and 2014.

Fees charged by the Depository from our ADS holders

Under the terms of the ADS deposit agreement and related arrangements under which the depository provides its services, the depository may charge persons holding or beneficially owning ADSs on applicable record dates established by the depository up to \$2.00 per 100 ADSs (or fractions thereof) held, as a "depository services fee". A portion of the aggregate depository services fees that the depository may collect in a given year, as well as certain other amounts, may be made available to the Company, solely to defray costs the Company may incur in conducting certain investor relations and other activities related to the ADS program.

In addition to the depository services fee, the depository retains the right under the ADS deposit agreement to charge holders or beneficial owners of ADSs certain other fees, including in the event a holder or beneficial owner withdraws from the ADS program the shares underlying its ADSs, or in the event the Company distributes cash or stock dividends or makes other distributions to ADS holders. In most of these cases, the depository has the right to charge up to \$5.00 per 100 ADSs (or fractions thereof) as to which the particular service is being provided.

For further information concerning the fees that the depository retains the right to charge, and other aspects of the terms under which the depository provides its services, see the deposit agreement filed as an exhibit to the post-effective amendment no. 1 to the registration statement on Form F-6, filed with the U.S. Securities and Exchange Commission on August 2, 2012, in connection with the ADS program and the amending of the terms of the deposit agreement.

RESTRICTION ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through Foreign Direct Investment Policy (FDI Policy) of the Government of India and FEMA. While the FDI Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any amount and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are FIPB and the RBI. The Government has from time to time made policy pronouncements on FDI through press notes and press releases. The DIPP issued D/o IPP F. No. 5(1)/2015-FC-1 dated May 12, 2015 (" **FDI Policy** "), which went in to effect on May 12, 2015, consolidates and supersedes all previous press notes, press releases and clarifications on Foreign Direct Investment (" **FDI** ") issued by the DIPP that were in force and effect as on May 11, 2015, other than with respect to the pension sector.

ADR Scheme

For further details please refer section 'Issue of securities through the depository receipt mechanism' on page 58.

Foreign Direct Investment

Pursuant to its liberalisation policy, the Indian Government set up the Foreign Investment Promotion Board ("FIPB") under the Ministry of Finance, Government of India ("MOF") to regulate all investments by way of subscription and/or purchase and/or transfer and/or gift of securities of an Indian company by a person resident outside India or FDI into India. Prior permission of the FIPB is required for investments in excess of specified sectoral caps or in sectors in which FDI is not permitted or in sectors which specifically require prior approval of the FIPB or in proposals for investments in real estate business, atomic energy etc. The Indian Government has indicated that in all cases where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. The prescribed applicable norms with respect to determining the price at which shares may be issued by an Indian company to a non resident investor and the price at which shares may be sold by a resident to a non-resident or by a non-resident to a resident would need to be complied with, and a declaration in the prescribed form is required to be filed with the RBI once the issuance/transfer of shares of the Indian company is complete.

Portfolio Investment by Non-Resident Indians

Investments by persons of Indian nationality or origin residing outside of India (" **NRI**s ") are made under the Foreign Portfolio Investments mechanism.

NRI's are permitted to make Portfolio Investments by purchase up to 5% of the paid-up value of the shares issued by a company, subject to the condition that the aggregate paid-up value of shares purchased by all NRI's does not exceed 10% of the paid-up capital of the company. The 10% ceiling may be exceeded if a special resolution is passed in a General Meeting of the shareholders of the Company subject to overall ceiling of 24%. In addition to Portfolio Investments in Indian companies, NRI's may also make foreign direct investments in Indian companies pursuant to the foreign direct investment route discussed above.

Overseas corporate bodies controlled by NRI's or OCB's were previously permitted to invest on favourable terms under the Portfolio Investment Scheme. The RBI no longer recognizes OCB's as an eligible class of investment vehicle under various routes and schemes under the foreign exchange regulations.

Investment by Foreign Portfolio Investors ("FPIs")

An investment by FPI's is governed by the SEBI (Foreign Portfolio Investors) Regulations, 2014 (" **FPI Regulations** "). FPI's are required to be registered with the designated depository participant on behalf of the Securities Exchange Board of India subject to compliance with 'Know Your Customer' norms. FPI's are permitted to invest only in the following securities:

- a. securities in the primary and secondary markets including shares, debentures and warrants of companies, listed or to be listed on a recognized stock exchange in India;
- b. units of schemes floated by domestic mutual funds, whether listed on a recognized stock exchange or not;
- c. units of schemes floated by a collective investment scheme;
- d. derivatives traded on a recognized stock exchange;
- e. treasury bills and dated government securities;

- f. commercial papers issued by an Indian company;
- g. Rupee denominated credit enhanced bonds;
- h. security receipts issued by asset reconstruction companies;
- i. perpetual debt instruments and debt capital instruments, as specified by the RBI from time to time;
- j. listed and unlisted non-convertible debentures / bonds issued by an Indian company in the infrastructure sector, where 'infrastructure' is defined in terms of the extant External Commercial Borrowings guidelines;
- k. non-convertible debentures or bonds issued by Non-Banking Financial Companies categorized as 'Infrastructure Finance Companies' by the RBI;
- l. Rupee denominated bonds or units issued by infrastructure debt funds;
- m. Indian depository receipts; and
- n. such other instruments specified by the Securities and Exchange Board of India from time to time.

A foreign portfolio investor shall transact in the securities in India only on the basis of taking and giving delivery of securities purchased or sold except certain carve outs.

A single FPI or an investor group is permitted to purchase equity shares of a company only below 10% of the total issued capital of the company. Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of the FPI Regulations, an FPI, other than Category III FPIs and unregulated broad based funds, which are classified as Category II FPIs by virtue of their investment manager being appropriately regulated, may issue or otherwise deal in offshore derivative instruments (defined under the FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it that are listed or proposed to be listed on any recognized stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued to persons who are regulated by an appropriate foreign regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. An FPI is also required to ensure that further issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are regulated by an appropriate foreign regulatory authority.

The FPI Regulations became effective as of June 1, 2014. Any Foreign Institutional Investor (" **FII** ") or Qualified Foreign Investor (" **QFI** ") who holds a valid certificate of registration will be deemed to be a FPI till the expiry of the block of three years for which fees has been paid per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995. All existing FIIs and sub accounts, subject to payment of conversion fees specified in the FPI Regulations, may continue to buy, sell or otherwise deal in securities subject to the provisions of the FPI Regulations, until the earlier of (i) expiry of its registration as a FII or sub-account, or (ii) obtaining a certificate of registration as foreign portfolio investor. All QFIs may continue to buy, sell or otherwise deal in securities until the earlier of (i) up to a period of a one year from the date of commencement of the FPI Regulations; (ii) obtaining a certificate of registration as a foreign portfolio investor.

In furtherance of the FPI Regulations, the RBI amended relevant provisions of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 by a notification dated March 13, 2014. The portfolio investor registered in accordance with the FPI Regulations would be called 'Registered Foreign Portfolio Investor (" **RFPI** "). Accordingly, RFPI may purchase and sell shares and convertible debentures of an Indian company through a registered broker as well as purchase shares and convertible debentures offered to the public under the FPI Regulations. Further, RFPI may sell shares or convertible debentures so acquired (i) in an open offer in accordance with the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; or (ii) in an open offer in accordance with the Securities Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; or (iii) through buyback of shares by a listed Indian company in accordance with the Securities Exchange Board of India (Buy-back of Securities) Regulations, 1998. RFPI may also acquire shares or convertible debentures (i) in any bid for, or acquisition of securities in response to an offer for disinvestment of shares made by the Central Government or any State Government; or (ii) in any transaction in securities pursuant to an agreement entered into with merchant banker in the process of market making or subscribing to unsubscribed portion of the issue in accordance with Chapter XB of the SEBI (ICDR) Regulations, 2009.

The individual and aggregate investment limits for the RFPIs should be below 10% or 24% respectively of the total paid-up equity capital or 10% or 24% respectively of the paid-up value of each series of convertible debentures issued by an Indian company and such investment should be within the overall sectoral caps prescribed under the FDI Policy. The aggregate investment limits for the RFPI can also be increased to the sectoral cap / statutory ceiling, as applicable, by the Indian company concerned through a resolution by its Board of Directors followed by a special resolution to that effect by its shareholders and subject to prior notification to RBI. RFPI may invest in government securities and corporate debt subject to limits specified by the RBI and SEBI from time to time and to trade in all exchange traded derivative contracts on the stock exchanges in India subject to the position limits as specified by Securities and Exchange Board of India from time to time.

With a move to further simplify the FDI Policy and in line with earlier announcement, Union Cabinet has, on 16 July 2015, approved the implementation of "composite cap" for FDI, essentially doing away with the distinction between various foreign investment by FIIs, NRIs and other FDIs.

Portfolio investment, upto aggregate foreign investment level of 49%, will be permitted without government approval or compliance of sectoral conditions, if such investment does not result in transfer of ownership and / or control of Indian entities from resident Indian citizens to non-resident entities.

Takeover and Insider Trading Regulations

Under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended, or Takeover Code, upon the acquisition of more than 5% of the outstanding shares or voting rights of an Indian public listed company, a purchaser is required to notify the company, and the company and the purchaser are required to notify all the stock exchanges on which the shares of such company are listed. Upon the acquisition of 25% or more of such shares or voting rights or a change in control of the company, the acquirer must make an open offer to the other shareholders, offering to purchase at least 26% of the outstanding shares of the company at a minimum offer price as determined pursuant to the Takeover Code. Upon conversion of ADSs into equity shares, an ADS holder may be subject to the Takeover Code; if the shareholding of the ADS holder on conversion exceeds 25% of the paid up capital of the Indian company and the Indian company is listed in India. A holder of ADS issued by a listed company may also be subject to the Takeover Code if the ADS holder becomes entitled to exercise voting rights, in any manner whatsoever, on the underlying shares. Similar disclosures may be made under the SEBI (Prohibition of Insider Trading), Regulations, 2015, if the equity shares of the Indian company are listed on a recognized stock exchange in India. So long as our Equity Shares are unlisted in India / are not proposed to be listed, the provisions of the Takeover Code and the Insider Trading Regulations will not be applicable.

Qualified Institutional Placement under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009

In order to make Indian markets more competitive and efficient, the Government of India introduced an additional instrument for listed companies to raise funds from domestic markets in the form of a Qualified Institutional Placement, or QIP. Key features of the QIP program are as follows:

- *Issuers* . A company whose equity shares are listed on an Indian stock exchange with nationwide trading terminals and which is in compliance with the prescribed requirements of minimum public shareholding in its listing agreement will be eligible to raise funds in the domestic market by placing securities with Qualified Institutional Buyers or QIBs.

QIBs are defined as:

- Public financial institution as defined in Section 4A of the Companies Act;
- Scheduled commercial banks;
- Mutual funds;
- Foreign portfolio investor other than Category III foreign portfolio investor registered with SEBI;;
- Multilateral and bilateral development financial institutions;
- Venture capital funds / alternative investment fund registered with SEBI;
- Foreign venture capital investors registered with SEBI;
- State industrial development corporations;
- Insurance companies registered with the Insurance Regulatory and Development Authority;
- Provident funds with minimum corpus of Rs.250 million;
- Pension funds with minimum corpus of Rs.250 million; or National Investment Fund set up by the Government of India;
- National Investment Funds;
- Insurance funds set up and managed by Army, Navy or Air Force of the Union of India; and
- Insurance funds set up and managed by the Department of Posts, India

- *Securities* : Securities which can be issued through the QIP program are equity shares, non-convertible debt instruments along with warrants and convertible securities other than warrants (hereinafter referred to as “eligible securities”). A security which is convertible into or exchangeable with equity shares at a later date, may be converted or exchanged into equity shares at any time after allotment of security but not later than sixty months from the date of allotment. The eligible securities must be fully paid up at the time of allotment.
- *Investors/Allottees* : The specified securities can be issued only to QIBs, as defined above. Such QIBs must not be promoters or related to promoters of the issuer, either directly or indirectly. Each placement of the eligible securities issued through the QIP program shall be on a private placement basis, in compliance with the requirements of the Companies Act and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. Minimum number of allottees should be 2 for issue size less than Rs. 2.5 billion and 3 in case of issue size exceeding Rs. 2.5 billion. A single allottee shall not be allotted more than 50% of the issue size. A minimum of 10% of the securities in each placement must be offered to mutual funds. If no mutual fund agrees to take up the minimum portion or any part thereof, such minimum portion or part thereof may be allotted to other QIBs.
- *Issue Size* : The aggregate funds that can be raised through the QIP program in one financial year shall not exceed five times of the net worth of the issuer as of the end of its previous financial year.
- *Placement Document* : The issuer shall prepare a placement document containing all the relevant and material disclosures. There will be no pre-issue filing of the placement document with SEBI. The placement document will be placed on the websites of the relevant Indian stock exchanges and of the issuer, with appropriate disclaimer to the effect that the placement is meant only for QIBs on a private placement basis and is not an offer to the public. Such Placement Document must also comply with the requirement of section 42 of the Companies Act, 2013 with respect to disclosures.
- *Pricing* : The price of the shares issued under the QIP program must not be less than the average of the weekly high and low of the closing prices of the shares quoted on the stock exchange during the two weeks preceding the relevant date. By an amendment to the ICDR Regulations in October 2012, SEBI permitted Indian companies to offer a discount of up to five (5) percent on the issue price. “Relevant date” has been defined to mean the date of the meeting in which the Board of the company or the Committee of Directors duly authorized by the Board of the company decides to open the proposed issue. The issue price for convertible instruments is subject to adjustment in case of corporate actions such as stock splits, rights issues and bonus issues.

Because our Equity Shares are not listed on any Indian stock exchange, we are not eligible to participate in the QIP program.

PRINCIPAL SHAREHOLDERS

The following table provides information relating to the beneficial ownership of our equity shares for:

- each of the executive officers named in the summary compensation table and each of our directors;
- all of our directors and executive officers as a group; and
- each person or group of affiliated persons who is, to the extent known by us or ascertained from public filing, to beneficially own 5.0% or more of our Equity Shares.

Name of Beneficial Owner	Shares Beneficially Owned As of June 30, 2015		Shares Beneficially Owned As of June 30, 2014		Shares Beneficially Owned As of June 30, 2013	
	Number of Equity Shares held	Percent of total Equity Shares outstanding	Number of Equity Shares held	Percent of total Equity Shares outstanding	Number of Equity Shares held	Percent of total Equity Shares outstanding
<i>Officers and Directors</i>						
Ajit Balakrishnan ^{(1)(1A) (1B) (1C)}	2,363,952	15.96%	2,363,981	15.96%	2,363,981	15.96%
Diwan Arun Nanda ⁽¹⁾	2,344,741	15.83%	2,344,741	15.83%	2,344,741	15.83%
All Directors and Officers as a Group (4 persons)	4,720,693	31.87%	4,720,722	31.87%	4,720,722	31.87%
<i>Other shareholders holding more than 5% shareholding</i>						
Rediffusion Holdings Private Limited ⁽¹⁾	2,200,002	14.85%	2,200,002	14.85%	2,200,002	14.85%
Draper International India LP	2,178,000	14.71%	2,178,000	14.71%	2,178,000	14.71%
Rediff.com India limited Employee Trust (1C)	1,015,000	6.85%	1,015,000	6.85%	1,015,000	6.85%
Edelweiss Finance and Investment Ltd ^(1D)	1,523,000	10.28%	1,523,000	10.28%	1,523,000	10.28%

Notes:

- (1) Includes 2,200,002 Equity Shares held by Rediffusion Holdings Private Limited, previously called Rediffusion Advertising Private Limited, of which Ajit Balakrishnan is a 50.0% shareholder and Director and Diwan Arun Nanda is a 50.0% shareholder and Director.
- (1A) Includes 144,540 Equity Shares held by Quintrol Technologies Private Limited, of which Ajit Balakrishnan is a director as well as a 99.9% stockholder.
- (1B) Includes 38,441 ADSs of the Company held by Mr. Ajit Balakrishnan.
- (1C) The trustees of the trust consist of 3 executive officers of Rediff.
- (1D) Edelweiss Finance and Investment Ltd is wholly owned subsidiary of Edelweiss Financial Service Ltd in which Rashesh Shah is a Chairman and Managing Director and holds 17.5% shareholding.

Sunil N. Phatarphekar, a director of the Company, holds 6,000 equity shares which resulted from the exercise of the stock options.

Ashok Narasimhan, a director of the Company, holds 6,000 equity shares which resulted from the exercise of the stock options.

Our ADSs are currently listed and traded on the NASDAQ Global Market and each ADS is represented by one-half of one Equity Share of par value of \$5 per share.

Our ADSs are registered pursuant to Section 12(b) of the Securities Act. We have been informed by our depository that as of June 30, 2015, 9,295,956 ADSs were held by 23 record holders of ADRs in the United States.

TAXATION

Indian Tax

The following discussion of Indian tax consequences for investors in ADSs and Equity Shares received upon redemption of ADSs who are not resident in India, whether of Indian origin or not, is based on the current provisions of the Indian Income-tax Act as amended by the Finance Act, 2015, including the special tax regime for ADSs contained in Section 115AC and 115AC, as amended, read with the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, or the Scheme, as amended. The Indian Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of Section 115AC and other relevant provisions may be amended or modified by future amendments to the Indian Income-tax Act.

In the event there is any Double Taxation Avoidance Agreement (DTAA) between two states and an investor is a resident of either of the states; then to the extent the provisions of the DTAA are more favorable to the investor, under the Indian Income-tax Act, the provisions of the DTAA would prevail. However, The Finance Act, 2012 included General Anti-Avoidance Rule (GAAR), wherein the tax authority may declare an arrangement as an impermissible avoidance arrangement if an arrangement is not entered at arm's length, results in misuse / abuse of provisions of Income Tax Act, 1961 lacks commercial substance or the purpose of arrangement is for obtaining a tax benefit. If any of our transactions are found to be 'impermissible avoidance arrangements' under GAAR, our business may be adversely affected.

The GAAR was originally proposed to become effective for transactions entered into on or after April 1, 2013. In September 2013, vide Notification No. 75, the Government of India had notified the applicability of the GAAR provisions along with certain threshold limits which will become effective from April 1, 2015. However vide Finance Act, 2015 the implementation of GAAR has been deferred by 2 years so as to implement it as part of a comprehensive regime to deal with OECD's BEPS project of which India is an active participant. Thus, GAAR provisions shall be applicable from Financial Year 2017-18.

The Union Budget, 2015 has proposed to implement Goods and Service Tax (GST) from April 1, 2016. GST will put in place a new indirect tax system which will integrate State economies and boost overall growth. It is proposed to incorporate other taxes such as Central Excise duty, Service tax, Octroi, VAT and Sales tax, entry tax, etc., into GST, thus avoiding multiple layers of taxation that currently exist in India.

The following summary is not intended to constitute a complete analysis of the tax consequences under Indian law of the acquisition, ownership and sale of our ADSs and our Equity Shares by non-resident investors. Potential investors should, therefore, consult their own tax advisers on the tax consequences of such acquisition, ownership and sale, including specifically the tax consequences under Indian law, the law of the jurisdiction of their residence, any tax treaty between India and their country of residence, and in particular the application of the regulations implementing the Section 115AC regime.

Residence

For purposes of the Indian Income-tax Act, an individual is a resident of India during any fiscal year, if he (i) is in India in that year for 182 days or more or (ii) having within the four years preceding that year been in India for a period or periods amounting in all to 365 days or more, is in India for period or periods amounting in all to 60 days or more in that year. The period of 60 days is substituted by 182 days in case of an Indian citizen or person of Indian origin who being resident outside India comes on a visit to India during the financial year or an Indian citizen who leaves India as a member of the crew of an Indian ship or for the purposes of employment outside India. Explanation 2 to section 6(1) inserted by Finance Act, 2015 provides that in case of an individual, being a citizen of India and a member of the crew of a foreign bound ship leaving India, the period or periods of stay in India shall, in respect of such voyage, be determined in the manner and subject to such conditions as may be prescribed.

A company is resident in India in any fiscal year if it is an Indian company or the control and management of its affairs is situated wholly in India in that year. A firm or other association of persons is resident in India except where the control and the management of its affairs are situated wholly outside India. The Finance Act, 2015 has amended this definition and brought in the concept of Place of Effective Management (PoEM) i.e., a company would be considered a resident in India if its place of effective management in that year is in India. Thus a foreign company will be resident in India, if its PoEM in that year is in India. The term 'PoEM' has been explained to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole, are in substance made. As per explanation to section 6(3) of the Indian Income-tax Act. Set of guiding principles to determine place of effective management is also proposed to be issued. A firm or other association of persons is resident in India except where the control and the management of its affairs are situated wholly outside India during that year. This may increase the compliance of filing of returns and assessment of our subsidiary company situated outside India.

Taxation of Distributions

Shareholders who receive dividends by a domestic company will not be subject to tax on the distribution if the company has paid the dividend distribution tax (DDT). Consequently, withholding tax on dividends paid to shareholders does not apply. The rate of DDT is 15%. The rate is to be applied on the grossed up amount of dividend. The DDT is to be further increased by surcharge and education cess. If the company has not paid the DTT, the shareholder would be taxable at the applicable Indian Income-tax rates depending on the legal status of the shareholders.

Minimum Alternate Tax

Companies are liable to pay Minimum Alternate Tax (MAT) in a fiscal year if the income-tax payable on the total income computed under the Indian Income-tax Act is less than 18.5% of its book profit. In such cases, the book profit shall be deemed to be the total income of the company and tax payable shall be @ 18.5%. In case of domestic companies, surcharge @ 7% will be levied if the total income exceeds Rs. 1 crore (Rs. 10 million) but does not exceed Rs. 10 crore (Rs. 100 million). The rate of surcharge will be 12% if total income exceeds Rs. 10 crore (Rs. 100 million). In case of companies other than domestic companies, surcharge @ 2% will be levied if the total income exceeds Rs. 1 crore (Rs. 10 million) but does not exceed Rs. 10 crore (Rs. 100 million). The rate of surcharge will be 5% if total income exceeds Rs. 10 crore (Rs. 100 million). Additional surcharge called the "Education Cess on Income-tax" and "Secondary and Higher Education Cess on Income-tax" shall continue to be levied @ 2% and 1% respectively on the amount of tax computed. As per clause (iid) to Explanation 1 to section 115JB(2) of the Indian Income-tax Act, the book profit shall be reduced by the amount of income accruing or arising to a foreign company from the capital gains arising on transactions in securities if such income is credited to the profit and loss account and the tax payable under normal provisions of the Indian Income-tax Act is less than 18.5%. The Indian Income Tax Act provides that the MAT paid by companies can be adjusted against its tax liability over the next ten years.

Taxation on Sale of ADSs

Any transfer of ADSs outside India by a non-resident investor to another non-resident investor does not give rise to Indian capital gains tax.

Taxation on Redemption of ADSs

In the present case, there is no conversion but redemption, i.e. receipt of shares over which the ADS holder has a pre-existing right, therefore there is no transfer and consequently, no capital gains.

Taxation on Sale of Equity Shares

Subject to any relief under any relevant double taxation treaty, a gain arising on the sale of an equity share by a non-resident investor will generally give rise to a liability for Indian capital gains tax and tax is required to be withheld at source. However, as per section 196D(2) of the Indian Income-tax Act, tax is not required to be deducted from any income by way of capital gains arising from the transfer of securities referred to in section 115AD of the Indian Income-tax Act, payable to a Foreign Institutional Investor. Capital gains on sale of equity shares not listed on a recognized stock exchange in India, which have been held for more than 36 months (measured from the date of request for redemption of ADSs where applicable) are considered as long-term capital gains and generally taxable at the rate of 20% plus surcharge and education cess. Surcharge on this tax would be applicable at the rate of 2% in the case of non-resident corporations if the total income exceeds Rs.1 Crore (Rs.10 million) but not exceeding Rs. 10 Crores (Rs. 100 million). Surcharge at the rate of 5% would be applicable if the total income exceeds Rs. 10 crore (Rs. 100 million). However, surcharge is leviable @ 12% where income exceeds Rs. 1 crore (Rs. 10 million) on non-resident individuals or an association of persons. In all the above cases, the amount of tax and surcharge, if any, would be increased by an Education Cess of 2% and Secondary and Higher Education Cess of 1% resulting in an aggregate Education Cess of 3%.

Though section 115AC provides for lower rate of tax (i.e., 10% plus surcharge where applicable and Education Cess of 3%) on long term capital gains arising from transfer of ADSs (other than one between two non-residents made outside India), it is unclear whether the lower rate of tax would also extend to gains arising from transfer of shares converted from ADSs under the amended provisions of Section 115AC. However, it may be noted that certain other provisions of the Indian Income-tax Act also provide for lower rate of tax (i.e., 10% plus surcharge where applicable and Education Cess of 3%) for specific classes of taxpayers, such as Foreign Portfolio Investors, registered with SEBI. Section 112(1)(c)(iii) of the Indian Income-tax Act provides that in case of a non-resident not being a company or a foreign company, the rate of tax will be 10% plus surcharge and cess as applicable, in respect of long term capital gains arising from the transfer of unlisted securities. The gains shall be computed without giving effect to the first and second proviso to section 48 of the Indian Income-tax Act.

Where unlisted equity shares have been held for 36 months or less, the rate of tax varies and will be subject to tax at normal rates of income tax applicable to non-residents under the provisions of the Indian Income-tax Act, subject to a maximum of 40% (plus applicable surcharge and Education Cess as mentioned above). The actual rate of tax on short-term gains depends on a number of factors, including the legal status of the non-resident holder and the type of income chargeable in India.

During the period the underlying equity shares are held by non-resident investors on a transfer from our depository upon redemption of ADSs, the provisions of the DTAA entered into by the Government of India with the country of residence of the non-resident investors will be applicable in the matter of taxation of any capital gain arising on a transfer of our equity shares.

As per section 49(2ABB) of the Indian Income-tax Act, where shares of a company are acquired by a non-resident investor on redemption of ADSs, the cost of acquisition of shares shall be the price of such share prevailing on any recognized stock exchange on the date on which a request for such redemption was made.

In case of shares which are acquired by the non-resident investor on redemption of ADSs, the period of holding shall be reckoned from the date on which a request for such redemption was made as per clause (he) of Explanation 1 to section 2(42A) of the Indian Income-tax Act.

Withholding Tax on Capital Gains

Tax on long term and short term capital gains, if payable as discussed above, upon sale of equity shares is to be deducted at source by the person responsible for paying the non-resident, in accordance with the relevant provisions of the Indian Income-tax Act, and the non-resident will be entitled to a certificate evidencing such tax deduction in accordance with the provisions of section 203 of the Indian Income-tax Act. However, as per section 196D(2) of the Indian Income-tax Act, tax is not required to be deducted from any income by way of capital gains arising from the transfer of securities referred to in section 115AD of the Indian Income-tax Act, payable to a Foreign Institutional Investor.

Rights

Issuance to non-resident holders of additional ADSs or equity shares or rights to subscribe for equity shares made with respect to ADSs or equity shares are not subject to tax in the hands of the non-resident holder.

However, under section 56(2)(viiia) of the Indian Income-tax Act, where a firm or a closely held company receives any share of another closely held company without consideration or for a consideration which is less than the fair market value (fair market value exceeding INR 0.05 million), the fair market value /excess shall be taxable in the hands of the recipient. There is a possibility that the tax authorities may tax the recipient under section 56(2)(viiia) of the Indian Income-tax Act. A view may be taken that there is no transfer of shares when fresh shares or rights are allotted and that consequently the provisions of section 56(2)(viiia) are not attracted. However, litigation with the tax authorities cannot be ruled out on this issue.

It is unclear as to whether capital gain derived from the sale of rights by a non-resident holder, not entitled to exemption under a tax treaty, to another non-resident holder outside India will be subject to Indian capital gains tax. If rights are deemed by the Indian tax authorities to be situated within India, considering situs is in India, the gains realized on the sale of rights will be subject to Indian taxation. These rights would generally be in the nature of short-term capital assets.

Stamp Duty

Upon the issuance of the Equity Shares underlying our ADSs, we are required to pay a stamp duty of 0.1% per share of the issue price. A transfer of ADSs is not subject to Indian stamp duty. Normally, upon the acquisition of equity shares from a depository in exchange for ADSs representing these equity shares in physical form, an investor would be liable for Indian stamp duty at the rate of 0.25% of the market value of the equity shares at the date of registration. Similarly, a sale of equity shares by an investor would also be subject to Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date, although customarily the tax is borne by the transferee, that is, the purchaser. In case the equity shares of the company are held in a "dematerialized" form, such as a book-entry system, no stamp duty would be payable on the acquisition or transfer of the equity shares.

Other Taxes

At present, there are no Indian taxes on wealth, gifts or inheritance, which may apply to our ADSs and any underlying Equity Shares.

Buy-back of Securities

As per section 115QA of the Indian Income-tax Act, any amount of distributed income by the company on buy-back of shares (not being shares listed on a recognised stock exchange) from a shareholder shall be charged to tax in the hands of the company @ 20% plus surcharge and cess as applicable on such distributed income. Any income arising to an assessee, being a shareholder, on account of buyback of shares (not being listed on a recognised stock exchange) by the company as referred to in section 115QA shall be exempt under section 10(34A) of the Indian Income-tax Act.

Service Tax

Brokerage or commissions paid to stockbrokers in connection with the sale or purchase of shares traded in India is subject to a service tax of 12.36%. The stockbroker is responsible for collecting the service tax and paying it to the relevant authority. The Finance Act 2015 has increased the rate of service tax from the present 12.36% (inclusive of surcharge and cess) to a consolidated rate of 14%. This has been notified to be applicable with effect from 1st June 2015. Further, it has also introduced Swachh Bharat Cess (Clean India Campaign) on all or certain taxable services at a rate of 2% on the value of such taxable services, the notification for which is still awaited.

United States Federal Income Tax Considerations

The following is a summary of United States federal income tax considerations relating to the acquisition, ownership, and disposition of ADSs or Equity Shares by U.S. Holders (as defined below) that will hold their ADSs or Equity Shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code (the “Code”). This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation which may be important to particular investors in light of their individual investment circumstances, including holders subject to special tax rules (e.g., financial institutions, insurance companies, broker-dealers, partnerships and their partners, and tax-exempt organizations (including private foundations), holders that are not U.S. Holders, holders that own (directly, indirectly, or constructively) 10% or more of the total combined voting power of all classes of our Equity Shares entitled to vote, holders that will hold our ADSs or our Equity Shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, or holders that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not discuss any non-United States, state, or local tax considerations. Prospective investors are urged to consult their tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or our Equity Shares.

For purposes of this summary, a “U.S. Holder” is a beneficial owner of ADSs or Equity Shares that, for United States federal income tax purposes, is (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation for United States federal income tax purposes created in, or organized under the law of, the United States or any State or political subdivision thereof, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

If a partnership is a beneficial owner of our ADSs or Equity Shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership.

For United States federal income tax purposes, U.S. Holders of ADSs will be treated as the beneficial owners of the underlying shares represented by the ADSs.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSs.

General

A primary consideration related to making an investment in ADSs or Equity Shares for United States investors is whether we will become classified as a “passive foreign investment company” (a “PFIC”). A foreign corporation, such as us, will be treated as a PFIC, for United States federal income tax purposes, if 75% or more of its gross income consists of certain types of “passive” income or 50% or more of its assets are passive. For the purpose of applying the income and assets tests described above, we will be treated as owning its proportionate share of the assets and earning the proportionate share of the income of any other corporation that we own, directly or indirectly, 25% or more (by value) of the stock of such corporation.

We do not expect to be classified as a passive foreign investment company (“PFIC”) for United States federal income tax purposes for the most recent taxable year ended March 31, 2015. However, there is no guaranty that the Internal Revenue Service will agree with our determination. Moreover, we may become classified as a PFIC for one or more future taxable years, particularly under circumstances where we determine not to deploy significant amounts of cash for business development purposes. The determination of whether we are, or will become, classified as a PFIC is a fact intensive determination that is made annually based on the composition and amounts of income that we earn and the composition and valuation of our assets, all of which are subject to change. For purposes of determining whether we are, or will become, classified as a PFIC, cash and other liquid assets are categorized as passive assets and the value of our goodwill and other unbooked intangibles are taken into account. The value of our assets for a taxable year is determined by reference to the average of the fair market values of our assets determined as of the end of each quarterly period during the taxable year. In addition, the composition of our assets will be affected by how, and how quickly, we spend our liquid assets that we presently hold. To the extent we are able to deploy substantial amounts of cash for business development purposes, our level of active assets, as compared with our passive assets, may become more prominent.

If we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or Equity Shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or Equity Shares.

Because PFIC status is a fact intensive determination made on an annual basis, no assurance can be given regarding our classification as a PFIC. The discussion immediately below under the headings “Distributions” and “Sale or Other Disposition of ADSs or Equity Shares” describes certain tax considerations if we are not subject to classification as a PFIC for United States federal income tax purposes, and are followed by a summary of the PFIC rules under the heading “Passive Foreign Investment Company” if we were to be classified as a PFIC. United States investors are urged to consult their tax advisors regarding the potential application and effect of the PFIC rules in connection with their prospective investment in our ADSs or our Equity Shares.

Distributions

The gross amount of cash distributions with respect to the ADSs (or Equity Shares) will, upon receipt by the Depositary (or by you), be includible in your gross income as dividend income to the extent of our current and accumulated earnings and profits, as determined under United States federal income tax principles. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid may generally be treated as a dividend for United States federal income tax purposes. A non-corporate recipient of dividend income will generally be subject to tax on dividend income from a “qualified foreign corporation” at a maximum United States federal tax rate of 20% rather than the marginal tax rates generally applicable to ordinary income so long as certain holding period requirements are met. A non-United States corporation (other than a PFIC) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program or (ii) with respect to any dividend it pays on stock which is readily tradable on an established securities market in the United States. There is currently a tax treaty in effect between the United States and India which the Secretary of Treasury has determined is satisfactory for these purposes and we believe we should be eligible for the benefits of the treaty. United States corporate holders will generally not be eligible for the dividends received deduction for distributions to domestic corporations in respect of distributions on our ADSs or our Equity Shares.

An additional tax on net investment income imposed at a 3.8% rate will also apply to dividends received by certain individuals who meet specified income thresholds (\$250,000 for joint returns).

The United States dollar value of any distribution made by us in Rupees will be determined by reference to the exchange rate in effect on the date the distribution is received by the Depositary (or you if you hold our Equity Shares), regardless of whether the payment is in fact converted into U.S. dollars on that date. Any subsequent gain or loss in respect of such Rupees arising from exchange rate fluctuations will be ordinary income or loss. This gain or loss will generally be treated as United States source gain or loss for United States foreign tax credit limitation purposes.

Dividends generally will be treated as income from foreign sources for United States foreign tax credit limitation purposes. You may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on the ADSs or the Equity Shares. If you do not elect to claim a foreign tax credit for foreign tax withheld, you may instead claim a deduction, for United States federal income tax purposes, in respect of such withholding, but only for a year in which you elect to do so for all creditable foreign income taxes.

Sale or Other Disposition of ADSs or Equity Shares

You generally will recognize capital gain or loss for United States federal income tax purposes upon a sale or other disposition of ADSs or Equity Shares in an amount equal to the difference between the amount realized from the sale or disposition and your adjusted tax basis in the ADSs or the Equity Shares. Such gain generally will be long-term if, on the date of such sale or disposition, you held such ADSs or Equity Shares for more than one year and will generally be treated as United States source gain or loss for United States foreign tax credit limitation purposes. The deductibility of a capital loss may be subject to limitations.

Passive Foreign Investment Company

If we are or were to become classified as a PFIC for any taxable year, and unless you make a special election (including a “mark-to-market” election, as described below), you would be subject to special rules with respect to (i) any gain realized on the sale or other disposition of ADSs or Equity Shares, and (ii) any “excess distribution” made by us on the ADSs or Equity Shares (generally, any distributions paid to you in respect of ADSs or Equity Shares during a single taxable year that are greater than 125% of the average annual distributions received by you during the three preceding taxable years or, if shorter, your holding period for such ADSs or Equity Shares).

Under the PFIC rules:

- the gain or excess distribution would be allocated ratably over your holding period for ADSs or Equity Shares;
- the amount allocated to the taxable year in which the gain or excess distribution was realized, and any taxable year that you held our ADSs or our Equity Shares prior to the first taxable year in which we are classified as a PFIC (a “pre-PFIC year”), would be taxable as ordinary income; and
- the amount allocated to each prior year, other than the current year and any pre-PFIC year, would be subject to (i) tax at the highest tax rate in effect for that year and (ii) an interest charge generally applicable to underpayments of tax based on the amount of the tax deferred during the time in which you owned ADSs or Equity Shares.

As an alternative to the foregoing rules, a holder of “marketable stock” in a PFIC may make a mark-to-market election, provided that the shares are “regularly traded” on a “qualified exchange.” So long as our ADSs are regularly traded on the NASDAQ Global Market, our ADSs should be treated as marketable stock on a qualified exchange for this purpose. No assurances, however, may be given whether the ADSs would be treated, or continue to be treated, as “regularly traded” on such exchange. If you make a valid mark-to-market election, you will generally (i) include as ordinary income for each taxable year the excess, if any, of the fair market value of your ADSs or Equity Shares as determined at the end of the taxable year over the adjusted tax basis of such ADSs or Equity Shares and (ii) deduct as a loss the excess, if any, of the adjusted tax basis of your ADSs or Equity Shares over the fair market value of such ADSs or Equity Shares as determined at the end of the taxable year, but only to the extent of the amount previously included in income as a result of the mark-to-market election. Your adjusted tax basis in your ADSs or Equity Shares would be adjusted to reflect any income or loss resulting from the mark-to-market election.

The rules for PFICs are complex and several other special elections are available, including the election to treat us as a “qualified electing fund” (“QEF”). A QEF election would require a holder of Equity Shares or ADSs to include in its income a share of our income on an annual basis even absent a distribution to pay taxes on that share of income.

If you own ADSs or Equity Shares during any year that we are classified as a PFIC, subject to certain exception, you may be required to file an annual Internal Revenue Service Form 8621 that describes the distributions received on ADSs or Equity Shares and the gain realized on the disposition of ADSs or Equity Shares. You are urged to consult your tax advisor concerning the United States federal, state and local income tax consequences of acquiring, holding, and disposing of ADSs or Equity Shares.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the objectives of the control system. As such, disclosure controls and procedures or internal control systems may not prevent all error and all fraud. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, at our Company have been detected.

Our management, with the participation of our Chairman and Managing director, who serves as our Principal Executive Officer, and our Chief Financial Officer who serves as Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 referred as the “Exchange Act”) as of the end of the period covered by this annual report. Based on such evaluation, our Chairman and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chairman and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is the process designed by, or under the supervision of, our Chairman and Managing director, who serves as our Principal Executive Officer, and our Chief Financial Officer who serves as Principal Financial Officer, and effected by our management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with established policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chairman and Managing director and our Chief Financial Officer, our Management conducted an assessment of the effectiveness of our internal control over financial reporting as of March 31, 2015. In making this assessment, our management primarily used the criteria set forth in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO”). Based on such assessment, our management has concluded that we maintained effective internal control over financial reporting as of March 31, 2015.

Our independent registered public accounting firm, Deloitte Haskins & Sells LLP, has audited the consolidated financial statements included in this annual report on Form 20-F, and as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting as of March 31, 2015.

Changes in Internal Controls over Financial Reporting

During the period covered by this annual report, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table summarizes the fees billed to us by our principal accountant, Deloitte Haskins & Sells LLP (formerly Deloitte Haskins & Sells), Mumbai, India and its affiliates (collectively "Deloitte") for various services rendered to us during the fiscal years ended March 31, 2013, 2014 and 2015, respectively.

	Fiscal year ended March 31,		
	2013	2014	2015
	US\$	US\$	US\$
Audit Fee	226,974	209,094	207,997
Tax Fees	12,915	3,295	3,271
Total	239,889	212,389	211,267

Audit fee represents the aggregate fees for Deloitte in connection with the audits of our annual integrated consolidated financial statements and statutory audit of Rediff. Tax fees primarily comprise fees for tax audit and permitted tax advisory services. Our Audit Committee charter requires us to obtain the prior approval of our Audit Committee on every occasion we engage our principal accountants or their associated entities to provide us any audit or non-audit services. We disclose to our Audit Committee the nature of services that are provided. All of the services provided by our principal accountants or their associated entities in the previous three fiscal years (since the emergence of the pre-approval rules), have been pre-approved by our Audit Committee.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial statements in this annual report have been prepared in accordance with U.S. GAAP. Our fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the year ended March 31 of that year. The consolidated financial statements, including the notes to these financial statements, audited by Deloitte Haskins & Sells LLP, an independent registered public accounting firm, are set forth at the end of this annual report.

Although we have translated in this annual report certain Indian Rupee amounts into U.S. dollars, this does not mean that the Indian Rupee amounts referred to could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated earlier in this annual report, or at all. The Reserve Bank of India publishes the exchange rate on each date. The published rate on March 31, 2015 was 62.59 per US\$1.00. The reporting currency for the financial statements is the U.S. dollar and the translation from Indian Rupees to U.S. dollars has been performed using rates specified by the Reserve Bank of India.

ADDITIONAL INFORMATION

The principle legislation on company law in India viz. Companies Act, 1956 has been replaced by the Companies Act, 2013 (" **2013 Companies Act** "). While most of the provisions of the 2013 Companies Act have as on date been notified and have replaced the corresponding provisions of the Companies Act, 1956, certain provisions of the 2013 Companies Act are still to be made effective. Pending such publication, certain provisions of the Companies Act, 1956, continue to be effective, along with the already notified sections of the 2013 Companies Act.

Consequently, we are currently governed by the 2013 Companies Act (to the extent of the published provisions) and the Companies Act, 1956 (to the extent still in force) as amended from time to time, as applicable (" **Companies Act** ").

Description of Share Capital

The following description of our share capital does not purport to be complete and is subject to and qualified in its entirety by the Company's Articles of Association and Memorandum of Association, the provisions of the Companies Act, as currently in effect, and other applicable provisions of Indian law.

Share Capital

Our authorized share capital as on March 31, 2015 is 120,000,000 divided in to 24,000,000 Equity Shares of 5/- each. As of March 31, 2015, 14,810,178 Equity Shares par value of were issued and fully paid-up. Out of which 1,015,000 Equity shares were held by Rediff.com India Limited Employee Trust, controlled by Rediff.com India Limited. Hence, effectively 13,795,178 Equity Shares par value of 5/- each were issued, outstanding and fully paid-up.

Currently we have only one class of share capital, being Equity Shares. However, in terms of our Amended and Restated Articles of Association and the Companies Act, we may issue different classes of securities in addition to the Equity Shares. For the purposes of this annual report, "shareholder" means a shareholder who is registered as a member in the register of members of our Company.

Shareholder Rights Agreements

In connection with our sales of Equity Shares to our investors from April 1998 through December 1999, we entered into nine separate shareholders rights agreements with our shareholders which provide for, *inter alia*, certain preemptive, registration, co-sale and information rights, as well as the right of some shareholders to appoint members or observers to our Board of Directors. Some of the agreements also provide the shareholders with protective rights that require us to obtain their consent and /or shareholders consent in respect of certain actions that would otherwise only require Board approval.

Amended and Restated Shareholders' Rights Agreement

On February 24, 2000, we entered into an Amended and Restated Shareholders' Rights Agreement with certain of our shareholders to amend, restate, supersede and replace all the previous nine shareholder agreements. The Amended and Restated Shareholders' Rights Agreement, became effective on the completion of our initial ADR offering, and *inter alia*, provides for the following shareholder rights:

Registration Rights

Certain holders of at least 30% of our Equity Shares can require us, subject to limitations, to effect a registration or qualification of the securities either with the NASDAQ Global Market (formerly the NASDAQ National Market), the NSE or the BSE. We are not required to effect:

- More than two such registrations or qualifications pursuant to such demand registration rights;
- a registration or qualification prior to the earlier of December 31, 2002, or six months after the effective date of any Indian law, regulation or other governmental order which allows our Equity Shares to be offered to the public on an Indian stock exchange; or
- a registration for a period not to exceed 120 days, if our Board of Directors has made a good faith determination that such registration would be detrimental to us or our shareholders.

At any time after we become eligible to file a registration statement on Form F-3, certain holders of our Equity Shares may require us to file registration statements on Form F-3 with respect to their Equity Shares. We are not required to affect this registration:

- more than once in a twelve month period;
- unless the registration relates to securities that are valued in excess of US\$1,000,000; or
- if our Board of Directors has made a good faith determination that such registration would be detrimental to us or our shareholders.

Each of the foregoing registration rights is subject to conditions and limitations, including the right of the underwriters in any underwritten offering to limit the number of Equity Shares to be included in such registration. We are required to bear all the expenses of all such registrations, except underwriting discounts and commissions. The registration rights with respect to any holder thereof terminate upon the earlier of when the holder may sell the Equity Shares within a three-month period pursuant to Rule 144 of the Securities Act, or the time when the holder is able to convert the registrable securities into ADSs which are traded on the NASDAQ Global Market.

Other Rights

The Amended and Restated Shareholders' Rights Agreement also grants preemptive, information and co-sale rights to our shareholders.

Memorandum and Articles of Association

Our Company was incorporated under the Companies Act, 1956, and is registered with the Registrar of Companies, Maharashtra at Mumbai, India with Company Identification Number U22100MH1996PLC096077.

The Memorandum and Articles of Association- Objectives and Purposes

The main objects of our Company, as stated in our Memorandum of Association is to carry on and undertake the business of providing online information services in various languages via electronic and other forms of communications for local and other subscribers in India and abroad and to deal in all the materials connected therewith.

In order to effectively undertake business authorised by our main objects, our Memorandum of Association also authorises us to carry on and undertake the business of publishers of dailies, weeklies, fortnightly, newspapers, periodicals, journals, magazines, directories, souvenirs, year-books and other literary works in the electronic and other forms in any language and on any subject and marketing including export markets, sell/distribute such published items to subscribers in India and abroad.

Our Articles of Association provide that the minimum number of directors shall be four and the maximum number of directors shall be fifteen. As of June 30, 2015, we have six directors. Our Articles of Association provide that at least two thirds of our directors shall be subject to retirement by rotation. One third of these directors must retire from office at each Annual General Meeting of the Shareholders. A retiring director is eligible for re-election. Up to one-third of our directors can be appointed as permanent directors. Our Articles of Association do not mandate the retirement of our directors under an age limit requirement. Our Articles of Association do not require our Board members to be shareholders in our company. Under the Companies Act, independent directors are to retire after five years and may be re-appointed only for two consecutive terms.

Dividends

Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the annual general meeting held each fiscal year. However the Board is not obliged to recommend the payment of a dividend.

The Companies Act provides that any dividends that remain unpaid or unclaimed after a period of 30 days from the date of declaration of a dividend are to be transferred to a special bank account opened by the company at an approved bank. We must transfer any dividends that remain unclaimed after 30 days to such an account. If any amount in this account has not been claimed by the eligible shareholders within seven years from the date of the transfer, we must transfer the unclaimed dividends to an Investor Education and Protection Fund established by the Government of India under the provisions of the Companies Act. After the transfer to this fund, such unclaimed dividends may not be claimed by the shareholders entitled to receive such dividends from the company.

Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years after providing for depreciation. Before declaring any dividend in any financial year, a company may transfer a percentage of its profits which it considers appropriate to its reserves.

The Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, a dividend may be declared for such year out of the company's accumulated profits that have been transferred to its reserves, subject to the following conditions:

- the dividend rate declared shall not exceed the average of the rates at which dividends were declared by the company in the three years immediately preceding that year;
- the total amount to be drawn from the accumulated profits earned in the previous years and transferred to reserves may not exceed an amount equivalent to 10% of the sum of its paid-up capital and free reserves as appearing in the latest audited financial statement and the amount so drawn is to be used first to set off the losses incurred in the fiscal year in which dividends is declared
- the balance of reserves after such withdrawals shall not fall below 15% of the company's paid-up capital as appearing in the latest audited financial statements; and
- a dividend may be declared only after set off of carried over losses and depreciation (whichever is less), not provided in previous years against the profit of the company of the current year for which the dividend is declared or paid. We are subject to taxation for each dividend declared, distributed or paid for a relevant period by our company.

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings as described above, the Companies Act permits the board of directors of our Company, if so approved by shareholders in a general meeting, to distribute an amount transferred from the general reserve or the securities premium account or the capital redemption reserve account to shareholders, in the form of fully paid up bonus equity shares, which are similar to a stock dividend. These bonus equity shares must be distributed to shareholders in proportion to the number of equity shares owned by them as recommended by the board of directors. No issue of bonus shares may be made by capitalizing reserves created by revaluation of assets.

Preemptive Rights and Issue of Additional Shares

The Companies Act gives shareholders the right to subscribe for new shares in proportion to their respective existing shareholding unless otherwise approved by a special resolution passed by a general meeting of the shareholders. According to section 62(1)(c) of the Companies Act such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer. If not accepted the offer will be deemed to have been declined. After such date, the Board may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to the shareholders of the Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person.

Under the provisions of Section 62(1)(c) of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash or for consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to condition prescribed under the Companies (Share Capital and Debentures) Rules, 2014, if a special resolution to that effect is passed by the Company's shareholders in a general meeting.

Annual General Meetings of Shareholders

We may at any time convene general meetings of shareholders when necessary or on request by shareholder(s) holding at least 10% of our paid up capital carrying voting rights. We must convene an annual general meeting of shareholders within 15 months of the previous annual general meeting or within six months after the end of each fiscal year. Written notice setting out the agenda of the meeting must be given at least 21 clear days (excluding the days of mailing and receipt) prior to the date of the general meeting to the shareholders of record. Such notice may be sent through electronic mode as well. Shareholders who are registered as shareholders on the date of the general meeting are entitled to attend and vote at such meeting. A general meeting may be called after giving shorter notice if consent is received from shareholders holding not less than 95 per cent of the paid-up capital of our Company.

The annual general meeting of shareholders must be held at our registered office or at such other place within the city in which the registered office is located; meetings other than the annual general meeting may be held at any other place if so determined by the Board of Directors. Our registered office is located at 1st floor, Mahalaxmi Engineering Estate, L. J. First Cross Road, Mahim (West), Mumbai 400 016.

The Board of Directors may in accordance with the Articles of Association convene an extraordinary general meeting of shareholders when necessary or at the request of a shareholder or shareholders holding in the aggregate not less than 10% of the paid-up capital of our Company (carrying a right to vote in respect of the relevant matter on the date of the deposit of the requisition).

The Act and our Articles of Association provide that a quorum for a general meeting is the presence of at least five shareholders in person. Institutional shareholders shall be deemed to be personally present, if their authorized representative attends the meeting.

Voting Rights

Subject to any special terms as to voting on which any shares may have been issued, every shareholder entitled to vote who is present in person (including any corporation present by its duly authorized representative) shall on a show of hands have one vote and every shareholder present in person or by proxy shall on a ballot have one vote for each share of which he is the holder. In the case of joint holders, only one of them may vote and in the absence of election as to who is to vote, the vote of the senior of the joint holders who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names appear in the register of members.

Voting is by show of hands, unless a ballot is ordered by the chairman of the meeting, who is generally the chairman of our board of directors, but may be another director or other person selected by our board or the shareholders present at the meeting in the absence of the chairman, or demanded by a shareholder or shareholders holding at least 10% of the total voting right or holding paid up capital of at least Rs.500,000. Upon a show of hands, every shareholder entitled to vote and present in person has one vote and, on a poll, every shareholder entitled to vote and present in person or by proxy has voting rights in proportion to the paid up capital held by such shareholders.

Any shareholder may appoint a proxy. The instrument appointing a proxy must be delivered to us at least 48 hours prior to the meeting. A proxy may not vote except on a poll. A corporate shareholder may appoint an authorized representative who can vote on behalf of the shareholder, both upon a show of hands and upon a poll.

Shareholders Resolutions

Ordinary resolutions may be passed by simple majority of those present and voting at any general meeting for which the required period of notice has been given. Special resolutions such as amendments to our Amended and Restated Articles of Association and the Memorandum of Association, commencement of a new line of business, the waiver of preemptive rights for the issuance of any new shares and a reduction of share capital, require that votes cast in favor of the resolution (whether by show of hands or poll) are not less than three times the number of votes, if any, cast against the resolution. Under the Companies Act, matters that require special resolution include change in the registered office of the Company outside local limits, change in the name of the Company amendments to the articles of association, member's voluntary winding-up, dissolution, merger or consolidation, variation in terms of contract or objects in prospectus, issue of depository receipts, issue of sweat equity, reduction in share capital, issue of debentures with an option to convert such debentures, and the issue of shares to persons other than existing shareholders. Furthermore, under the Companies Act, the approval of a scheme of compromise or arrangement requires the approval of a majority of at least 75 per cent in value of the shareholders or creditors present and voting.

Pursuant to the Companies (Share Capital and Debentures) Rules, 2014, effective on and from April 1, 2014, a company limited by shares is authorized to issue shares with differential voting rights if the articles of association of the company so authorizes and the shares with differentials rights should not exceed twenty-six percent (26%) of the total post-issue paid up equity share capital. Our Amended and Restated Articles of Association do not authorize issuance of shares with differential voting rights.

Pursuant to Section 110 of the Companies Act, a company must pass certain corporate resolutions, as notified by the Central Government, only through postal ballot. Some of the resolutions that must be passed through postal ballot include alteration of main objects, buy-back of shares, issue of shares with differential voting rights, sale of an undertaking and variation of shareholder or debenture holder rights.

Holders of our ADS may exercise voting rights only through a depository, unlike an owner of Equity Shares, who can exercise voting rights directly. An owner of ADS generally will have the right under the deposit agreement to instruct the Depository to exercise the voting rights for the Equity Shares represented by the ADS. Owners of ADS have no rights pursuant to the 1956 Companies Act, under which we were incorporated, and are limited to those rights granted to them pursuant to the deposit agreement.

It is our expectation that our Depository will forward notices of shareholders' meetings to the ADS holders together with information explaining how to instruct the Depository to exercise the voting rights on the Equity Shares represented by ADS. If the Depository receives voting instructions from an owner of ADS on time, it will endeavor to vote the securities represented by those ADS in accordance with such voting instructions. In the event that voting takes place by a show of hands, the Depository will cause the custodian to vote all deposited securities in accordance with the instructions received from owners of a majority of the ADS for which the Depository receives voting instructions. However, the ability of the Depository to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure that holders of ADS will receive voting materials in time to enable them to return voting instructions to the Depository in a timely manner.

Register of Shareholders; Record Dates; Transfer of Shares

Our Company is obliged to maintain a register of shareholders at its registered office or, with the approval of its shareholders by way of a special resolution and with prior intimation to the Registrar of Companies, at some other place in the same city. For the purpose of determining the shares entitled to annual dividends, the register is closed for a specified period prior to the annual general meeting. The date on which this period begins is the record date.

To determine which shareholders are entitled to specified shareholder rights, we may close the register of shareholders. The Companies Act requires us to give at least seven days' prior notice to the shareholders before such closure. We may not close the register of shareholders for more than thirty consecutive days, and in no event for more than forty-five days in a year.

Following the introduction of the Depositories Act, 1996, as amended, and the repeal of Section 22A of the Securities Contracts (Regulation) Act, 1956, as amended, which enabled companies to refuse to register transfers of shares in some circumstances, the equity shares of a public company are freely transferable, subject only to the provisions of Section 58 (1) of the 2013 Companies Act. Since we are a public limited company, the provisions of Section 58 (1) will apply to us. Our Articles of Association currently contain provisions which give our directors discretion to refuse to register a transfer of shares in some circumstances. Furthermore, in accordance with the provisions of Section 58 (4) of the Companies Act, our directors may refuse to register a transfer of shares if they have sufficient cause to do so. If our directors refuse to register a transfer of shares, the shareholder wishing to transfer his, her or its shares may file a civil suit or an appeal with the Company Law Board (till National Company Law Tribunal is constituted under Section 408 of the 2013 Companies Act). Pursuant to Section 59 (4) of the Companies Act, if a transfer of shares contravenes any of the provisions of the Securities and Exchange Board of India Act, 1992 or the regulations issued there- under or the Sick Industrial Companies (Special Provisions) Act, 1985 or any other Indian laws, the Company Law Board (National Company Law Tribunal as and when operational) may, on application made by the company, a depository incorporated in India, an investor, the Securities and Exchange Board of India or other parties, direct the rectification of the register of records. The Company Law Board (National Company Law Tribunal as and when operational) may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before making or completing its investigation into the alleged contravention. Notwithstanding such investigation, the rights of a shareholder to transfer the shares will not be restricted.

Under the Companies Act, unless the shares of a company are held in dematerialized form, a transfer of shares is effected by an instrument of transfer in the form prescribed by the Companies Act and the rules there-under together with delivery of the share certificates.

Disclosure of Ownership Interest

Section 89 of the Companies Act requires beneficial owners of shares of Indian companies who are not holders of record to declare to us details of the holder of record and the holder of record to declare details of the beneficial owner. Any person who fails to make the required declaration within 30 days may be liable for a fine of up to 50,000 and if the failure continues, with a fine of 1,000 for each day the declaration is not made. Any lien, promissory note or other collateral agreement created, executed or entered into with respect to any equity share by its registered owner, or any hypothecation by the registered owner of any equity share, shall not be enforceable by the beneficial owner or any person claiming through the beneficial owner if such declaration is not made. Failure to comply with Section 89 will not affect our obligation to register a transfer of shares or to pay any dividends to the registered holder of any shares pursuant to which the declaration has not been made. While it is unclear under Indian law whether Section 89 applies to holders of ADS, investors who exchange ADS for the underlying Equity Shares will be subject to the restrictions of Section 89. The provisions of Section 89 of the Companies Act do not, however, apply to a trustee holding shares of a company for the benefit of the beneficiaries of a trust.

Audit and Annual Report

From fiscal 2015, our Company's audited financial statements, and consolidated audited financial statements of our Company and all its subsidiaries (as defined under the Companies Act for the relevant Fiscal Year, the directors' report and the auditors' report (collectively the " **Annual Report** "), must be laid before the annual general meeting. The Annual Report must be distributed by our Company to our shareholders at least 21 days before the annual general meeting of shareholders (excluding the days of mailing and date of meeting), including a detailed version of our audited balance sheet and profit and loss account and the related reports of the Board and the auditors, together with a notice convening the annual general meeting.

Pursuant to a green initiative, Indian companies are permitted to effect service of documents to its members through an electronic mode, provided the company has obtained e-mail addresses of its members for sending the documents through e-mail. In cases where any member has not registered his e-mail address with the company, service of documents will be effected by other modes of service.

Company Acquisition of Equity Shares

We are prohibited from acquiring its own Equity Shares unless the consequent reduction of capital is effected by a special resolution of its Shareholders voting on the matter in accordance with the 2013 Companies Act. Moreover, other than in certain exceptions, our Company is prohibited from giving, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Shares in our Company or its holding company.

Under the Companies Act, a company may purchase its own shares or other specified securities out of its free reserves, the securities premium account or the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back), subject to certain conditions, including:

- (i) the buyback being authorised by the articles of association of our Company;
- (ii) the buyback being authorised by a special resolution passed by our shareholders in a general meeting of our company;
- (iii) the buyback is for less than 25 per cent of the total paid-up capital and free reserves, provided that the buyback of Equity Shares in any financial year shall not exceed 25 per cent of the total paid-up equity share capital in that year;
- (iv) the ratio of the debt (including all amounts of unsecured and secured debt) owed by our company after buyback is not more than twice the capital and free reserves after such buyback; and
- (v) all the shares or other specified securities for buyback are fully paid up.

No shareholder approval is required if the buyback is for less than 10 per cent of the total paid-up equity capital and free reserves of our Company, provided that such buyback has been authorized by the board of directors of our Company. Further, a company, after buying back its securities, is not permitted to buy back any securities for a period of 365 days from the buyback or to issue new securities for six months from the buyback date except by way of bonus issue or the conversion of warrants, sweat equity, stock option schemes, preference shares or debentures into equity shares.

Each buyback has to be completed within a period of 12 months from the date of the passing of the special resolution or the resolution of the board of directors, as the case may be.

A company buying back its securities is required to extinguish and physically destroy the securities bought back within seven days of the last date of completion of the buyback.

A company is also prohibited from purchasing its own shares or specified securities (i) through any subsidiary company, or (ii) through any investment company or group of investment companies (other than a purchase of shares in accordance with a scheme that is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2015 (erstwhile SEBI (Employee Stock Option Schemes and Employee Stock Purchase Schemes) Guidelines, 1999) and clause 35C of the Listing Agreement, for the purchase or subscription of shares by trustees of, or for shares to be held by or for the benefit of employees of our Company) (iii) or if our Company is defaulting on the repayment of deposit or interest, redemption of debentures or preference shares or payment of dividend to a shareholder or repayment of any term loan or interest payable thereon to any financial institution or bank. If we become listed and wish to buy back our shares or specified securities for the purpose of delisting our shares or specified securities or in the event of non-compliance with certain other provisions of the Companies Act, then the buyback of securities can be from existing security holders on a proportionate basis or from the open market or from odd lots or by purchasing securities issued to the employees of our Company pursuant to a scheme of stock option or sweat equity.

Alteration of Shareholder Rights

Under the Companies Act, and subject to the provisions of the articles of association of a company, the rights of any class of shareholders can be altered or varied (i) with the consent in writing of the holders of not less than three-fourths of the issued shares of that class; or (ii) by special resolution passed at a separate meeting of the holders of the issued shares of that class. However, if the variation by one class of shareholders affects the rights of any other class of shareholders, the consent of three-fourths of such other class of shareholders shall also be required. In the absence of any such provision in the articles, such alteration or variation is permitted as long as it is not prohibited by the terms of the issue of shares of such a class.

Limitations on the Rights to Own Securities

The limitations on the rights to own securities of Indian companies, including the rights of non-resident or foreign shareholders to hold securities, are discussed in the sections entitled 'Currency Exchange Controls' and 'Risk Factors' in this Annual Report on Form 20-F.

Provisions on Changes in Capital

Our authorized capital can be altered by an ordinary resolution of the shareholders in a General Meeting. The additional issue of shares is subject to the pre-emptive rights of the shareholders. In addition, a company may increase its share capital, consolidate its share capital into shares of larger face value than that of its existing shares or sub-divide its shares by reducing their par value, subject to an ordinary resolution of the shareholders in a General Meeting.

Liquidation Rights

In the event that our Company is wound up, and the assets available for distribution among the shareholders as such are 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 shareholders in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively and if in a winding up the assets available for distribution among the shareholders is more than sufficient to repay the whole of the paid up capital at the commencement of the winding up the excess shall be distributed amongst the shareholders but this shall be without prejudice to the rights of shareholder registered in respect of shares issued upon special terms and conditions.

Material Contracts

None.

Documents on Display

This annual report and other information filed or to be filed by the Company can be inspected and copied at the public reference facilities maintained by the SEC at:

Office of Investor Education and Assistance
100 F Street, NE
Washington, D.C. 20549

You may obtain information on the operation of the Public Reference Room by calling the SEC at 1800-SEC-0330.

Copies of these materials can also be obtained upon written request from the U.S. Securities and Exchange Commission, Office of Investor Education and Assistance, by mail: 100 F Street, NE, Washington, D.C. 20549, or by e-mail: PublicInfo@sec.gov

The SEC maintains a website at www.sec.gov that contains reports and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

Additionally, documents referred to in this Form 20-F may be inspected at our registered office, which is located at Mahalaxmi Engineering Estate, 1st Floor, L.J. First Cross Road, Mahim (West), Mumbai 400 016, India.

EXHIBIT INDEX

Exhibit No.	Description of Document
*1.1	Articles of Association, as amended.
*1.2	Memorandum of Association, as amended.
*1.3	Certificate of Incorporation, as amended.
*2.1(a)	Form of Deposit Agreement among Rediff.com, Citibank, N.A., and holders from time to time of American Depository Receipts issued thereunder (including as an exhibit, the form of American Depository Receipt).
**2.1(b)	Form of Amendment Number 1 to Deposit Agreement among Rediff.com, Citibank, N.A., and holders from time to time of American Depository Receipts issued thereunder.
*2.2	Rediff.com's specimen certificate for equity shares.
*2.3	Amended and Restated Shareholder Rights Agreement dated February 24, 2000 between Rediff.com and the shareholders of Rediff.com.
***4.3	2002 Stock Option Plan.
****4.4	2004 Stock Option Plan.
*****4.5	2006 Employee Stock Option Plan.
*****4.6	2006 ADR Linked Employee Stock Option Plan.
*4.7	Form of Indemnification Agreement.
*****4.8	Indemnification Agreement dated November 8, 2005 between Rediff.com and Sridar A. Iyengar.
*****4.9	Indemnification Agreement dated November 8, 2005 between Rediff.com and Ashok Narasimhan.
*****4.10	Indemnification Agreement dated November 8, 2005 between Rediff.com and Pulak Chandan Prasad.
*4.13	Letter Agreement dated December 28, 1998 between Rediffusion-Dentsu, Young & Rubicam Limited and Rediff.com.
*4.14	Promoters Agreement dated January 9, 1996 between Ajit Balakrishnan and Diwan Arun Nanda.
†4.15	Purchase Agreement dated July 29, 2015 between Rediff.com and Lincoln Park Capital Fund, LLC.
†4.16	Registration Right Agreement dated July 29, 2015 between Rediff.com and Lincoln Park Capital Fund, LLC.
†12.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†12.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†13.1	Certification of Principal Executive Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
†13.2	Certification of Principal Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
†15.1	Consent of Independent Registered Public Accounting Firm
*	Incorporated by reference to exhibits filed with the Registrant's Registration Statement on Form F-1 (File No. 333-37376).
*	Incorporated by reference to exhibits filed with the Registrant's Form 20-F for the fiscal year ended March 31, 2001.
**	Incorporated by reference to Exhibit (a)(i) to the Post Effective Amendment to Form F-6, filed on August 2, 2012.
***	Incorporated by reference to exhibits filed with the Registrant's Form 20-F for the fiscal year ended March 31, 2003.
****	Incorporated by reference to exhibits filed with the Registrant's Form S-8 filed on December 30, 2004.
*****	Incorporated by reference to exhibits filed with the Registrant's Form 20-F for the fiscal year ended March 31, 2004.
*****	Incorporated by reference to exhibits filed with the Registrant's Form 6-K filed on November 9, 2005.
*****	Incorporated by reference to exhibits filed with the Registrant's Form 20-F for the fiscal year ended March 31, 2006.
*****	Incorporated by reference to exhibits filed with the Registrant's Form 20-F for the fiscal year ended March 31, 2007.
†	Filed herewith.

INDEX TO FINANCIAL STATEMENTS

	Page(s)
Reports of Independent Registered Public Accounting Firm	F-2 – F-3
Consolidated Balance Sheets as of March 31, 2014 and 2015	F-4
Consolidated Statements of Comprehensive loss for the years ended March 31, 2013, 2014 and 2015	F-5
Consolidated Statements of Shareholders' Equity for the years ended March 31, 2013, 2014 and 2015	F-6
Consolidated Statements of Cash Flows for the years ended March 31, 2013, 2014 and 2015	F-7
Notes to Consolidated Financial Statements	F-8 – F-32

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Rediff.com India Limited
Mumbai, India

We have audited the accompanying consolidated balance sheets of Rediff.com India Limited and subsidiaries (“the Company”) as of March 31, 2015 and 2014, and the related consolidated statements of comprehensive loss, shareholders’ equity, and cash flows for each of the three years in the period ended March 31, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Rediff.com India Limited and subsidiaries as of March 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of March 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 31, 2015 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Mumbai, India
July 31, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Rediff.com India Limited
Mumbai, India

We have audited the internal control over financial reporting of Rediff.com India Limited and subsidiaries (“the Company”) as of March 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Item 15 under Controls and Procedures of the accompanying Form 20-F titled Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of effectiveness of the internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 31, 2015 of the Company and our report dated July 31, 2015 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Mumbai, India
July 31, 2015

REDIFF.COM INDIA LIMITED
CONSOLIDATED BALANCE SHEETS
as of March 31, 2014 and 2015

	<u>2014</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>
Assets		
Current Assets		
Cash and cash equivalents	17,151,189	8,294,761
Trade accounts receivable (net of allowances of US\$618,054 and US\$625,917 as of March 31, 2014 and 2015, respectively)	3,137,099	2,475,913
Prepaid expenses and other current assets (See Note 4)	986,149	1,273,015
Total current assets	21,274,437	12,043,689
Property, plant and equipment – net (See Note 5)	3,571,222	—
Recoverable taxes	1,149,031	1,195,469
Other non-current assets (See Note 9)	1,458,849	893,814
Total non-current assets	6,179,102	2,089,283
Total assets	27,453,539	14,132,972
Liabilities and Shareholders' Equity		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (See Note 10)	4,783,412	5,200,972
Customer advances and unearned revenues	1,772,273	1,783,414
Total current liabilities	6,555,685	6,984,386
Other non-current liabilities (See Note 11)	938,999	1,004,317
Total liabilities	7,494,684	7,988,703
Commitments and contingencies (See Note 24)		
Shareholders' Equity		
Equity shares: par value – Rs.5, Authorized: 24,000,000 equity shares as of March 31, 2014 and 2015; Issued: 14,810,178 equity shares as of March 31, 2014 and 2015 and outstanding 13,795,178 equity shares as of March 31, 2014 and 2015	1,756,726	1,756,726
Additional paid-in-capital	132,195,927	132,622,632
Accumulated other comprehensive loss	(14,389,651)	(14,818,372)
Accumulated deficit	(95,177,542)	(108,990,112)
Treasury shares, at cost (See Note 12) (1,015,000 equity shares as of March 31, 2014 and 2015)	(4,426,605)	(4,426,605)
Total shareholders' equity	19,958,855	6,144,269
Total liabilities and shareholders' equity	27,453,539	14,132,972

See accompanying notes to the consolidated financial statements

REDIFF.COM INDIA LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For each of the years ended March 31, 2013, 2014 and 2015

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Revenues			
India Online	12,527,464	13,368,042	13,095,126
U.S. Publishing	3,131,240	2,752,755	2,243,050
Total revenues	15,658,704	16,120,797	15,338,176
Cost of revenues (excluding depreciation and amortization separately disclosed below) (See Note 13)			
India Online	7,470,935	8,330,948	8,854,598
U.S. Publishing	2,480,949	2,082,116	1,981,319
Total cost of revenues	9,951,884	10,413,064	10,835,917
Operating expenses			
Sales and marketing (See Note 14)	3,266,790	3,896,073	5,478,876
Product development	2,920,824	2,287,488	2,323,759
Depreciation and amortization	3,664,376	3,060,269	1,719,327
General and administrative	7,615,588	7,239,847	6,689,128
Goodwill Impairment (See Note 7)	2,000,000	—	—
Long-lived assets impairment (See Note 5 and 8)	—	1,590,371	3,200,089
Foreign exchange loss (gain), net	103,744	(26,003)	123,274
Total operating expenses	19,571,322	18,048,045	19,534,453
Operating loss	(13,864,502)	(12,340,312)	(15,032,194)
Other income (expense), net			
Interest income	1,952,345	1,334,610	923,692
Interest income on income tax refunds	44,529	613,698	77,764
Promissory note impairment (See Note 9)	(1,100,000)	—	—
Gain on sale of investment (See Note 6)	—	2,740,940	—
Gain on sale of equity method investee (See Note 6)	1,292,168	—	—
Miscellaneous income	125,679	26,884	232,959
Total other income, net	2,314,721	4,716,132	1,234,415
Loss before income taxes and equity in net loss of equity method investees	(11,549,781)	(7,624,180)	(13,797,779)
Income tax benefit (expense) (See Note 17)	33,248	152,774	(14,791)
Equity in net earnings (loss) of equity method investees	84,310	—	—
Net loss	(11,432,223)	(7,471,406)	(13,812,570)
(Loss) earnings per share – basic	(0.828)	(0.542)	(1.000)
(Loss) earnings per share – diluted	(0.828)	(0.542)	(1.000)
(Loss) earnings per ADS – (where 2 ADSs represent 1 equity share) – basic	(0.414)	(0.271)	(0.500)
(Loss) earnings per ADS – (where 2 ADSs represent 1 equity share) – diluted	(0.414)	(0.271)	(0.500)
Weighted average number of equity shares – basic	13,795,178	13,795,178	13,795,178
Weighted average number of equity shares – diluted	13,795,178	13,795,178	13,795,178
Other comprehensive income (loss)			
Foreign currency translation adjustment and total other comprehensive income (loss)	(2,254,312)	(2,857,261)	(428,721)
Comprehensive loss attributable to shareholders	(13,686,535)	(10,328,667)	(14,241,291)

See accompanying notes to the consolidated financial statements

REDIFF.COM INDIA LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For each of the years ended March 31, 2013, 2014 and 2015

	Equity shares		Additional paid-in- capital US\$	Accumulated other comprehensive income (loss) US\$	Accumulated deficit US\$	Treasury shares (Equity shares held by controlled trust)		Total shareholders' equity US\$
	Number of shares	Equity share capital US\$				No of shares	US\$	
Balance as of March 31, 2012	14,810,178	1,756,726	130,958,274	(9,278,078)	(76,273,913)	(1,015,000)	(4,426,605)	42,736,404
Stock-based compensation			756,090					756,090
Net loss					(11,432,223)			(11,432,223)
Foreign currency translation adjustment				(2,254,312)				(2,254,312)
Balance as of March 31, 2013	14,810,178	1,756,726	131,714,364	(11,532,390)	(87,706,136)	(1,015,000)	(4,426,605)	29,805,959
Stock-based compensation			481,563					481,563
Net loss					(7,471,406)			(7,471,406)
Foreign currency translation adjustment				(2,857,261)				(2,857,261)
Balance as of March 31, 2014	14,810,178	1,756,726	132,195,927	(14,389,651)	(95,177,542)	(1,015,000)	(4,426,605)	19,958,855
Stock-based compensation			426,705					426,705
Net loss					(13,812,570)			(13,812,570)
Foreign currency translation adjustment				(428,721)				(428,721)
Balance as of March 31, 2015	14,810,178	1,756,726	132,622,632	(14,818,372)	(108,990,112)	(1,015,000)	(4,426,605)	6,144,269

See accompanying notes to the consolidated financial statements

REDIFF.COM INDIA LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For each of the years ended March 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>US \$</u>	<u>US \$</u>	<u>US \$</u>
Cash flows from operating activities			
Net loss	(11,432,223)	(7,471,406)	(13,812,570)
Adjustments to reconcile net loss to net cash generated from operating activities:			
Gain on sale of investment in equity method investee	(1,292,168)	—	—
Goodwill impairment	2,000,000	—	—
Long-lived assets impairment	—	1,590,371	3,200,089
Gain on sale of investment	—	(2,740,940)	—
Equity in net loss (earnings) of equity method investees	(84,310)	—	—
Depreciation and amortization	3,664,376	3,060,269	1,719,327
Allowances / (write-back) for doubtful trade accounts	(48,580)	190,493	41,509
Promissory note impairment	1,100,000	—	—
Loss (profit) on sale of property, plant and equipment	(1,701)	(460)	2,021
Stock-based compensation expense	756,090	481,563	426,705
Unrealized exchange loss (gain)	11,808	146,784	90,394
Changes in assets and liabilities:			
Trade accounts receivable	2,104,717	116,034	463,392
Prepaid expenses and other current assets	449,452	9,215	(9,252)
Accounts payable, accrued liabilities and other liabilities	1,156,450	(78,956)	225,228
Customer advances and unearned revenues	(621,397)	377,713	70,361
Recoverable taxes	(193,869)	1,531,255	175,463
Other non-current assets	(109,196)	(44,772)	68,320
Net cash used in operating activities	<u>(2,540,551)</u>	<u>(2,832,837)</u>	<u>(7,339,013)</u>
Cash flows from investing activities			
Payments to acquire property, plant and equipment	(1,903,229)	(1,472,422)	(1,211,445)
Purchase of investment	(104,987)	—	—
Sale of investment in equity method investee	1,452,944	—	—
Sale of investment	—	3,531,935	152,447
Proceeds from sale of property, plant and equipment	7,594	7,735	2,906
Net cash generated from / (used in) investing activities	<u>(547,678)</u>	<u>2,067,248</u>	<u>(1,056,092)</u>
Cash flows from financing activities			
Proceeds from issue of shares	—	—	—
Net cash generated from financing activities	<u>—</u>	<u>—</u>	<u>—</u>
Net decrease in cash and cash equivalents	(3,088,229)	(765,589)	(8,395,105)
Cash and cash equivalents at the beginning of the year	<u>24,545,839</u>	<u>20,024,483</u>	<u>17,151,189</u>
Effect of exchange rate changes on cash and cash equivalents	(1,433,127)	(2,107,705)	(461,323)
Cash and cash equivalents at the end of the year	<u>20,024,483</u>	<u>17,151,189</u>	<u>8,294,761</u>
Supplementary cash flow information:			
Income taxes paid	448,393	358,587	305,768
Supplementary disclosure of non-cash investing activity:			
Payables for purchase of property, plant and equipment	204,638	2,940	205,786

See accompanying notes to the consolidated financial statements

REDIFF.COM INDIA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and business

Rediff.com India Limited (“Rediff”) was incorporated as a private limited company in India on January 9, 1996 under the Indian Companies Act, 1956 and was converted to a public limited company on May 29, 1998. Rediff’s American Depository Shares (“ADSs”) are listed on the NASDAQ Global Market.

In February 2001, Rediff established Rediff Holdings, Inc. (“RHI”), a Delaware Corporation, as a wholly-owned subsidiary to be a holding company for certain investments in the United States of America. In March 2001, Rediff acquired Value Communication Corporation (“ValuCom”). On February 27, 2001, RHI acquired thinkindia.com, Inc (“thinkindia”), later renamed Rediff.com Inc. On April 27, 2001, RHI acquired India Abroad Publications, Inc. (“India Abroad”), a print and online news company.

On November 26, 2010, Rediff acquired Vubites India Private Limited (“Vubites”) from the Chairman and Managing Director of Rediff (referred to as “the CMD”) and a principal shareholder in Rediff. Vubites enables small and local businesses to advertise on national TV channels within their city to reach their target audiences.

Rediff with its branch and subsidiaries (“the Company”) is in the business of providing online internet based services, focusing on India and the global Indian community. Its websites consists of channels relevant to Indian interests such as cricket, astrology, matchmaker and movies, content on various matters like news and finance, search facilities, a range of community features such as e-mail, chat, messenger, e-commerce, broadband wireless content and mobile value-added services to mobile phone subscribers in India. The Company also enables its customers to insert localized advertisements on national television channels by providing a platform to create an advertisement and prepare a media plan. Additionally, the Company publishes weekly newspapers ‘India Abroad’ in North America.

2. Significant accounting policies

(a) Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

In the year ended March 31, 2015, the Company incurred a net loss of US\$ 13,812,570, had an accumulated deficit of US\$108,990,112, and net cash outflows of US\$8,395,105. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has carried out a review of its cash flow forecast for a period of twelve months from the date of these financial statements considering historical cash requirements and has taken the assumption that there will not be any significant decline in advertising revenues and an increase in e-commerce marketplace fees. As described in Note 26, the Company has entered into an arrangement with an investor in accordance with which the Company, at its option, has the right to obtain financing subject to certain conditions, in exchange for issuance of ADS.

On the basis of the factors stated in the preceding paragraph, the Company believes it will have sufficient resources to meets its obligations as they become due within one year from the date of these financial statements

(b) Basis of consolidation

The consolidated financial statements include the financial statements of Rediff and its wholly – owned subsidiaries and variable interest entity (VIE) in which the Company is the primary beneficiary. All inter-company accounts and transactions are eliminated on consolidation.

(c) Investments in equity method investees

Investments in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method. The Company records its share of the results of these companies in the consolidated statement of comprehensive loss as equity in net earnings (loss) of equity method investees. The Company reviews its investments for other-than-temporary impairment whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. Investments identified as having an indication of impairment are subject to further analysis to determine if the impairment is other-than-temporary and this analysis requires estimating the fair value of the investment. The determination of fair value of the investment involves considering factors such as current economic and market conditions, the operating performance of the companies including current earnings trends and forecasted cash flows, and other company and industry specific information. Measurement of any impairment loss is based on its excess of the carrying value of the investment over its fair value.

(d) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances for doubtful trade accounts receivables, impairment of goodwill, property, plant and equipment, intangible and investments, useful lives of property, plant and equipment and intangible assets, valuation of deferred tax assets, stock based compensation and employee benefits. Actual results could differ from those estimates.

(e) Revenue recognition

India Online business

India Online business includes revenues from advertising, sponsorship and fee based services. Advertisement and sponsorship income is derived from customers who advertise on our website or from targeted mailers to Rediffmail subscribers. Fee based services include fee we earn from our e-commerce marketplace, subscription fees for our email services and our share of revenues from mobile value added services.

Revenue from display advertisement is recognized as impressions of or clicks on display advertisements are delivered or broadcast. Impressions are delivered when a sold advertisement appears in pages viewed by users. Clicks are delivered when a user clicks on the advertisement. Revenues are also derived from sponsor links placed in specific areas of the Company's website, which generally provide users with direct links to sponsor websites. Revenue from sponsor link is recognized ratably over the period in which the advertisement is displayed, provided that no significant Company obligations remain and collection of the resulting receivable is probable. Company obligations may include guarantees of a minimum number of impressions, or times, that an advertisement appears in pages viewed by users of the Company's website. To the extent that minimum guaranteed impressions are not met, the Company defers recognition of the corresponding revenues until the guaranteed impression levels are achieved. The Company also earns revenues from the sending of mail shots to its users on behalf of advertisers and such revenues are recognized on delivery. We report our online advertisement revenues on a gross basis principally because we are the primary obligor to our advertisers.

E-commerce marketplace fee, which is comprised of the commission and shipping revenue is recognized after receipt of confirmation that the online customer has accepted delivery of the goods. The cost of incentives provided to online customers like coupons and promo codes are reduced from revenue and where such incentives exceed the revenue amount, the excess is recognized as cost of revenue.

Subscription service revenue which is comprised of subscription fees for email and related services provided to small and large enterprises is deferred and recognized pro rata over the terms of such subscription.

Mobile value-added services revenues are derived from providing value added short messaging services ("SMS"), ring tones, picture messages, logos, wallpapers and other related services to mobile phone users. The Company contracts with third-party mobile phone operators for sharing revenues from this service. Mobile value-added services revenue is recognized when this service is rendered.

US Publishing business

US Publishing business primarily include advertising and sponsorship revenues and consumer subscription revenues earned from the publication of India Abroad, a weekly newspaper distributed primarily in the United States. It also includes the advertising revenues of Rediff India Abroad, the website catering to the Indian community in the United States.

Advertising revenues are recognized at the time of publication of the related advertisement. Subscription income is deferred and recognized pro rata as fulfilled over the terms of such subscription.

Revenues from banners and sponsorships are recognized over the contractual period of the advertisement, commencing when the advertisement is placed on the website, provided that no significant obligations remain and collection of the resulting receivable is probable. Obligations may include guarantee of a minimum number of impressions, or times that an advertisement appears in pages viewed by users of the Company's website. To the extent that minimum guaranteed impressions are not met, the Company defers recognition of the corresponding revenues until the guaranteed impression levels are achieved.

(f) Costs and expenses

Costs and expenses have been classified according to their primary functions in the following categories:

Cost of revenues

Cost of revenues primarily include cost of content for the Rediff websites, editorial costs, shipping cost, employee compensation, stock-based compensation, internet communication, data storage, software usage, printing and circulation costs for the India Abroad and India in New York newspapers and fee based services related costs.

Sales and marketing

Sales and marketing expenses primarily include employee compensation for sales and marketing personnel, advertising and promotion expenses, market research costs and stock-based compensation. The costs of advertising are expensed as and when incurred.

Product development

Product development costs primarily include software development expenses, compensation of product development personnel and stock-based compensation. Internal and external costs incurred to develop internal use software during application development stage is capitalized when the Company's managing director has authorized and committed to funding the development, and it is probable that the software development will be completed and the software will perform the function intended. Upgrades and enhancements are capitalized only when these relate to additional features or result in additional functionality which the existing software is incapable of performing. All costs incurred during the preliminary project and post implementation and operation stages are expensed as incurred.

General and administrative

These costs primarily include employee compensation of administrative and supervisory staff whose time is mainly devoted to strategic and managerial functions, rent, insurance premiums, electricity, telecommunication costs, legal and professional fees, stock-based compensation costs and other general expenses.

(g) Cash and cash equivalents

The Company considers all highly liquid investments with a maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

Cash and cash equivalents consist of cash on hand, balances in current accounts, deposits with banks which are unrestricted as to withdrawal and use.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The Company computes depreciation for all property, plant and equipment using the straight-line method so as to expense the costs over the estimated useful lives of assets. The estimated useful lives of assets are as follows:

Furniture and fixtures	10 years
Computer equipment and software	1 to 3 years
Office equipment	3 to 10 years
Vehicles	8 years
Leasehold improvements	6 years
Website development costs	3 to 5 years

Capital work-in-progress is not depreciated until the construction and installation of the asset is complete, and the asset is available for use.

(i) Website development costs

Costs incurred in the operations stage that provides additional functions or features to the Company's website are capitalized. The estimated useful life is evaluated for each specific project and ranges from three to five years. Maintenance expenses or costs that do not result in significant new features or functions are expensed as product development costs.

(j) Investments, at cost

Securities that do not have readily determinable fair market values are recorded at cost, subject to an impairment charge for any other than temporary decline in value. The fair values of these securities are not estimated if there are no events or changes in circumstances that may have a significant effect on the fair value. It is not practicable to estimate the fair value of these securities.

(k) Business Combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. Acquisition related costs are recognized in statement of comprehensive loss as incurred. The acquiree's identifiable assets and liabilities are recognized at their fair value at the acquisition date.

Purchase consideration in excess of the identifiable assets and liabilities is recognized as goodwill. Gain resulting from excess of the acquiree's identifiable assets and liabilities over the purchase consideration is recognized, after reassessment, in the statement of comprehensive loss.

(l) Goodwill

Goodwill represents the excess of purchase consideration over the fair values of the acquiree's identifiable assets acquired and liabilities assumed in a business combination. Goodwill is assessed for impairment on an annual basis on January 1 or earlier when events or circumstances indicate that the carrying amount of goodwill exceeds its implied fair value.

Goodwill impairment assessment is a two-step test. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the impairment loss amount, if any.

The Company uses an income-based valuation approach to determine the fair value of the reporting unit by estimating the present value of future cash flows after considering current economic conditions and trends, estimated future operating results and growth rates, anticipated future economic and regulatory conditions and availability of necessary technology.

When required to perform the second step, the Company compares the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss equal to that excess amount is recognized, not to exceed the goodwill carrying amount. The Company determines the implied fair value of goodwill for a reporting unit by assigning the fair value of the reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of the goodwill. This assignment process is only for purposes of testing goodwill impairment and the Company does not adjust the carrying amounts of the recognized assets and liabilities (other than goodwill, if appropriate) or recognize previously unrecognized intangible assets in the consolidated balance sheet as a result of this assignment process.

(m) Foreign currency

The accompanying consolidated financial statements have been presented in US dollars as the reporting currency. The functional currency of Rediff is the Indian Rupee ("Rs." or "Rupee") while that of its subsidiaries domiciled in the United States is the US dollar and in Canada is the Canadian dollar. Transactions in foreign currency are recorded at the original rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currency are restated using the exchange rates prevailing at the date of the balance sheet. Exchange differences arising on settlement of transactions and restatement of monetary assets and liabilities at the balance sheet date are recognized in the statement of comprehensive loss.

For the purposes of presenting the consolidated financial statements, Rupees have been converted into US dollars for balance sheet accounts using the exchange rate in effect at the balance sheet date, and for revenue and expense accounts using a monthly weighted-average exchange rate. The gains or losses resulting from such translation are reported as other comprehensive income or loss.

(n) Earnings per share

Basic earnings per share has been computed by dividing the net income (loss) from operations by the weighted average number of equity shares outstanding during the period, including equity share equivalents for ADSs issued. Diluted earnings per share is computed using the weighted average number of equity shares including equity share equivalents for ADSs issued and dilutive potential equity shares outstanding during the period, using the treasury stock method for options, except where the results would be anti-dilutive. Dilutive potential equity shares consist of the incremental equity shares issuable upon the exercise of stock options. The Company also reports earnings (loss) per ADS, where two ADSs represent one equity share.

(o) Income taxes

Income taxes consist of current income taxes and the change in the deferred tax balances during the year. Deferred tax assets and liabilities are recognized for each entity and taxing jurisdiction for future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities and their respective tax bases and net operating loss carry-forwards, measured using the enacted tax rates expected to apply in the years in which such temporary differences are expected to be recovered or settled. The effect of changes in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which future realization is uncertain.

The Company evaluates each tax positions to determine if it is more likely than not that a tax position is sustainable, based on its technical merits. If a tax position does not meet the more likely than not threshold, a liability is recorded. Additionally, for a position that is determined to, more likely than not, be sustainable, the Company measures the benefit at the highest cumulative probability of greater than 50% of being realized and establish a liability for the remaining portion.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. Interest income on repayment of income taxes is presented separately in the statement of comprehensive loss as an element of other income (expense), net.

(p) Impairment or disposal of long-lived assets (excluding goodwill)

The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable. The Company subjects such long-lived assets to a test of recoverability based on the undiscounted cash flows expected from use or disposition of such assets. Such events or circumstances would include changes in the market, technological obsolescence and adverse changes in profitability or regulation. If the asset is impaired, the Company recognizes an impairment loss as the difference between the estimated fair values determined using discounted cash flows and the carrying value of the asset. Assets to be disposed of are reported at the lower of the carrying value or the fair value less the cost to sell.

(q) Intangible assets

Intangible assets consist of customer contracts and intellectual property carried at cost and amortized over their estimated useful lives, generally on a straight-line basis over three and seven years, respectively, that best reflects the economic benefits of the intangible assets.

(r) Stock-based compensation

The Company measures the cost of services received from employees, associates, retainers and non-employee directors in exchange for share based compensation at the grant date fair value award. The Company recognizes stock-based compensation on a straight line basis over the vesting period.

(s) Allowances for doubtful trade accounts receivable

The Company establishes an allowance for doubtful accounts on trade accounts receivable after considering the financial condition of the customer, ageing of the accounts receivable, historical experience and the current economic environment. Trade accounts receivable balances are written off against allowances only after all means of collections have been exhausted and potential of recovery is considered remote.

(t) Employee benefit

Gratuity

The Company provided for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. The defined benefit liability is determined by actuarial valuation, at each balance sheet date, using the projected unit credit method.

Provident fund

Eligible employees of the Company receive benefits from a provident fund, a defined contribution plan. Both the employee and the Company make monthly contributions to this provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund. The Company's contribution to fund the benefits is expensed as incurred.

Compensated absences

The Company provided the compensated absences liability for the amounts to be paid as a result of employee's rights to compensated absences in the year in which it is earned.

(u) Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investments from owners and distributions to owners. Comprehensive income (loss) for the periods presented includes net income (loss) and foreign currency translation adjustments.

3. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition" and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early application not permitted. The Company is currently evaluating the effects, if any, that the adoption of this guidance will have on the Company's financial position, results of operations and cash flows.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern. The amendments in this ASU provides guidance about managements responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as going concern and to provide related disclosures. In accordance with this guidance, in connection with preparing financial statements, an entity's management should evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810) - Amendments to the Consolidation Analysis", which provides guidance for reporting entities that are required to evaluate whether they should consolidate certain legal entities. In accordance with ASU 2015-02, all legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption of ASU 2015-02 on its consolidated financial statements.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets comprise:

	As of March 31,	
	2014	2015
	US\$	US\$
Prepaid expenses	513,348	482,149
Supplier advances	193,871	156,828
Rent deposits	39,434	20,125
Other advances and deposits	38,122	28,881
Loans to employees	48,927	50,370
Amount receivable on sale of investment (See Note 6)	152,447	461,545
Accrued interest	-	73,117
Total	986,149	1,273,015

5. Property, Plant and Equipment

Property, plant and equipment comprise:

	As of March 31,	
	2014	2015
	US\$	US\$
Furniture and fixtures	367,535	224,163
Computer equipment and software	17,873,525	13,623,704
Office equipment	276,115	242,401
Vehicles	251,362	228,976
Leasehold improvements	444,467	399,271
Website development costs	4,110,523	4,276,892
Property, plant and equipment – at cost	23,323,527	18,995,407
Less: Accumulated depreciation and amortization	(20,160,336)	(16,655,463)
	3,163,191	2,339,944
Currency translation adjustment	(1,994)	73,606
Capital work-in-progress	649,026	786,539
	3,810,223	3,200,089
Less: Impairment loss	(239,001)	(3,200,089)
Property, plant and equipment – net	3,571,222	—

In fiscal 2015, the Company has recognized an impairment loss of US\$ 3,200,089 on its Property, plant and equipment relating to its India Online business. India Online business includes revenue from advertising and fee based services. The impairment was on account of significant decline in advertisement revenue as there has been a continued reduction in spends by customers which is consistent with industry trends. As a consequence the Company has been experiencing a decline in its display advertisement revenue, and incurring net operating cash losses. The fair value of the India Online business asset group is insignificant.

In fiscal 2014, the Company had recognized an impairment loss of US\$199,621 mainly in respect of computer equipment relating to its subsidiary Vubites (see note 8). Additionally, in fiscal 2014, the Company abandoned an application related project included in 'Capital work-in-progress' and as a result impaired an amount of US\$39,380.

In the fiscal years 2013, 2014 and 2015, the Company incurred depreciation and amortization expense of US\$3,249,417, US\$2,688,989 and US\$1,719,327 respectively.

6. Investments

Investment, cost method

During the fiscal year ended March 31 2014, the Company sold its investment in Runa Inc. for a total consideration of US\$4,145,927 and recognized a gain of US\$2,740,940. An amount of US\$ 613,992 of the total consideration has been held in escrow for certain representations and warranties contained in the sale agreement. These representations and warranties have been assessed as accurate and the fair value of any obligation resulting from these representations and warranties is insignificant. Of the total amount held in escrow US\$ 461,545 which were recoverable by April, 2015 has been subsequently received by the Company.

Investments in equity interest

The Company's investments in equity method investees interest were as follows:

	Percent of ownership of equity shares
Tachyon Technology Private Limited (Impaired in fiscal 2011)	26%
Imere Technology Private Limited (up to October 8, 2012)	44%
Bigslick Infotech Private Limited (Impaired in fiscal 2010)	37%

The following table presents financial information for equity method investees:

	For years ended March 31,		
	2013#	2014	2015
	US\$	US\$	US\$
Revenues	320,005	—	—
Total costs	72,910	—	—
Profit (loss) from operations	247,095	—	—
Earnings (loss) attributable to Rediff*	84,310	—	—

Information provided for the period ended October 8, 2012, relates to Imere Technology Private Limited which was sold as on same date.

During the fiscal year ended March 31, 2013, the Company sold its investment in Imere Technology Private Limited for a consideration of US\$1,452,944 and recorded a gain of US\$1,292,168 and included as “Gain on sale of equity method investee” in consolidated statement of comprehensive loss.

7. Goodwill

The Company’s goodwill is in respect of its acquisition of India Abroad. The goodwill has been allocated to the US Publishing business, reporting unit.

The changes in the carrying amount of goodwill for the fiscal years ended March 31, 2014 and 2015 were as follows:

	For the year ended March 31,					
	2014			2015		
	Gross	Accumulated	Net	Gross	Accumulated	Net
	US\$	impairment	US\$	US\$	impairment	US\$
As at beginning of the year	10,515,168	10,515,168	—	10,515,168	10,515,168	—
As at end of the year	10,515,168	10,515,168	—	10,515,168	10,515,168	—

In fiscal year 2013, the Company recognized a goodwill impairment loss of US\$2,000,000. The impairment was on account of the weakness in the publishing industry which resulted in reduction of the US publishing business's projected operating results and estimated future cash flows. The Company used an income-based valuation approach to determine the fair value of the reporting unit by estimating the present value of future cash flows after considering current economic conditions and trends, estimated future operating results and growth rates.

8. Intangible assets, net

The following table summarizes the carrying amount of intangible assets:

	As of March 31, 2014			
	Gross carrying	Accumulated	Impairment	Net carrying
	value	amortization	loss	value
	US\$	US\$	US\$	US\$
Customer contracts	12,383	12,383	-	-
Intellectual property	2,605,644	1,254,274	1,351,370	-
Total intangible assets, net	2,618,027	1,266,657	1,351,370	-

Customer contracts and intellectual property are amortized on a straight line basis over a period of three and seven years, respectively. The Company recognized amortization expense of intangible assets of US\$414,959 and US\$371,280 in fiscal 2013 and 2014, respectively.

The impairment loss relates to the Company's subsidiary Vubites which enables businesses to advertise locally (targeted advertising in local and specific cities in India) on national television channels. Vubites offers web based tools for small businesses to create low cost advertisement for television broadcast. This business is dependent on effective splicing and sale to local businesses in different cities of broadcasting spots purchased from national television channels. The impairment resulted from similar targeted advertising services now being offered directly by the television channels and on account of aggressive sales and marketing strategy launched by competitors which have provided them with deeper market access. The fair value of the reporting unit is insignificant.

9. Other non-current assets

Other non-current assets comprise:

	As of March 31,	
	2014	2015
	US\$	US\$
Prepaid expenses	177,659	129,517
Rent deposits	767,616	731,479
Loans to employees	52,029	32,818
Amount receivable on sale of investment (See Note - 6)	461,545	—
Total	1,458,849	893,814

The Company had subscribed to convertible promissory notes (referred to as the “notes”) issued by Examville.com LLC, for total cash consideration of US\$1,100,000. During the year ended March 31, 2013, the Company recorded other than temporary impairment loss of US\$1,100,000 because the Company did not expect to recover the carrying amount.

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise:

	As of March 31,	
	2014	2015
	US\$	US\$
Accounts payable	1,637,008	2,200,219
Accrued expenses	1,500,002	1,428,089
Taxes payable	369,314	412,667
Employee incentive payable	155,281	117,424
Other employee payables	1,056,857	976,749
Other current liabilities	64,950	65,824
Total	4,783,412	5,200,972

11. Other non-current liabilities

Other non-current liabilities comprise:

	As of March 31,	
	2014	2015
	US\$	US\$
Unearned revenues	320,977	329,581
Retirement benefits	466,280	531,089
Other liabilities	151,742	143,647
Total	938,999	1,004,317

12. Shareholders' equity

Treasury shares

During the fiscal year ended March 31, 2010 the Company formed Rediff.com India Limited Employee Trust (“Trust”). The Trust is controlled and administrated by senior employees of the Company. The Company is the primary beneficiary of the Trust and, accordingly has consolidated the Trust. The Trust acquired 1,015,000 shares for a consideration of US\$4,426,605 and reserved these shares for benefit of Company’s employees and directors.

13. Cost of revenues

Cost of revenues includes shipping cost of US\$1,164,812, US\$1,815,301 and US\$2,402,700 for the fiscal years ended March 31, 2013, 2014 and 2015 respectively.

14. Sales and marketing

Sales and marketing expense includes advertising cost of US\$92,135, US\$313,336 and US\$1,579,550 for the fiscal years ended March 31, 2013, 2014 and 2015 respectively.

15. Related party transactions

The Company's principal related parties are its founder shareholders, directors and companies that the founder shareholders and directors control. The Company enters into transactions with such related parties in the normal course of business. Related party transactions and balances are as follows:

Product Development Expenses

During the fiscal year ended March 31, 2013, the Company incurred product development expenses (including amount capitalized) of US\$95,395 on account of services rendered by Tachyon Technologies Private Ltd, an equity method investee.

Trade account receivables write off

During the fiscal year ended March 31, 2013, the Company wrote off US\$206,974 trade account receivables from Edelweiss Capital Services Ltd, in which a director of Rediff is shareholder and director, against the recorded allowance. The allowance for trade account receivables was recorded in the year ended March 31, 2012.

16. Retirement Benefits

Gratuity

The Company provides for gratuity on an actuarial valuation. The Company has an unfunded defined benefit retirement plan covering eligible employees in India. This plan provides for a lump-sum payment to be made to vested employees at retirement, death or termination of employment of an amount equivalent to 15 days basic salary, payable for each completed year of service. These gratuity benefits vest upon an employee's completion of five years of service.

The following tables set out the amounts recognized in the Company's consolidated financial statements for the fiscal years ended March 31, 2013, 2014 and 2015. The measurement date used is March 31 of the relevant fiscal year.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<i>Change in benefit obligation</i>			
Benefit obligation at the beginning of the year	446,146	527,512	511,506
Actuarial (gain) loss	14,941	(60,402)	27,963
Service cost	75,039	75,405	69,402
Interest cost	44,025	46,086	52,790
Benefits paid	(26,382)	(27,314)	(70,427)
Effect of exchange rate changes	(26,257)	(49,781)	(22,184)
Benefit obligation at the end of the year	527,512	511,506	569,050
Current – (included in other employee payables)	47,713	45,226	37,961
Non-current – (included in retirement benefits)	479,799	466,280	531,089

Accumulated benefit obligation was US\$292,701 and US\$319,026 as of March 31, 2014 and 2015 respectively.

Net gratuity cost for the years ended March 31, 2012, 2013 and 2014 comprise of the following:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Service cost	75,039	75,405	69,402
Interest cost	44,025	46,086	52,790
Recognized net actuarial (gain) loss	14,941	(60,402)	27,963
Net gratuity cost	134,005	61,089	150,155

The assumptions used in accounting for gratuity in the years ended March 31, 2013, 2014 and 2015 were as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Discount rate	8.75%	9.60%	8.45%
Rate of increase in compensation	7.00%	7.00%	7.00%

The following benefit payments, which reflect expected future services, as appropriate are expected to be paid

<u>Year ending March 31,</u>	<u>US\$</u>
2016	37,961
2017	123,838
2018	45,854
2019	62,965
2020	57,837
2021-2025	493,338

The expected benefits are based on the same assumptions used to measure the Company's benefit obligation as of March 31, 2015.

Provident Fund

Employees based in India and the Company each, contribute at the rate of 12% of salaries to a provident fund maintained by the Government of India for the benefit of such employees. The provident fund is a defined contribution plan. Accordingly, the Company expenses such contributions as incurred. Amounts contributed by the Company to the provident fund, in aggregate, were US\$259,684, US\$228,075 and US\$231,528 for the years ended March 31, 2013, 2014 and 2015, respectively.

17. Income Taxes

The components of income before income taxes and equity in net earnings of equity method investees are as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	US\$	US\$	US\$
– Domestic	(7,177,897)	(9,264,032)	(12,188,901)
– Foreign	(4,371,884)	1,639,852	(1,608,878)
Loss before income taxes and equity in net loss (earning) of equity method investee	<u>(11,549,781)</u>	<u>(7,624,180)</u>	<u>(13,797,779)</u>
Current income tax expense (benefit)	<u>(33,248)</u>	<u>(152,774)</u>	<u>14,791</u>

The reconciliation of estimated income tax expense at Indian statutory income tax rate to income tax expense reported in the statements of comprehensive loss is as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	US\$	US\$	US\$
Loss before income taxes and equity in net loss (earning) of equity method investee	(11,549,781)	(7,624,180)	(13,797,779)
Indian statutory income tax rate	32.445%	33.990%	34.608%
Expected income tax expense	(3,747,327)	(2,591,459)	(4,775,135)
Tax effect of:–			
Adjustments to reconcile expected income tax expense to reported income tax expense:			
Employee stock-based compensation	245,313	163,683	147,674
Valuation allowance recognized during the year	3,060,830	1,998,669	4,875,019
Goodwill impairment	648,900	—	—
Tax in foreign jurisdictions	(142,710)	262,459	(247,558)
Earnings (loss) of equity method investees	27,354	—	—
Others	(125,608)	13,874	14,791
Income tax expense (benefit)	<u>(33,248)</u>	<u>(152,774)</u>	<u>14,791</u>

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities are as follows:

	<u>As of March 31,</u>	
	<u>2014</u>	<u>2015</u>
	US\$	US\$
Net operating loss carry forwards	7,262,789	10,354,525
Depreciation and amortization	5,573,817	7,530,972
Allowances for doubtful accounts receivables	218,415	229,168
Employee benefits	320,564	330,849
Minimum alternate tax credit	284,859	273,526
Loss of equity method investees	256,483	250,758
Gross deferred tax assets	<u>13,916,927</u>	<u>18,969,798</u>
Valuation allowance	(13,916,927)	(18,969,798)
Deferred tax assets	<u>—</u>	<u>—</u>

Movements in valuation allowance:

	As of March 31,	
	2014	2015
	US\$	US\$
Balance as at beginning of the year	12,673,121	13,916,927
Valuation allowance recognized during the year	1,998,669	4,875,019
Increase (reduction) in deferred tax asset and corresponding valuation allowance pertaining to earlier years	(41,757)	691,218
Effect of currency translation	(713,106)	(513,366)
Balance as at end of the year	<u>13,916,927</u>	<u>18,969,798</u>

Rediff India's (including Vubites) net operating loss carry forwards aggregating approximately US\$16,942,394 as of March 31, 2015 will expire between April 2015 and March 2023.

As of March 31, 2015, ValuCom has net operating loss carry forwards available to offset future federal taxable income of US\$3,033,000, which expire in years 2021 through 2031.

As of March 31, 2015, Rediff Holdings, Inc. has net operating loss carry forwards of approximately US\$6,229,000 for federal income tax purposes, which expire in years 2020 through 2035.

Rediff's unabsorbed depreciation of US\$18,642,739 can be indefinitely carried forward.

Realization of the future tax benefits related to the deferred tax asset is dependent on many factors, including the Company's ability to generate taxable income within the net operating loss carry forward period. Management has considered these factors and believes that a valuation allowance is required for each of the periods presented.

Recoverable taxes mainly consist of withholding tax on income from advertising services and interest income, which the Company claimed as refund.

There were no unrecognised tax benefit as at fiscal year ended March 31, 2013, 2014 and 2015.

The Company's two major tax jurisdictions are India and the U.S. In India, tax returns from fiscal year 2010 are subject to examination by the direct taxing authority. The assessments for fiscal year 2000 onwards are subject matters of appeals with the direct taxing authorities. The Company's U.S. federal and state tax returns pertaining to fiscal year 2012 onwards remains subject to examination in accordance with the statute of limitation prescribed by the relevant authorities.

18. Segments

The chief operating decision maker's (Rediff's Chairman and Managing Director) allocates resources to and assess the performance of the segments of the Company. The chief operating decision maker evaluates segment performance primarily by results of the segment before operating expenses.

The Company has two operating segments, namely, the India Online business and the U.S. Publishing business.

- (i) India Online business, comprised of revenues from online advertising (which includes display, performance and sponsorship formats) and fee-based services (which includes e-commerce marketplace fees and revenues from subscription-based email services and mobile value added services).
- (ii) US Publishing business, comprised of revenues from advertising and subscription for India Abroad print and online properties and online advertising revenue from the Rediff India Abroad website.

Following are the segment results and segment assets for the years ended March 31, 2013, 2014 and 2015.

	2013			2014			2015		
	India Online Business	US Publishing Business	Total	India Online Business	US Publishing Business	Total	India Online Business	US Publishing Business	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Revenues from external customers:									
Advertising	8,485,560	2,872,638	11,358,198	8,161,964	2,534,345	10,696,309	6,583,878	2,085,218	8,669,096
Fee based services	4,041,904	258,602	4,300,506	5,206,078	218,410	5,424,488	6,511,248	157,832	6,669,080
Total revenues	<u>12,527,464</u>	<u>3,131,240</u>	<u>15,658,704</u>	<u>13,368,042</u>	<u>2,752,755</u>	<u>16,120,797</u>	<u>13,095,126</u>	<u>2,243,050</u>	<u>15,338,176</u>
Cost of revenues (excluding depreciation and amortization)	<u>7,470,935</u>	<u>2,480,949</u>	<u>9,951,884</u>	<u>8,330,948</u>	<u>2,082,116</u>	<u>10,413,064</u>	<u>8,854,598</u>	<u>1,981,319</u>	<u>10,835,917</u>
Segment Results	<u>5,056,529</u>	<u>650,291</u>	<u>5,706,820</u>	<u>5,037,094</u>	<u>670,639</u>	<u>5,707,733</u>	<u>4,240,528</u>	<u>261,731</u>	<u>4,502,259</u>
Segment Assets	35,577,371	820,713	36,398,084	24,960,743	2,447,659	27,408,402	13,204,415	881,567	14,085,982
Capital expenditure	2,105,552	2,315	2,107,867	1,469,037	6,325	1,475,362	1,416,692	539	1,417,231
Depreciation/amortization	3,651,816	12,560	3,664,376	3,054,173	6,096	3,060,269	1,713,662	5,665	1,719,327

The following is a reconciliation of the segment results to (loss) income before income taxes of the Company for the years ended March 31, 2013, 2014 and 2015.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	US\$	US\$	US\$
Segment result	5,706,820	5,707,733	4,502,259
Operating expenses (including depreciation and amortization)	(19,571,322)	(18,048,045)	(19,534,453)
Other income, net	2,314,721	4,716,132	1,234,415
Net loss before income taxes and equity in net earnings (loss) of equity method investees	(11,549,781)	(7,624,180)	(13,797,779)

Revenues from fee based services are as follows:

	<u>As at March 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	US\$	US\$	US\$
e-commerce marketplace fees	2,147,008	3,249,096	4,255,268
Subscription service	1,894,896	1,956,982	2,255,980
Total	4,041,904	5,206,078	6,511,248

The following is a reconciliation of the segment assets to the total assets as at March 31, 2014 and 2015.

	<u>As at March 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	US\$	US\$	US\$
India Online business	35,577,371	24,960,743	13,204,415
US Publishing business	820,713	2,447,659	881,567
Total segment assets	36,398,084	27,408,402	14,085,982
Investment, at cost	1,404,987	—	—
Rediff.com India Employee trust	45,931	45,137	46,990
Total assets	37,849,002	27,453,539	14,132,972

Revenues are attributed to individual countries according to the location of the customers.

Revenues derived from external customers are as follows:

	Years ended March 31,		
	2013	2014	2015
	US\$	US\$	US\$
United States and Canada	3,030,249	3,314,354	2,372,700
India	12,241,845	12,176,561	12,306,537
Rest of the world	386,610	629,882	658,939
Total revenues	15,658,704	16,120,797	15,338,176

No single customer accounted for 10 percent or more of the total revenues for the years ended March 31, 2013, 2014 and 2015.

Long-lived assets by location are as follows:

	As of March 31,	
	2014	2015
	US\$	US\$
United States and Canada	5,912	—
India	3,565,310	—
Total	3,571,222	—

19. Concentration of credit risk

Concentrations of credit risk exist when changes in economic or geographic factors affect groups of counter parties whose aggregate credit exposure is material in relation to the Company's total credit exposure.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and accounts receivable.

The Company maintains the majority of its cash in Indian Rupees with reputed banks in India with high quality credit rating.

The Company performs ongoing evaluations to determine customer credit limit, but no collateral is required. In 2014 and 2015, approximately 89% and 85% of our accounts receivable were derived from revenues earned from customers located in India. The majority of the customers outside India are located in the United States.

20. Stock-based compensation

2002 Stock Option Plan

In January 2002 the Company's Board of Directors approved the 2002 Stock Option Plan ("2002 plan"), which provides for the grant of stock options to the Company's employees. Unless terminated sooner, a grant under this plan will terminate automatically after expiry of 10 years from the date of issue of such grant. A total of 280,000 of the Company's equity shares were reserved pursuant to 2002 plan. Of which 12,000 equity shares were reserved under 2015 Stock Option Plan.

Under the terms of the 2002 plan, the board or a committee or a sub-committee of the board will determine and authorize the grant of options to eligible employees. Such options vest at the rate of 25% on each successive anniversary of the grant date, until fully vested. Each option grant carries with it the right to purchase Company's one ADS at the exercise price during the exercise period, which expires ten years from the date of grant. The exercise price is determined by the board (or a committee or a sub-committee of the board) and shall be no more than 110% of the fair market value of ADS and no less than 50% of the fair market value of ADS on the date of the grant.

A summary of option activity under the 2002 ESOP plan as of March 31, 2015, and changes during the year then ended is presented below:

Options	Number of Options (in terms of shares)	Weighted average exercise price US\$	Weighted average remaining contractual term (year)	Aggregate intrinsic value US\$
Outstanding as at April 1, 2014	11,750	18.88		
Expired	3,500	11.37		
Outstanding as at March 31, 2015	8,250	22.06	6.3	—
Exercisable as at March 31, 2015	6,375	22.06	6.3	—

The total grant date fair value of stock options vested during the year ended March 31, 2013, 2014 and 2015 were US\$78,645, US\$123,585 and US\$56,175.

There were no options granted during the years ended March 31, 2013, 2014 and 2015. There were no options exercised during the years ended March 31, 2013, 2014 and 2015.

As of March 31, 2015, there was US\$6,718 of total unrecognized option cost related to non-vested stock options granted under the plan. That cost is expected to be recognized over a weighted average period of 0.31 year. To the extent the forfeiture rate is different from what we have anticipated stock-based compensation related to these awards will be different from our expectations.

2004 Stock Option Plan

In June 2004, the Company's Board of Directors approved the 2004 Stock Option Plan ("2004 plan"), which provide for the grant of stock options to the Company's employees. Unless terminated sooner, the grant under this plan will terminate automatically after expiry of 10 years from the date of issue of such grant. A total of 358,000 of the Company's equity shares were reserved pursuant to 2004 plan. Of which 91,000 equity shares were reserved under 2015 Stock Option Plan.

Under the terms of the 2004 plan, the board or a committee or a sub-committee of the board will determine and authorize the grant of options to eligible employees. Such options vest at the rate of 25% on each successive anniversary of the grant date, until fully vested. Each option grant carries with it the right to purchase Company's one ADS at the exercise price during the exercise period, which expires ten years from the date of grant. The exercise price is determined by the board (or a committee or a sub-committee of the board) and shall be no more than 110% of the fair market value of ADS and no less than 50% of the fair market value of ADS on the date of the grant.

A summary of option activity under the 2004 ESOP plan as of March 31, 2015, and changes during the year then ended is presented below:

Options	Number of options (in terms of shares)	Weighted average exercise price US\$	Weighted average remaining contractual term (year)	Aggregate intrinsic value US\$
Outstanding as at April 1, 2014	131,237	11.59		
Granted	22,750	3.74		
Expired	55,112	10.97		
Forfeited	1,500	3.74		
Outstanding as at March 31, 2015	97,375	10.22	4.4	2,125
Exercisable as at March 31, 2015	76,125	12.03	3.0	—

The total grant date fair value of stock options vested during the year ended March 31, 2013, 2014 and 2015 was US\$108,481, US\$53,126 and US\$Nil, respectively.

The weighted-average grant-date fair value of options granted during the year ended March 31, 2015, was US\$3.02 each option. There were no options granted during the years ended March 31, 2013 and 2014. There were no options exercised during the years ended March 31, 2013, 2014 and 2015.

As of March 31, 2015, there was US\$48,012 of total unrecognized option cost related to non-vested stock options granted under the plan. That cost is expected to be recognized over a weighted-average period of 3.12 years. To the extent the forfeiture rate is different from what we have anticipated stock-based compensation related to these awards will be different from our expectations.

2006 Stock Option Plan

The 2006 Stock Option Plan (“2006 ESOP”) consists of two plans, namely the ADR Linked Employee Stock Option Plan-2006 and Employee Stock Option Plan-2006 which is linked to the shares of the Company. These plans were adopted and approved by the Compensation committee on June 20, 2006 in accordance with the approval granted by shareholders on March 31, 2006. Unless terminated sooner, the grant under this plan will terminate automatically after expiry of 10 years from the date of issue of such grant. A total of 670,000 equity shares were approved for issuance under both the plans.

Under the terms of the 2006 plans, the board or a committee or a sub-committee of the board will determine and authorize the grant of options to eligible employees. Such options vest at the rate of 20% - 25% on each successive anniversary of the grant date, until fully vested. Each option grant carries with it the right to purchase Company’s one equity share / ADS depending on the plan to which the option relates at the exercise price during the exercise period, which expires ten years from the date of grant. The exercise price for the ADR Linked Employee Stock Option Plan-2006 is determined by the board (or a committee or a sub-committee of the board) and shall be no more than 110% of the fair market value of ADS and no less than 50% of the fair market value of ADS on the date of the grant. The exercise price for the Employee Stock Option Plan-2006 is also determined by the board (or a committee or a sub-committee of the board) and shall not be less than the face value of equity shares.

A summary of option activity under the 2006 ESOP plan as of March 31, 2015, and changes during the year then ended is presented below:

Options	Number of options (in terms of shares)	Weighted average exercise price	Weighted average remaining contractual term (year)	Aggregate intrinsic value
		US\$		US\$
Outstanding as at April 1, 2014	490,563	8.54		
Forfeited	1,250	0.16		
Outstanding as at March 31, 2015	489,313	8.54	3.8	288,898
Exercisable as at March 31, 2015	477,313	8.47	3.8	288,898

The total grant date fair value of stock options vested during the year ended March 31, 2013, 2014 and 2015 was US\$1,542,072, US\$967,248 and US\$662,350 respectively.

The weighted-average grant-date fair value of options granted during the year ended March 31, 2014 was US\$3.76. There were no new grants during the year ended March 31, 2013 and 2015. There were no stock options exercised during the years ended March 31, 2013, 2014 and 2015.

As of March 31, 2015, there was US\$41,726 of total unrecognized option cost related to non-vested stock options granted under the plan. That cost is expected to be recognized over a weighted-average period of 0.7 years. To the extent the forfeiture rate is different from what we have anticipated stock-based compensation related to these awards will be different from our expectations.

2015 Stock Option Plan

The compensation committee authorized the 2015 stock option plan in their meeting held on January 27, 2015. Under the plan 103,000 equity shares (comprising of 12,000 equity shares from 2002 Stock Option Plan and 91,000 equity shares from 2004 Stock Option Plan) were reserved. Unless terminated sooner, the grant under this plan will terminate automatically after expiry of 10 years from the date of grant.

Under the terms of the 2015 plan, the board or a committee or a sub-committee of the board will determine and authorize the grant of options to eligible employees. Such options vest at the rate of 25% on each successive anniversary of the grant date, until fully vested. Each option grant carries with it the right to purchase Company’s one ADS at the exercise price during the exercise period, which expires ten years from the date of grant. The exercise price for the ADR Linked Employee Stock Option Plan-2015 is determined by the board (or a committee or a sub-committee of the board) and shall be no more than 110% of the fair market value of ADS and no less than 50% of the fair market value of ADS on the date of the grant.

A summary of option activity under the 2015 ESOP plan as of March 31, 2015, and changes during the year then ended is presented below:

Options	Number of options (in terms of shares)	Weighted average exercise price	Weighted average remaining contractual term (year)	Aggregate intrinsic value
		US\$		US\$
Granted	36,800	3.74		
Outstanding as at March 31, 2015	36,800	3.74	9.8	3,680
Exercisable as at March 31, 2015	—	—	—	—

The weighted-average grant-date fair value of options granted during the year ended March 31, 2015, was US\$3.00 per equity share.

As of March 31, 2015, there was US\$103,440 of total unrecognized option cost related to non-vested stock options granted under the plan. That cost is expected to be recognized over a weighted-average period of 3.8 years. To the extent the forfeiture rate is different from what we have anticipated stock-based compensation related to these awards will be different from our expectations.

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Years ended March 31,		
	2013	2014	2015
Dividend yield	—	0%	0%
Expected term	—	5.5 – 7 years	5.5 – 7 years
Risk free interest rates	—	0.71% - 1.14%	1.41% - 2.10%
Expected volatility	—	81.27% - 86.68%	79.72% - 83.64%

Expected volatilities are based on the historical volatility of the Company's stock. The expected term of stock options granted under the Plans is based on historical exercise patterns, which the Company believes are representative of future behavior. The risk-free rate for periods within the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Total stock-based compensation cost recognized under the various employee stock option plans were US\$756,090, US\$481,563 and US\$426,705 for the year ended March 31, 2013, 2014 and 2015 respectively. The compensation cost has been allocated to cost of revenues and operating expenses as follows:

	Year ended March 31,		
	2013	2014	2015
	US\$	US\$	US\$
Cost of revenues	50,151	17,425	466
Sales and marketing	122,316	119,653	80,793
Product development	321,473	207,400	175,616
General and administrative	262,150	137,085	169,830

21. Earnings (loss) per share and ADS

For the years ended March 31, 2012, 2013 and 2014, the following table sets forth the computation of basic and diluted earnings per share and ADS:

	Year ended March 31,		
	2013	2014	2015
Net loss (US\$)	(11,432,223)	(7,471,406)	(13,812,570)
Weighted average equity shares for basic and diluted earnings (loss) per share	13,795,178	13,795,178	13,795,178
Earnings /(loss) per share – basic (US\$)	(0.828)	(0.542)	(1.000)
– diluted (US\$)	(0.828)	(0.542)	(1.000)
Earnings / (loss) per ADS – basic (US\$)	(0.414)	(0.271)	(0.500)
– diluted (US\$)	(0.414)	(0.271)	(0.500)

Potentially dilutive shares relating to outstanding employee stock option aggregating 140,247, 124,214 and 209,599 as at March 31, 2013, 2014 and 2015, respectively have been excluded from the computation of diluted earnings per share for these periods as their effect was anti-dilutive.

22. Dividends

Dividends, if any, will be declared and paid in Indian Rupees. Indian law requires that any dividend be declared out of accumulated distributable profits only after the transfer to a general reserve of a specified percentage of net profit computed in accordance with current regulations. The remittance of dividends outside India is governed by Indian law on foreign exchange and is subject to applicable taxes.

23. Allowance for doubtful trade accounts receivables

Description	Balance at	Expense /	Bad debts	Effect of	Balance at
	Beginning of	(Reversal)	written off	exchange rate	end
	year			changes	of year
	US\$	US\$	US\$	US\$	US\$
Fiscal 2015	618,054	41,509	(11,172)	(22,474)	625,917
Fiscal 2014	876,300	190,493	(420,018)	(28,721)	618,054
Fiscal 2013	3,200,434	(48,580)	(2,106,011)	(169,543)	876,300

24. Fair value of financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued liabilities, approximate their fair values due to the short- term nature of these instruments.

25. Commitments and contingencies

As of March 31, 2015 and 2014, the Company has commitment for purchase of computer equipment and cost to develop internal use software aggregating US\$424,517 and US\$774,735, respectively.

Commitment relating to operating leases is as below:

The Company leases office premises and residential apartments for employees under various operating leases. Certain of these arrangements have free or escalating rent payment provisions. The Company recognized rent expense under such arrangements on a straight-line basis. Operating lease expense that has been included in the determination of the net income is as follows:

	Years ended March 31,		
	2013	2014	2015
	US\$	US\$	US\$
Office premises	726,893	700,402	668,676
Residential apartments for employees	104,557	81,308	81,980
Total operating lease expense	831,450	781,710	750,656

The minimum annual lease commitments under the above operating leases that have initial or remaining terms in excess of one year are as follows:

For the year ending March 31,	US\$
2016	492,935
2017	293,624
2018	237,989
2019	40,753
2020	—

Litigation and Other Legal Matters

Action Relating to Access to Pornographic Material

On June 21, 2000, Rediff, certain of its current and then directors and others (Ajit Balakrishnan, Arun Nanda, Abhay Havaldar, Sunil Phatarphekar, Charles Robert Kaye and Tony Janz) were named as defendants in a criminal complaint (RCC Complaint Number 76 of 2000) filed by Mr. Abinav Bhatt, who was then a 22 year old student, before the Judicial Magistrate, First Class, Pune, India, alleging commission of an offence, under Section 292 of the IPC for distributing, publicly exhibiting and putting into circulation obscene, pornographic and objectionable material. The RCC Complaint alleged that Rediff, through its website "www.rediff.com", provided a search facility that enabled Internet users to view pornographic, objectionable and obscene material. On November 27, 2000, the Judicial Magistrate passed an order on the Complaint holding that a prima facie case under Section 292 of the IPC had been made out against Rediff and directed commencement of criminal proceedings against all the defendants. A criminal writ petition was filed in the High Court of Mumbai (*Sunil N. Phatarphekar & Ors. v. Abhinav Bhatt and Ors.* , Mumbai High Court, Criminal Writ Petition No. 1754 of 2000) by the aforementioned defendants, seeking among other relief the setting aside of the order of the Judicial Magistrate. The High Court of Mumbai in its order dated December 20, 2000, while granting ad-interim relief to the petitioners in the Writ Petition, stayed the order of Judicial Magistrate pending final disposal of the Writ Petition. The Writ Petition has been admitted by the High Court of Mumbai. While Rediff believes that the lawsuit is without merit, and that it and its directors have a valid defense to the charges, in the event that it is unsuccessful in its defense, Rediff and its directors may face both criminal penalties and monetary fines or damages.

Under Indian law, any person who publishes or transmits or causes to be published in the electronic form, any material which is lascivious or appeals to the prurient interest or if its effect is such as to tend to deprave and corrupt persons who are likely, having regard to all relevant circumstances, to read, see or hear the matter contained or embodied in it, shall be punished (i) for the first conviction, with imprisonment of up to five years and with a fine of up to Rs.100,000 (approximately US\$1,700); and (ii) in the event of a second conviction, with imprisonment of up to ten years and with a fine of up to Rs.200,000 (approximately US\$3,400).

Actions Relating to Trademark Infringement

In May, 2008, a complaint was filed by The Board of Control of Cricket in India ("BCCI") against Sandeep Goyal and Rediff alleging that the depiction of images on the online game known as Indian Fantasy League started by Sandeep Goyal has been violative of the Indian Premier League ("IPL") trademark. BCCI is seeking (a) a permanent injunction restraining defendants from the use of logo "Indian Fantasy League.com"; (b) shutdown of the website Indianfantasyleague.com; (c) to render the accounts of all profits earned by the said website and damages to the tune of Rs.1.0 million (approximately US\$17,000). Rediff has filed its response to BCCI Complaint, and among the defenses Rediff has raised are: (a) it is Sandeep Goyal who has infringed the trademark of IPL and not Rediff.com; (b) Rediff.com only provides the domain hosting and web based email solution services which enables the subscriber to set up and manage their website as per the terms and conditions of Rediff business solutions; (c) subscribers such as Sandeep Goyal are required to abide by and comply with the terms and conditions Rediff imposes on its subscribers which provides that the subscriber shall be solely responsible for producing, electronically uploading and maintaining his website and such subscriber shall ensure that all upload material shall be owned and/or properly licensed by the Subscriber and shall not adversely affect any rights of any third party. Although Rediff believes that it has valid defenses to the charges, if Rediff is unsuccessful after exhausting all legal remedies, we could be subject to monetary fines or damages.

In February, 2006, a complaint was filed by Marksman Pvt. Ltd. against various telecom operators and internet service providers and Rediff.com alleging infringement of copyright of Marksman by way of dissemination of information relating to scores, alerts and updates and or other events happenings via Short Message Service (SMS) Technology on wireless and mobile telephones in respect of One Day International Cricket Matches ("ODIs") during India's tour of Pakistan Scheduled in February, 2006. The Company has filed its response and among the defenses raised were: (a) Rediff.com along with other telecom operators and service providers have not infringed the copyrights of Marksman; (b) the information relating to scores, alerts and updates and or other events happening via Short Message Service (SMS) Technology on wireless and mobile telephones in respect of ODIs which was being provided to subscribers was sourced from public domain and as such no exclusivity can be claimed since it falls into public domain. The one judge panel, while dismissing a request for an interim order, has directed the defendants to maintain the accounts of the SMS received during the ODIs. Marksman will have to first amend the suit to seek damages before any claim is made against Rediff.com. In 2006, Marksman has sought to amend the suit prayer to include damages. Although the Company believes that it has valid defenses to the charges, if the Company is unsuccessful after exhausting all legal remedies, the Company could be subject to monetary fines or damages.

The Company is also subject to other legal proceedings and claims, which have arisen in the ordinary course of its business. Those actions, when ultimately concluded and determined, will not, in the opinion of management, have a material effect on the results of operations, cash flows or the financial position of the Company.

The Company has not recognized any loss accrual for the litigation disputes as the Company believes that it is probable that it would be successful on resolution of the litigation. The maximum total loss relating to these disputes would be approximately US\$20,400 excluding any interest and penalties, which amounts cannot be reasonably estimated at this point of time.

26. Subsequent event

On July 29, 2015, the Company entered into a Purchase Agreement with Lincoln Park Capital Fund, LLC, an Illinois limited liability company (“Investor”). The Purchase Agreement provides that the Company has the right to sell to the Investor, and the Investor has the obligation to purchase from the Company, up to an aggregate of US\$15 Million of the Company’s American Depositary Shares (“ADSs”) over the 36-month term of the Agreement in amount as described in the Purchase Agreement. Upon shareholder approval and upon effectiveness of registration statement covering the resale of ADSs, the Company can elect its discretion to sell ADSs to the investor pursuant to either regular purchase amounts or accelerated purchase amounts. The amounts of ADSs which may be sold to the Investor pursuant to any regular purchase range from 40,000 ADSs to 100,000 ADSs, depending on the then current trading price of the Company’s ADSs on Nasdaq (but not to exceed US\$500,000 on any single purchase date). In addition, the Company has the right, but not the obligation, to sell accelerated purchase amounts. The purchase price for any ADSs sold pursuant a regular purchase, will be 98% of the lower of the (a) the lowest sale price of the ADSs on Nasdaq on the regular purchase date or (b) the average of the three lowest closing sale prices over the preceding 10 trading-day period. The purchase price for any ADSs sold pursuant to an accelerated purchase, will be 98% of the lower of (a) the closing sale price of the ADSs on Nasdaq on the accelerated purchase date or (b) 94% of a volume weighted average purchase price on the accelerated purchase date. The Company will file an application with the Nasdaq to list the ADSs to be sold to the Investor pursuant to the Purchase Agreement. The Company is required to file a registration statement covering the resale of the ADSs, so that such ADSs may be sold by the Investor from time to time pursuant to a Registration Rights Agreement entered into between the Company and Investor. Under the Purchase Agreement, the Investor and its affiliates have a beneficial ownership limitation of 4.99% of the then issued and outstanding equity securities of the Company. The issuance of the shares underlying the ADSs must be approved by the Company’s shareholders prior to any purchases under the Purchase Agreement. The Purchase Agreement and Registration Rights Agreement also contain customary representations, warranties, conditions and indemnification provisions.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

REDIFF.COM INDIA LIMITED

By: /s/ Ajit Balakrishnan

Name: Ajit Balakrishnan

Title: Chairman and Managing Director
(Principal Executive Officer)

Date: July 31, 2015

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

REDIFF.COM INDIA LIMITED

By: /s/ Swasti Bhowmick

Name: Swasti Bhowmick

Title: Chief Financial Officer
(Principal Financial Officer)

Date: July 31, 2015

PURCHASE AGREEMENT

PURCHASE AGREEMENT (the “Agreement”), dated as of July 29, 2015, by and between **REDIFF.COM INDIA LIMITED**, a Republic of India corporation (the “Company”), and **LINCOLN PARK CAPITAL FUND, LLC**, an Illinois limited liability company (the “Investor”).

WHEREAS:

Subject to the terms and conditions set forth in this Agreement, the Company wishes to sell to the Investor, and the Investor wishes to buy from the Company, up to Fifteen Million Dollars (US\$15,000,000) of the Company’s American Depositary Shares, each represented by one-half of one equity share, par value \$5 per share (“American Depositary Shares”). The American Depositary Shares to be purchased hereunder are referred to herein as the “Purchase Shares.”

NOW THEREFORE, in consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Investor hereby agree as follows:

1. CERTAIN DEFINITIONS.

For purposes of this Agreement, the following terms shall have the following meanings:

(a) “Accelerated Purchase Share Amount” means, with respect to any Accelerated Purchase made pursuant to Section 2(b) hereof, the number of Purchase Shares directed by the Company to be purchased by the Investor on an Accelerated Purchase Notice, which number of Purchase Shares shall not exceed the lesser of (i) 300% of the number of Purchase Shares directed by the Company to be purchased by the Investor pursuant to the corresponding Regular Purchase Notice for the corresponding Regular Purchase referred to in Section 2(a) and (b) hereof (subject to the Purchase Share limitations contained in Section 2(a) hereof) and (ii) the Accelerated Purchase Share Percentage multiplied by the trading volume of the American Depositary Shares on the Principal Market during normal trading hours on the Accelerated Purchase Date.

(b) “Accelerated Purchase Date” means, with respect to any Accelerated Purchase made pursuant to Section 2(b) hereof, the Business Day immediately following the applicable Purchase Date with respect to the corresponding Regular Purchase referred to in Section 2(a) and (b) hereof.

(c) “Accelerated Purchase Notice” means, with respect to any Accelerated Purchase made pursuant to Section 2(b) hereof, an irrevocable written notice from the Company to the Investor directing the Investor to buy a specified Accelerated Purchase Share Amount on the applicable Accelerated Purchase Date pursuant to Section 2(b) hereof at the applicable Accelerated Purchase Price.

(d) “Accelerated Purchase Share Percentage” means, with respect to any Accelerated Purchase made pursuant to Section 2(b) hereof, thirty percent (30%).

(e) “Accelerated Purchase Price” means, with respect to any particular Accelerated Purchase made pursuant to Section 2(b) hereof, ninety-eight percent (98%) of the lower of (i) ninety-four percent (94%) of the VWAP during (A) the entire trading day on the Accelerated Purchase Date, if the volume of American Depositary Shares traded on the Principal Market on the Accelerated Purchase Date has not exceeded the Accelerated Purchase Share Volume Maximum, or (B) the portion of the trading day of the Accelerated Purchase Date (calculated starting at the beginning of normal trading hours) until such time at which the volume of American Depositary Shares traded on the Principal Market has exceeded the Accelerated Purchase Share Volume Maximum or (ii) the Closing Sale Price on the Accelerated Purchase Date (to be appropriately adjusted for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction).

(f) “Accelerated Purchase Share Volume Maximum” means the number of American Depositary Shares traded on the Principal Market during normal trading hours on the Accelerated Purchase Date equal to (i) the amount of American Depositary Shares properly directed by the Company to be purchased on the Accelerated Purchase Notice, divided by (ii) the Accelerated Purchase Share Percentage (to be appropriately adjusted for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction).

(g) “Available Amount” means, initially, Fifteen Million Dollars (US\$15,000,000) in the aggregate, which amount shall be reduced by the Purchase Amount each time the Investor purchases American Depositary Shares pursuant to Section 2 hereof.

(h) “Average Price” means a price per Purchase Share (rounded to the nearest tenth of a cent) equal to the quotient obtained by dividing (i) the aggregate gross purchase price paid by the Investor for all Purchase Shares purchased pursuant to this Agreement, by (ii) the aggregate number of Purchase Shares issued pursuant to this Agreement.

(i) “Bankruptcy Law” means Title 11, U.S. Code, or any similar federal or state law, and similar laws applicable to Republic of India corporations for the relief of debtors.

(j) “Base Price” means a price per Purchase Share equal to the Signing Market Price (subject to adjustment for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction that occurs on or after the date of this Agreement).

(k) “Business Day” means any day on which the Principal Market is open for trading, including any day on which the Principal Market is open for trading for a period of time less than the customary time.

(l) “Closing Sale Price” means, for any security as of any date, the last closing sale price for such security on the Principal Market as reported by the Principal Market.

(m) “Confidential Information” means any information disclosed by either party to the other party, either directly or indirectly, in writing, orally or by inspection of tangible objects (including, without limitation, documents, prototypes, samples, plant and equipment), which is designated as “Confidential,” “Proprietary” or some similar designation. Information communicated orally shall be considered Confidential Information if such information is confirmed in writing as being Confidential Information within ten (10) Business Days after the initial disclosure. Confidential Information may also include information disclosed to a disclosing party by third parties. Confidential Information shall not, however, include any information which (i) was publicly known and made generally available in the public domain prior to the time of disclosure by the disclosing party; (ii) becomes publicly known and made generally available after disclosure by the disclosing party to the receiving party through no action or inaction of the receiving party; (iii) is already in the possession of the receiving party at the time of disclosure by the disclosing party as shown by the receiving party’s files and records immediately prior to the time of disclosure; (iv) is obtained by the receiving party from a third party without a breach of such third party’s obligations of confidentiality; (v) is independently developed by the receiving party without use of or reference to the disclosing party’s Confidential Information, as shown by documents and other competent evidence in the receiving party’s possession; or (vi) is required by law to be disclosed by the receiving party, provided that the receiving party gives the disclosing party prompt written notice of such requirement prior to such disclosure and assistance in obtaining an order protecting the information from public disclosure.

- (n) “Custodian” means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.
- (o) “DTC” means The Depository Trust Company, or any successor performing substantially the same function for the Company.
- (p) “DWAC Shares” means American Depositary Shares that are (i) issued in electronic form, (ii) freely tradable and transferable and without restriction on resale and (iii) timely credited by the Company to the Investor’s or its designee’s specified Deposit/Withdrawal at Custodian (DWAC) account with DTC under its Fast Automated Securities Transfer (FAST) Program, or any similar program hereafter adopted by DTC performing substantially the same function.
- (q) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.
- (r) “Irrevocable Transfer Agent Instructions” means those certain Irrevocable Transfer Agent Instructions between the Company, the Investor and the Transfer Agent in the form attached to this Agreement as Exhibit D.
- (s) “Material Adverse Effect” means any material adverse effect on (i) the enforceability of any Transaction Document, (ii) the results of operations, assets, business or financial condition of the Company and its Subsidiaries, taken as a whole, other than any material adverse effect that resulted exclusively from (A) any change in the United States or foreign economies or securities or financial markets in general that does not have a disproportionate effect on the Company and its Subsidiaries, taken as a whole, (B) any change that generally affects the industry in which the Company and its Subsidiaries operate that does not have a disproportionate effect on the Company and its Subsidiaries, taken as a whole, (C) any change arising in connection with earthquakes, hostilities, acts of war, sabotage or terrorism or military actions or any escalation or material worsening of any such hostilities, acts of war, sabotage or terrorism or military actions existing as of the date hereof, (D) any action taken by the Investor, its affiliates or its or their successors and assigns with respect to the transactions contemplated by this Agreement, (E) the effect of any change in applicable laws or accounting rules that does not have a disproportionate effect on the Company and its Subsidiaries, taken as a whole, or (F) any change resulting from compliance with terms of this Agreement or the consummation of the transactions contemplated by this Agreement, or (iii) the Company’s ability to perform in any material respect on a timely basis its obligations under any Transaction Document to be performed as of the date of determination.
- (t) “Maturity Date” means the first day of the month immediately following the thirty-sixth (36) month anniversary of the Commencement Date.
- (u) “PEA Period” means the period commencing at 9:30 a.m., Eastern time, on the twentieth (20th) Business Day immediately prior to the expiration of the Initial Registration Statement and prior to the expiration of any post-effective amendment thereto, and ending upon the effectiveness of each related, subsequently filed post-effective amendment.
- (v) “Person” means an individual or entity including but not limited to any limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

(w) “Principal Market” means The NASDAQ Global Market; provided, however, that in the event the Company’s American Depositary Shares are ever listed or traded on The NASDAQ Capital Market, The NASDAQ Global Select Market, the New York Stock Exchange, the NYSE MKT, the NYSE Arca or the OTC Bulletin Board (it being understood that as used herein “OTC Bulletin Board” shall also mean any successor or comparable market quotation system or exchange to the OTC Bulletin Board such as the OTCQB operated by the OTC Markets Group, Inc.), then the “Principal Market” shall mean such other market or exchange on which the Company’s American Depositary Shares are then listed or traded.

(x) “Purchase Amount” means, with respect to any Regular Purchase or any Accelerated Purchase made hereunder, the portion of the Available Amount to be purchased by the Investor pursuant to Section 2 hereof.

(y) “Purchase Date” means, with respect to any Regular Purchase made pursuant to Section 2(a) hereof, the Business Day on which the Investor receives by 11:59 p.m, Eastern time, of such Business Day a valid Regular Purchase Notice that the Investor is to buy Purchase Shares pursuant to Section 2(a) hereof.

(z) “Purchase Price” means, with respect to any Regular Purchase made pursuant to Section 2(a) hereof, ninety-eight percent (98%) of the lower of: (i) the lowest Sale Price on the applicable Purchase Date, or (ii) the arithmetic average of the three (3) lowest Closing Sale Prices for the American Depositary Shares during the ten (10) consecutive Business Days ending on the Business Day immediately preceding such Purchase Date (in each case, to be appropriately adjusted for any reorganization, recapitalization, non-cash dividend, stock split or other similar transaction that occurs on or after the date of this Agreement).

(aa) “Regular Purchase Notice” means, with respect to any Regular Purchase pursuant to Section 2(a) hereof, an irrevocable written notice from the Company to the Investor directing the Investor to buy such applicable amount of Purchase Shares at the applicable Purchase Price as specified by the Company therein on the Purchase Date.

(bb) “Sale Price” means any trade price for the American Depositary Shares on the Principal Market as reported by the Principal Market.

(cc) “SEC” means the U.S. Securities and Exchange Commission.

(dd) “Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(ee) “Signing Market Price” means \$_____, representing the consolidated closing bid price of the American Depositary Shares on The NASDAQ Capital Market on the Business Day immediately preceding the date of this Agreement.

(ff) “Subsidiary” means any Person the Company wholly-owns or controls, or in which the Company, directly or indirectly, owns a majority of the voting stock or similar voting interest, in each case that would be disclosable pursuant to Item 601(b)(21) of Regulation S-K promulgated under the Securities Act.

(gg) “Transaction Documents” means, collectively, this Agreement and the Schedules and Exhibits hereto, the Registration Rights Agreement and the schedules and exhibits thereto, and the Irrevocable Transfer Agent Instructions.

(hh) “Transfer Agent” means the depository bank for the American Depositary Shares which as of the date hereof is Citibank, N.A., or such other Person who thereafter is then serving as the depository bank for the Company in respect of the American Depositary Shares.

(ii) “VWAP” means in respect of an applicable Accelerated Purchase Date, the volume weighted average price of the American Depositary Shares on the Principal Market, as reported on the Principal Market.

2. PURCHASE OF AMERICAN DEPOSITORY SHARES.

Subject to the terms and conditions set forth in this Agreement, the Company has the right to sell to the Investor, and the Investor has the obligation to purchase from the Company, Purchase Shares as follows:

(a) Commencement of Regular Sales of American Depositary Shares. Upon the satisfaction of the conditions set forth in Sections 7 and 8 hereof (the “Commencement” and the date of satisfaction of such conditions the “Commencement Date”) and thereafter, the Company shall have the right, but not the obligation, to direct the Investor, by its delivery to the Investor of a Regular Purchase Notice from time to time, to purchase up to Forty Thousand (40,000) Purchase Shares (each such purchase a “Regular Purchase”), at the Purchase Price on the Purchase Date; provided, however, that (i) the Regular Purchase may be increased to up to Sixty-Five Thousand (65,000) Purchase Shares, provided that the Closing Sale Price of the American Depositary Shares is not below Two Dollars (US\$2.00) on the Purchase Date; (ii) the Regular Purchase may be increased to up to Eighty Thousand (80,000) Purchase Shares, provided that the Closing Sale Price of the American Depositary Shares is not below Three Dollars (US\$3.00) on the Purchase Date; and (iii) the Regular Purchase may be increased to up to One Hundred Thousand (100,000) Purchase Shares, provided that the Closing Sale Price of the American Depositary Shares is not below Four Dollars (US\$4.00) on the Purchase Date (all of which share amounts shall be appropriately adjusted for any reorganization, recapitalization, non-cash dividend, stock split or other similar transaction); and provided, further, that the Investor’s committed obligation under any single Regular Purchase shall not exceed Five Hundred Thousand Dollars (US\$500,000). If the Company delivers any Regular Purchase Notice for a Purchase Amount in excess of the limitations contained in the immediately preceding sentence, such Regular Purchase Notice shall be void *ab initio* to the extent of the amount by which the number of Purchase Shares set forth in such Regular Purchase Notice exceeds the number of Purchase Shares which the Company is permitted to include in such Purchase Notice in accordance herewith, and the Investor shall have no obligation to purchase such excess Purchase Shares in respect of such Regular Purchase Notice; provided that the Investor shall remain obligated to purchase the number of Purchase Shares which the Company is permitted to include in such Regular Purchase Notice. The Company may deliver multiple Regular Purchase Notices to the Investor so long as at least one (1) Business Day has passed since the most recent Regular Purchase was completed. Notwithstanding the foregoing, the Company shall not deliver any Regular Purchase Notices during the PEA Period.

(b) Accelerated Purchases. Subject to the terms and conditions of this Agreement, in addition to purchases of Purchase Shares as described in Section 2(a) above, the Company shall also have the right, but not the obligation, to direct the Investor by the Company’s delivery to the Investor of an Accelerated Purchase Notice from time to time, and the Investor thereupon shall have the obligation, to buy Purchase Shares at the Accelerated Purchase Price on the Accelerated Purchase Date in an amount equal to the Accelerated Purchase Share Amount (each such purchase, an “Accelerated Purchase”). The Company may deliver an Accelerated Purchase Notice to the Investor only on a Purchase Date on which the Company also properly submitted a Regular Purchase Notice for a Regular Purchase. If the Company delivers any Accelerated Purchase Notice for an Accelerated Purchase Share Amount in excess of the limitations contained in the definition of Accelerated Purchase Share Amount, such Accelerated Purchase Notice shall be void *ab initio* to the extent of the amount by which the number of Purchase Shares set forth in such Accelerated Purchase Notice exceeds the Accelerated Purchase Share Amount which the Company is permitted to include in such Accelerated Purchase Notice in accordance herewith (which shall be confirmed in an Accelerated Purchase Confirmation (defined below)), and the Investor shall have no obligation to purchase such excess Purchase Shares in respect of such Accelerated Purchase Notice; provided that the Investor shall remain obligated to purchase the Accelerated Purchase Share Amount which the Company is permitted to include in such Accelerated Purchase Notice. Upon completion of each Accelerated Purchase Date, the Accelerated Purchase Share Amount and the applicable Accelerated Purchase Price shall be set forth on a confirmation of the Accelerated Purchase to be provided to the Company by the Investor (an “Accelerated Purchase Confirmation”).

(c) Payment for Purchase Shares. For each Regular Purchase, the Investor shall pay to the Company an amount equal to the Purchase Amount with respect to such Regular Purchase as full payment for such Purchase Shares via wire transfer of immediately available funds on the same Business Day that the Investor receives such Purchase Shares, if such Purchase Shares are received by the Investor before 2:00 p.m., Eastern time, or, if such Purchase Shares are received by the Investor after 2:00 p.m., Eastern time, the next Business Day. For each Accelerated Purchase, the Investor shall pay to the Company an amount equal to the Purchase Amount with respect to such Accelerated Purchase as full payment for such Purchase Shares via wire transfer of immediately available funds on the third Business Day following the date that the Investor receives such Purchase Shares. If the Company or the Transfer Agent shall fail for any reason or for no reason to electronically transfer any Purchase Shares as DWAC Shares in respect of a Regular Purchase or Accelerated Purchase (as applicable) within three (3) Business Days following the receipt by the Company of the Purchase Price or Accelerated Purchase Price, respectively, therefor in compliance with this Section 2(c), and if on or after such Business Day the Investor purchases (in an open market transaction or otherwise) American Depositary Shares to deliver in satisfaction of a sale by the Investor of such Purchase Shares that the Investor anticipated receiving from the Company in respect of such Regular Purchase or Accelerated Purchase (as applicable), then the Company shall, within three (3) Business Days after the Investor's request, either (i) pay cash to the Investor in an amount equal to the Investor's total purchase price (including brokerage commissions, if any) for the American Depositary Shares so purchased (the "Cover Price"), at which point the Company's obligation to deliver such Purchase Shares as DWAC Shares shall terminate, or (ii) promptly honor its obligation to deliver to the Investor such Purchase Shares as DWAC Shares and pay cash to the Investor in an amount equal to the excess (if any) of the Cover Price over the total Purchase Price for such Regular Purchase plus the total Accelerated Purchase Price for such Accelerated Purchase (as applicable). The Company shall not issue any fraction of an American Depositary Share upon any Regular Purchase or Accelerated Purchase. If the issuance would result in the issuance of a fraction of an American Depositary Share, the Company shall round such fraction of an American Depositary Share up or down to the nearest whole share. All payments made under this Agreement shall be made in lawful money of the United States of America or wire transfer of immediately available funds to such account as the Company may from time to time designate by written notice in accordance with the provisions of this Agreement. Whenever any amount expressed to be due by the terms of this Agreement is due on any day that is not a Business Day, the same shall instead be due on the next succeeding day that is a Business Day.

(d) Compliance with Rules of Principal Market.

(i) Exchange Cap. Subject to Section 2(d)(ii) below, the Company shall not issue or sell any American Depositary Shares pursuant to this Agreement, and the Investor shall not purchase or acquire any American Depositary Shares pursuant to this Agreement, to the extent that after giving effect thereto, the aggregate number of American Depositary Shares that would be issued pursuant to this Agreement would exceed the maximum number of American Depositary Shares that the Company may issue pursuant to this Agreement and the transactions contemplated hereby (taking into account all American Depositary Shares issued or issuable pursuant to any transaction or series of transactions that may be aggregated with the transactions contemplated by this Agreement under applicable rules of The NASDAQ Stock Market) without (1) breaching the Company's obligations under the applicable rules of The NASDAQ Stock Market or (2) obtaining stockholder approval under the applicable rules of The NASDAQ Stock Market (the "Exchange Cap"), unless and until the Company elects to solicit stockholder approval of the issuance of American Depositary Shares as contemplated by this Agreement and the stockholders of the Company have in fact approved the issuance of American Depositary Shares as contemplated by this Agreement in accordance with the applicable rules and regulations of The NASDAQ Stock Market, and the certificate of incorporation, memorandum of association, articles of association and all other charter documents of the Company. For the avoidance of doubt, the Company may, but shall be under no obligation to, request its stockholders to approve the issuance of American Depositary Shares as contemplated by this Agreement; provided, that if stockholder approval is not obtained in accordance with this Section 2(d)(i), the Exchange Cap shall be applicable for all purposes of this Agreement and the transactions contemplated hereby at all times during the term of this Agreement (except as set forth in Section 2(d)(ii) below).

(ii) At-Market Transaction. Notwithstanding Section 2(d)(i) above, the Exchange Cap shall not be applicable for any purposes of this Agreement and the transactions contemplated hereby, solely to the extent that (and only for so long as) the Average Price shall equal or exceed the Base Price (it being hereby acknowledged and agreed that the Exchange Cap shall be applicable for all purposes of this Agreement and the transactions contemplated hereby at all other times during the term of this Agreement, unless the stockholder approval referred to in Section 2(d)(i) is obtained).

(iii) General. The Company shall not issue any American Depositary Shares pursuant to this Agreement if such issuance would reasonably be expected to result in (A) a violation of the Securities Act or (B) a breach of the rules and regulations of The NASDAQ Stock Market. The provisions of this Section 2(d) shall be implemented in a manner otherwise than in strict conformity with the terms hereof only if necessary to ensure compliance with the Securities Act and the rules and regulations of The NASDAQ Stock Market.

(e) Beneficial Ownership Limitation. Notwithstanding anything to the contrary contained in this Agreement, the Company shall not issue or sell, and the Investor shall not purchase or acquire, any American Depositary Shares under this Agreement which, when aggregated with all other American Depositary Shares then beneficially owned by the Investor and its affiliates (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder), would result in the beneficial ownership by the Investor and its affiliates of more than 4.99% of the then issued and outstanding equity securities of the Company (the "Beneficial Ownership Limitation"). Upon the written or oral request of the Investor, the Company shall promptly (but not later than 24 hours) confirm orally or in writing to the Investor the number of American Depositary Shares then outstanding. The Investor and the Company shall each cooperate in good faith in the determinations required hereby and the application hereof. The Investor's written certification to the Company of the applicability of the Beneficial Ownership Limitation, and the resulting effect thereof hereunder at any time, shall be conclusive with respect to the applicability thereof and such result absent manifest error. During the term of this Agreement, the Investor agrees that it shall not make any open market purchases of the Company's American Depositary Shares or otherwise acquire equity securities of the Company except pursuant to the terms of this Agreement; provided that, notwithstanding the foregoing, the Investor shall have the unrestricted right to acquire equity securities of the Company issued directly from the Company, including American Depositary Shares, and to otherwise participate as an investor in securities offerings conducted by the Company, in each case, if the Company determines to offer and sell such equity securities to the Investor, as determined by the Company in its sole discretion.

3. INVESTOR'S REPRESENTATIONS AND WARRANTIES.

The Investor represents and warrants to the Company that as of the date hereof and as of the Commencement Date:

(a) Investment Purpose. The Investor is acquiring the Purchase Shares as principal for its own account and not with a view to or for distributing or reselling such Purchase Shares or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Purchase Shares in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other Persons to distribute or regarding the distribution of such Purchase Shares in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting the Investor's right to sell the Purchase Shares at any time pursuant to the Initial Registration Statement or New Registration Statement described herein or otherwise in compliance with applicable federal and state securities laws). The Investor is acquiring the Purchase Shares hereunder in the ordinary course of its business.

(b) Accredited Investor Status. The Investor is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

(c) Reliance on Exemptions. The Investor understands that the Purchase Shares may be offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and the Investor's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Investor set forth herein in order to determine the availability of such exemptions and the eligibility of the Investor to acquire the Purchase Shares.

(d) Information. The Investor understands that its investment in the Purchase Shares involves a high degree of risk. The Investor (i) is able to bear the economic risk of an investment in the Purchase Shares including a total loss thereof, (ii) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the proposed investment in the Purchase Shares and (iii) has had an opportunity to ask questions of and receive answers from the officers of the Company concerning the financial condition and business of the Company and others matters related to an investment in the Purchase Shares. Neither such inquiries nor any other due diligence investigations conducted by the Investor or its representatives shall modify, amend or affect the Investor's right to rely on the Company's representations and warranties contained in Section 4 below. The Investor has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Purchase Shares.

(e) No Governmental Review. The Investor understands that no U.S. federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Purchase Shares or the fairness or suitability of an investment in the Purchase Shares nor have such authorities passed upon or endorsed the merits of the offering of the Purchase Shares.

(f) Transfer or Sale. The Investor understands that (i) the Purchase Shares may not be offered for sale, sold, assigned or transferred unless (A) registered pursuant to the Securities Act or (B) an exemption exists permitting such Purchase Shares to be sold, assigned or transferred without such registration; (ii) any sale of the Purchase Shares made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of the Purchase Shares under circumstances in which the seller (or the Person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the SEC thereunder.

(g) Validity; Enforcement. This Agreement has been duly and validly authorized, executed and delivered on behalf of the Investor and is a valid and binding agreement of the Investor enforceable against the Investor in accordance with its terms, subject as to enforceability to general principles of equity and to applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

(h) Residency. The Investor is a resident of the State of Illinois.

(i) No Short Selling. The Investor represents and warrants to the Company that at no time prior to the date of this Agreement has any of the Investor, its agents, representatives or affiliates engaged in or effected, in any manner whatsoever, directly or indirectly, any (i) "short sale" (as such term is defined in Rule 200 of Regulation SHO of the Exchange Act) of the American Depositary Shares or (ii) hedging transaction, which establishes a net short position with respect to the American Depositary Shares.

4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to the Investor that as of the date hereof and as of the Commencement Date:

(a) Organization and Qualification. The Company and each of its Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite corporate power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any of its Subsidiaries is in violation or default of any of the provisions of its respective certificate or articles of incorporation, memorandum or association, articles of association or other organizational or charter documents. Each of the Company and its Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not have or reasonably be expected to result in a Material Adverse Effect, and no proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification. The Company has no Subsidiaries except as set forth on page 39 to the Company's Annual Report on Form 20-F for the year ended March 31, 2014.

(b) Authorization; Enforcement; Validity. (i) The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement and each of the other Transaction Documents, and to issue the Purchase Shares in accordance with the terms hereof and thereof, subject only to approval by the Company's shareholders of the issuance of the Purchase Shares prior to such actual issuance, (ii) the execution and delivery of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby, and the reservation for issuance and the issuance of the Purchase Shares issuable under this Agreement, have been duly authorized by the Company's Board of Directors and no further consent or authorization is required by the Company, its Board of Directors or its shareholders except approval by the Company's shareholders of the issuance of the Purchase Shares prior to such actual issuance (iii) this Agreement has been, and each other Transaction Document shall be on the Commencement Date, duly executed and delivered by the Company and (iv) this Agreement constitutes, and each other Transaction Document upon its execution on behalf of the Company, shall constitute, the valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors' rights and remedies. The Board of Directors of the Company has approved the resolutions (the "Signing Resolutions") substantially in the form as set forth as Exhibit C attached hereto to authorize this Agreement and the transactions contemplated hereby. The Signing Resolutions are valid, in full force and effect and have not been modified or supplemented in any respect. The Company has delivered to the Investor a true and correct copy of a written consent adopting the Signing Resolutions executed by at least the requisite number of members of the Board of Directors of the Company. Except as set forth in this Agreement, no other approvals or consents of the Company's Board of Directors, any authorized committee thereof, and/or shareholders is necessary under applicable laws and the Company's charter and other organizational documents to authorize the execution and delivery of this Agreement or any of the transactions contemplated hereby, including, but not limited to, the issuance of the Purchase Shares.

(c) Capitalization. As of the date hereof, the authorized equity securities of the Company is set forth in the Company's Annual Report on Form 20-F for the year ended March 31, 2014. Except as disclosed in the SEC Documents (as defined below), (i) no shares of the Company's equity securities are subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Company, (ii) there are no outstanding debt securities, (iii) there are no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of equity securities of the Company or any of its Subsidiaries, or contracts, commitments, understandings or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of equity securities of the Company or any of its Subsidiaries or options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of equity securities of the Company or any of its Subsidiaries, (iv) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of their securities under the Securities Act (except the Registration Rights Agreement), (v) there are no outstanding securities or instruments of the Company or any of its Subsidiaries which contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any of its Subsidiaries is or may become bound to redeem a security of the Company or any of its Subsidiaries, (vi) there are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Purchase Shares as described in this Agreement and (vii) the Company does not have any stock appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement. The Company has furnished to the Investor true and correct copies of the Company's certificate of incorporation, memorandum of association, articles of association and other organizational documents as in effect on the date hereof (collectively, the "Charter"), and summaries of the terms of all securities convertible into or exercisable for American Depositary Shares, if any, and of any documents containing the material rights of the holders thereof in respect thereto are set forth in the SEC Documents.

(d) Issuance of Purchase Shares. Upon issuance and payment therefor in accordance with the terms and conditions of this Agreement, the Purchase Shares shall be validly issued, fully paid and nonassessable and free from all taxes, liens, charges, restrictions, rights of first refusal and preemptive rights with respect to the issue thereof, with the holders being entitled to all rights accorded to a holder of American Depositary Shares. 7,000,000 American Depositary Shares have been duly authorized and reserved for issuance upon purchase under this Agreement as Purchase Shares.

(e) No Conflicts. The execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the reservation for issuance and issuance of the Purchase Shares) will not (i) result in a violation of the Charter or any rights of any outstanding series of equity securities of the Company or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party, or result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and the rules and regulations of the Principal Market applicable to the Company or any of its Subsidiaries) or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, except in the case of conflicts, defaults, terminations, amendments, accelerations, cancellations and violations under clause (ii), which would not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor its Subsidiaries is in violation of any term of or in default under the Charter, any rights of any outstanding series of equity securities of the Company or their organizational charters or documents, respectively. Neither the Company nor any of its Subsidiaries is in violation of any term of or is in default under any material contract, agreement, mortgage, indebtedness, indenture, instrument, judgment, decree or order or any statute, rule or regulation applicable to the Company or its Subsidiaries, except for possible conflicts, defaults, terminations or amendments that would not reasonably be expected to have a Material Adverse Effect. The business of the Company and its Subsidiaries is not being conducted, and shall not be conducted, in violation of any law, ordinance, regulation of any governmental entity, except for possible violations, the sanctions for which either individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. Except as specifically contemplated by this Agreement and as required under the Securities Act or applicable state securities laws and the rules and regulations of the Principal Market, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency or any regulatory or self-regulatory agency in order for it to execute, deliver or perform any of its obligations under or contemplated by the Transaction Documents in accordance with the terms hereof or thereof. Except as set forth elsewhere in this Agreement, all consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence shall be obtained or effected on or prior to the Commencement Date. Since one year prior to the date hereof, the Company has not received nor delivered any notices or correspondence from or to the Principal Market. The Principal Market has not commenced any delisting proceedings against the Company.

(f) SEC Documents; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the twelve months preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the “SEC Documents”) on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Documents prior to the expiration of any such extension. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable. None of the SEC Documents, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Documents comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (“GAAP”), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments. Except as has been disclosed in writing to the Investor, the Company has received no notices or correspondence from the SEC for the one year preceding the date hereof. The Company has no outstanding comments from the SEC on any of the SEC Documents. The SEC has not commenced any enforcement proceedings against the Company or any of its Subsidiaries.

(g) Absence of Certain Changes . Except as disclosed in the SEC Documents, since March 31, 2014, there has been no Material Adverse Effect with respect to the business, properties, operations, financial condition or results of operations of the Company or its Subsidiaries. The Company has not taken any steps, and does not currently expect to take any steps, to seek protection pursuant to any Bankruptcy Law nor does the Company or any of its Subsidiaries have any knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy or insolvency proceedings. The Company is financially solvent and is generally able to pay its debts as they become due.

(h) Absence of Litigation . Except as set forth on page F-29 of the Company's Annual Report on Form 20-F for the year ended March 31, 2014, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its Subsidiaries, threatened against or affecting the Company, the American Depositary Shares or any of the Company's or its Subsidiaries' officers or directors in their capacities as such, which could reasonably be expected to have a Material Adverse Effect.

(i) Acknowledgment Regarding Investor's Status . The Company acknowledges and agrees that the Investor is acting solely in the capacity of arm's length purchaser with respect to the Transaction Documents and the transactions contemplated hereby and thereby. The Company further acknowledges that the Investor is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated hereby and thereby and any advice given by the Investor or any of its representatives or agents in connection with the Transaction Documents and the transactions contemplated hereby and thereby is merely incidental to the Investor's purchase of the Purchase Shares. The Company further represents to the Investor that the Company's decision to enter into the Transaction Documents has been based solely on the independent evaluation by the Company and its representatives and advisors.

(j) No General Solicitation; No Integrated Offering . Neither the Company, nor any of its affiliates, nor any Person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of the Purchase Shares. Neither the Company, nor any of its affiliates, nor any Person acting on their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of the offer and sale of any of the Purchase Shares under the Securities Act, whether through integration with prior offerings or otherwise, or cause this offering of the Purchase Shares to be integrated with prior offerings by the Company in a manner that would require stockholder approval pursuant to the rules of the Principal Market on which any of the securities of the Company are listed or designated. The issuance and sale of the Purchase Shares hereunder does not contravene the rules and regulations of the Principal Market.

(k) Intellectual Property Rights. The Company and its Subsidiaries own or possess adequate rights or licenses to use all material trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and rights necessary to conduct their respective businesses as now conducted. None of the Company's material trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, government authorizations, trade secrets or other intellectual property rights have expired or terminated, or, by the terms and conditions thereof, could expire or terminate within two years from the date of this Agreement. The Company and its Subsidiaries do not have any knowledge of any infringement by the Company or its Subsidiaries of any material trademark, trade name rights, patents, patent rights, copyrights, inventions, licenses, service names, service marks, service mark registrations, trade secret or other similar rights of others, or of any such development of similar or identical trade secrets or technical information by others, and there is no claim, action or proceeding being made or brought against, or to the Company's knowledge, being threatened against, the Company or its Subsidiaries regarding trademark, trade name, patents, patent rights, invention, copyright, license, service names, service marks, service mark registrations, trade secret or other infringement, which could reasonably be expected to have a Material Adverse Effect.

(i) Environmental Laws. The Company and its Subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where, in each of the three foregoing clauses, the failure to so comply would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(l) Title. The Company and its Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects ("Liens"), except for Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its Subsidiaries and Liens for the payment of federal, state or other taxes, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and its Subsidiaries are in compliance with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its Subsidiaries.

(m) Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has been refused any insurance coverage sought or applied for and neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not materially and adversely affect the condition, financial or otherwise, or the earnings, business or operations of the Company and its Subsidiaries, taken as a whole.

(n) Regulatory Permits. The Company and its Subsidiaries possess all material certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither the Company nor any such Subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit.

(o) Tax Status. The Company and each of its Subsidiaries has made or filed all federal and state income and all other material tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provision reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim.

(p) Transactions With Affiliates. Except as set forth in the SEC Documents, none of the officers or directors of the Company and, to the knowledge of the Company, none of the employees of the Company is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of \$120,000 other than for (i) payment of salary, bonus or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(q) Application of Takeover Protections. The Company and its Board of Directors have taken or will take prior to the Commencement Date all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Charter or the laws of the place of its incorporation which is or could become applicable to the Investor as a result of the transactions contemplated by this Agreement, including, without limitation, the Company's issuance of the Purchase Shares and the Investor's ownership of the Purchase Shares.

(r) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents that will be timely publicly disclosed by the Company, the Company confirms that neither it nor any other Person acting on its behalf has provided the Investor or its agents or counsel with any information that it believes constitutes or might constitute material, non-public information which is not otherwise disclosed in the SEC Documents or will be disclosed in the Initial Registration Statement. The Company understands and confirms that the Investor will rely on the foregoing representation in effecting purchases and sales of securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Investor regarding the Company, its business and the transactions contemplated hereby, including the disclosure schedules to this Agreement, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that the Investor neither makes nor has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3 hereof.

(s) Foreign Corrupt Practices. Neither the Company, nor to the knowledge of the Company, any agent or other Person acting on behalf of the Company, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any Person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(t) DTC Eligibility. The Company, through the Transfer Agent, currently participates in the DTC Fast Automated Securities Transfer (FAST) Program and the American Depositary Shares can be transferred electronically to third parties via the DTC Fast Automated Securities Transfer (FAST) Program.

(u) Sarbanes-Oxley. The Company is in compliance with all provisions of the Sarbanes-Oxley Act of 2002, as amended, which are applicable to it as of the date hereof.

(v) Certain Fees. Except with respect to Oberon Securities, LLC (“Oberon”)], no brokerage or finder’s fees or commissions are or will be payable by the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Investor shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section 4(v) that may be due in connection with the transactions contemplated by the Transaction Documents as a result of any action taken by the Company.

(w) Investment Company. The Company is not, and immediately after receipt of payment for the Purchase Shares will not be, an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

(x) Listing and Maintenance Requirements. The American Depositary Shares are registered pursuant to Section 12(b) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the American Depositary Shares pursuant to the Exchange Act nor has the Company received any notification that the SEC is currently contemplating terminating such registration. The Company has not, in the twelve (12) months preceding the date hereof, received any notice from any Person to the effect that the Company is not in compliance with the listing or maintenance requirements of the Principal Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

(y) Accountants. The Company’s accountants are set forth in the SEC Documents and, to the knowledge of the Company, such accountants are an independent registered public accounting firm as required by the Securities Act.

(z) No Market Manipulation. The Company has not, and to its knowledge no Person acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Purchase Shares, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Purchase Shares, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company.

(aa) Shell Company Status. The Company is not currently, and within the past three years has not been, an issuer identified in Rule 144(i) (1) under the Securities Act.

(bb) No Disqualification Events. None of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering contemplated hereby, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) under the Securities Act. The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event.

5. COVENANTS.

(a) Filing of Current Report, Registration Statement and Market Application. The Company agrees that it shall, within the time required under the Exchange Act, file with the SEC a current report relating to the transactions contemplated by, and describing the material terms and conditions of, the Transaction Documents (the "Current Report"). The Company shall permit the Investor to review and comment upon the final pre-filing draft version of the Current Report at least two (2) Business Days prior to its filing with the SEC, and the Company shall give due consideration to all such comments. The Investor shall use its reasonable best efforts to comment upon the final pre-filing draft version of the Current Report within one (1) Business Day from the date the Investor receives it from the Company. The Company shall also file within ninety (90) days from the date hereof an initial registration statement ("Initial Registration Statement") covering only the resale of the Purchase Shares, in accordance with the terms of the Registration Rights Agreement between the Company and the Investor, dated as of the date hereof ("Registration Rights Agreement"). Further, the Company shall also submit within ten (10) Business Days from the date hereof an application with the NASDAQ Global Market for listing approval of the Purchase Shares.

(b) Blue Sky. The Company shall take all such action, if any, as is reasonably necessary in order to obtain an exemption for or to register or qualify (i) the sale of the Purchase Shares to the Investor under this Agreement and (ii) any subsequent resale of all Purchase Shares by the Investor, in each case, under applicable securities or "Blue Sky" laws of the states of the United States in such states as is reasonably requested by the Investor from time to time, and shall provide evidence of any such action so taken to the Investor.

(c) Listing/DTC. The Company shall promptly secure the listing of all of the Purchase Shares to be issued to the Investor hereunder on the Principal Market (subject to official notice of issuance) and upon each other national securities exchange or automated quotation system, if any, upon which the American Depositary Shares is then listed, and shall maintain, so long as any American Depositary Shares shall be so listed, such listing of all such Purchase Shares from time to time issuable hereunder. The Company shall maintain the listing of the American Depositary Shares on the Principal Market and shall comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules and regulations of the Principal Market. Neither the Company nor any of its Subsidiaries shall take any action that would reasonably be expected to result in the delisting or suspension of the American Depositary Shares on the Principal Market. The Company shall promptly, and in no event later than the following Business Day, provide to the Investor copies of any notices it receives from any Person regarding the continued eligibility of the American Depositary Shares for listing on the Principal Market. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 5(c). The Company shall take all action necessary to ensure that its American Depositary Shares can be transferred electronically as DWAC Shares.

(d) Prohibition of Short Sales and Hedging Transactions. The Investor agrees that beginning on the date of this Agreement and ending on the date of termination of this Agreement as provided in Section 11, the Investor and its agents, representatives and affiliates shall not in any manner whatsoever enter into or effect, directly or indirectly, any (i) "short sale" (as such term is defined in Rule 200 of Regulation SHO of the Exchange Act) of the American Depositary Shares or (ii) hedging transaction, which establishes a net short position with respect to the American Depositary Shares.

(e) Commitment Fee. In consideration for the Investor's execution and delivery of this Agreement, on the date of the execution of this Agreement, the Company shall pay to the Investor a commitment fee in the amount of Seventy-Five Thousand Dollars (US\$75,000), \$5,000 of which has been paid prior to the date hereof and \$70,000 of which shall be made in lawful money of the United States of America or wire transfer of immediately available funds to such account as the Investor may designate by written notice in accordance with the provisions of this Agreement (the "Commitment Fee").

(f) Due Diligence: Non-Public Information. The Investor shall have the right, from time to time as the Investor may reasonably deem appropriate, to perform reasonable due diligence on the Company during normal business hours. The Company and its officers and employees shall provide information and reasonably cooperate with the Investor in connection with any reasonable request by the Investor related to the Investor's due diligence of the Company. Each party hereto agrees not to disclose any Confidential Information of the other party to any third party and shall not use the Confidential Information for any purpose other than in connection with, or in furtherance of, the transactions contemplated hereby. Each party hereto acknowledges that the Confidential Information shall remain the property of the disclosing party and agrees that it shall take all reasonable measures to protect the secrecy of any Confidential Information disclosed by the other party. The Company confirms that neither it nor any other Person acting on its behalf shall provide the Investor or its agents or counsel with any information that constitutes or might constitute material, non-public information, unless a simultaneous public announcement thereof is made by the Company in the manner contemplated by Regulation FD. In the event of a breach of the foregoing covenant by the Company or any Person acting on its behalf (as determined in the reasonable good faith judgment of the Investor), in addition to any other remedy provided herein or in the other Transaction Documents, the Investor shall have the right to make a public disclosure, in the form of a press release, public advertisement or otherwise, of such material, non-public information without the prior approval by the Company; provided the Investor shall have first provided notice to the Company that it believes it has received information that constitutes material, non-public information, the Company shall have at least 24 hours to publicly disclose such material, non-public information prior to any such disclosure by the Investor, and the Company shall have failed to publicly disclose such material, non-public information within such time period. The Investor shall not have any liability to the Company, any of its Subsidiaries, or any of their respective directors, officers, employees, stockholders or agents, for any such disclosure. The Company understands and confirms that the Investor shall be relying on the foregoing covenants in effecting transactions in securities of the Company.

(g) Purchase Records. The Investor and the Company shall each maintain records showing the remaining Available Amount at any given time and the dates and Purchase Amounts for each Regular Purchase and Accelerated Purchase or shall use such other method, reasonably satisfactory to the Investor and the Company.

(h) Taxes. The Company shall pay any and all transfer, stamp or similar taxes that may be payable with respect to the issuance and delivery of any American Depositary Shares to the Investor made under this Agreement.

(i) Use of Proceeds. The Company will use the net proceeds from the offering as described in the Initial Registration Statement or New Registration Statement (as applicable) or the SEC Documents.

(j) Other Transactions. The Company shall not enter into, announce or recommend to its shareholders any agreement, plan, arrangement or transaction in or of which the terms thereof would restrict, materially delay, conflict with or impair the ability or right of the Company to perform its obligations under the Transaction Documents, including, without limitation, the obligation of the Company to deliver the Purchase Shares to the Investor in accordance with the terms of the Transaction Documents.

(k) Integration. From and after the date of this Agreement, neither the Company, nor or any of its affiliates will, and the Company shall use its reasonable best efforts to ensure that no Person acting on their behalf will, directly or indirectly, make any offers or sales of any security or solicit any offers to buy any security, under circumstances that would (i) require registration of the offer and sale of any of the Purchase Shares under the Securities Act, or (ii) cause this offering of the Purchase Shares to be integrated with other offerings by the Company in a manner that would require stockholder approval pursuant to the rules of the Principal Market on which any of the securities of the Company are listed or designated, unless in the case of this clause (ii), stockholder approval is obtained before the closing of such subsequent transaction in accordance with the rules of such Principal Market.

(l) Variable Rate Transactions. From the date hereof until the first day of the month immediately following the thirtieth (30th) month anniversary of the date hereof, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its Subsidiaries of equity or equity-like securities (or a combination of units thereof) involving a Variable Rate Transaction. “Variable Rate Transaction” means a transaction in which the Company (i) issues or sells any convertible debt or convertible preferred equity securities that are convertible into additional equity securities at a conversion price that is based on or varies with the trading price or price quotations of the Company’s equity securities determined after the date of issuance of such securities; or (ii) enters into any agreement (except any agreement with the Investor), constituting an “equity line of credit” or other similar offering of equity or equity-like securities whereby the Company may issue securities to a financial investor at a future determined price. For avoidance of doubt, nothing in this Agreement (including, without limitation, anything in Section 5 (l)(i)), shall prohibit the Company from issuing securities at one or more closings in a private placement at a price which is not subject to downward adjustments based on market prices after the closing date of such issuance, provided that, in no event shall the Company enter into any “equity line of credit” transactions. The Investor shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

6. TRANSFER AGENT INSTRUCTIONS.

(a) On the Commencement Date, the Company shall issue to the Transfer Agent, and any subsequent transfer agent, (i) irrevocable instructions in the form substantially similar to those used by the Investor in substantially similar transactions (the “Commencement Irrevocable Transfer Agent Instructions”) and (ii) the notice of effectiveness of the Initial Registration Statement in the form attached as an exhibit to the Registration Rights Agreement (the “Notice of Effectiveness of Initial Registration Statement”), in each case to issue the Purchase Shares in accordance with the terms of this Agreement and the Registration Rights Agreement. All Purchase Shares to be issued from and after Commencement to or for the benefit of the Investor pursuant to this Agreement shall be issued only as DWAC Shares. The Company represents and warrants to the Investor that, while this Agreement is effective, no instruction other than the Commencement Irrevocable Transfer Agent Instructions and the Notice of Effectiveness of Initial Registration Statement referred to in this Section 6(a) will be given by the Company to the Transfer Agent with respect to the Purchase Shares from and after Commencement and prior to the effective date of a New Registration Statement covering Purchase Shares, and the Purchase Shares covered by the Initial Registration Statement shall otherwise be freely transferable on the books and records of the Company. The Company agrees that if the Company fails to fully comply with the provisions of this Section 6(a) within five (5) Business Days of the Investor providing the deliveries referred to above, the Company shall, at the Investor’s written instruction, purchase such American Depositary Shares containing the Restrictive Legend from the Investor at the greater of the (i) Purchase Price or Accelerated Purchase Price paid for such American Depositary Shares (as applicable) and (ii) the Closing Sale Price of the American Depositary Shares on the date of the Investor’s written instruction.

(b) On the effective date of a New Registration Statement covering Purchase Shares, the Company shall issue to the Transfer Agent, and any subsequent transfer agent, (i) irrevocable instructions in the form substantially similar to those used by the Investor in substantially similar transactions (the “New Registration Statement Irrevocable Transfer Agent Instructions”) and (ii) the notice of effectiveness of the New Registration Statement in the form attached as an exhibit to the Registration Rights Agreement (the “Notice of Effectiveness of New Registration Statement”), in each case to issue the Purchase Shares in accordance with the terms of this Agreement and the Registration Rights Agreement. All Purchase Shares to be issued from and after Commencement to or for the benefit of the Investor pursuant to this Agreement shall be issued only as DWAC Shares. The Company represents and warrants to the Investor that, while this Agreement is effective and from and after the effective date of any New Registration Statement covering Purchase Shares, no instruction other than (1) the Commencement Irrevocable Transfer Agent Instructions and the Notice of Effectiveness of Initial Registration Statement referred to in Section 6(a) and (2) the New Registration Statement Irrevocable Transfer Agent Instructions and the Notice of Effectiveness of New Registration Statement referred to in this Section 6(b) will be given by the Company to the Transfer Agent with respect to the Purchase Shares, and the Purchase Shares shall otherwise be freely transferable on the books and records of the Company. The Company agrees that if the Company fails to fully comply with the provisions of this Section 6(b) within five (5) Business Days of the Investor providing the deliveries referred to above, the Company shall, at the Investor’s written instruction, purchase such American Depositary Shares containing the Restrictive Legend from the Investor at the greater of the (i) Purchase Price or Accelerated Purchase Price paid for such American Depositary Shares (as applicable) and (ii) the Closing Sale Price of the American Depositary Shares on the date of the Investor’s written instruction.

7. CONDITIONS TO THE COMPANY’S RIGHT TO COMMENCE SALES OF AMERICAN DEPOSITORY SHARES.

The right of the Company hereunder to commence sales of the Purchase Shares on the Commencement Date is subject to the satisfaction of each of the following conditions:

(a) The Investor shall have executed each of the Transaction Documents and delivered the same to the Company, and shall have also caused the Transfer Agent to execute the Irrevocable Transfer Agent Instructions;

(b) The Initial Registration Statement covering the resale of the Purchase Shares shall have been declared effective under the Securities Act by the SEC and no stop order with respect to the Initial Registration Statement shall be pending or threatened by the SEC; and

(c) The representations and warranties of the Investor shall be true and correct in all material respects as of the date hereof and as of the Commencement Date as though made at that time.

8. CONDITIONS TO THE INVESTOR'S OBLIGATION TO PURCHASE AMERICAN DEPOSITORY SHARES.

The obligation of the Investor to buy Purchase Shares under this Agreement is subject to the satisfaction of each of the following conditions on or prior to the Commencement Date and, once such conditions have been initially satisfied, there shall not be any ongoing obligation to satisfy such conditions after the Commencement has occurred:

(a) The Company shall have executed each of the Transaction Documents and delivered the same to the Investor;

(b) The American Depositary Shares shall be listed or quoted on the Principal Market, trading in the American Depositary Shares shall not have been within the last 365 days suspended by the SEC or the Principal Market, and all Purchase Shares to be issued by the Company to the Investor pursuant to this Agreement shall have been approved for listing or quotation on the Principal Market in accordance with the applicable rules and regulations of the Principal Market, subject only to official notice of issuance;

(c) The representations and warranties of the Company shall be true and correct in all material respects (except to the extent that any of such representations and warranties is already qualified as to materiality in Section 4 above, in which case, such representations and warranties shall be true and correct without further qualification) as of the date hereof and as of the Commencement Date as though made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such date) and the Company shall have performed, satisfied and complied with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Commencement Date. The Investor shall have received a certificate, executed by the CEO, President or CFO of the Company, dated as of the Commencement Date, to the foregoing effect in the form attached hereto as Exhibit A;

(d) The Board of Directors of the Company shall have adopted resolutions in the form attached hereto as Exhibit B which shall be in full force and effect without any amendment or supplement thereto as of the Commencement Date, [and the shareholders of the Company shall have approved the transactions contemplated hereby in accordance with all applicable regulations];

(e) As of the Commencement Date, the Company shall have reserved out of its authorized and unissued American Depositary Shares, solely for the purpose of effecting purchases of Purchase Shares hereunder, 7,000,000 American Depositary Shares,;

(f) The Commencement Irrevocable Transfer Agent Instructions and the Notice of Effectiveness of Initial Registration Statement each shall have been delivered to and acknowledged in writing by the Company and the Company's Transfer Agent (or any successor transfer agent);

(g) The Company shall have delivered to the Investor a certificate evidencing the incorporation and good standing of the Company in the Republic of India issued by the Ministry of Corporate Affairs as of a date within ten (10) Business Days of the Commencement Date;

(h) The Company shall have delivered to the Investor a certified copy of the Charter as of a date within ten (10) Business Days of the Commencement Date;

(i) The Company shall have delivered to the Investor a secretary's certificate executed by the Secretary of the Company, dated as of the Commencement Date, in the form attached hereto as Exhibit C;

(j) The Initial Registration Statement covering the resale of the Purchase Shares shall have been declared effective under the Securities Act by the SEC and no stop order with respect to the Initial Registration Statement shall be pending or threatened by the SEC. The Company shall have prepared and filed with the SEC, not later than one (1) Business Day after the effective date of the Initial Registration Statement, a final and complete prospectus (the preliminary form of which shall be included in the Initial Registration Statement) and shall have delivered to the Investor a true and complete copy thereof. Such prospectus shall be current and available for the resale by the Investor of all of the Purchase Shares covered thereby. The Current Report shall have been filed with the SEC, as required pursuant to Section 5(a). All reports, schedules, registrations, forms, statements, information and other documents required to have been filed by the Company with the SEC at or prior to the Commencement Date pursuant to the reporting requirements of the Exchange Act shall have been filed with the SEC within the applicable time periods prescribed for such filings under the Exchange Act;

(k) No Event of Default has occurred, or any event which, after notice and/or lapse of time, would become an Event of Default has occurred;

(l) All federal, state and local governmental laws, rules and regulations applicable to the transactions contemplated by the Transaction Documents and necessary for the execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated thereby in accordance with the terms thereof shall have been complied with, and all consents, authorizations and orders of, and all filings and registrations with, all federal, state and local courts or governmental agencies and all federal, state and local regulatory or self-regulatory agencies necessary for the execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated thereby in accordance with the terms thereof shall have been obtained or made, including, without limitation, in each case those required under the Securities Act, the Exchange Act, applicable state securities or "Blue Sky" laws or applicable rules and regulations of the Principal Market, or otherwise required by the SEC, the Principal Market or any state securities regulators;

(m) No statute, regulation, order, decree, writ, ruling or injunction shall have been enacted, entered, promulgated, threatened or endorsed by any federal, state, local or foreign court or governmental authority of competent jurisdiction which prohibits the consummation of or which would materially modify or delay any of the transactions contemplated by the Transaction Documents; and

(n) No action, suit or proceeding before any federal, state, local or foreign arbitrator or any court or governmental authority of competent jurisdiction shall have been commenced or threatened, and no inquiry or investigation by any federal, state, local or foreign governmental authority of competent jurisdiction shall have been commenced or threatened, against the Company, or any of the officers, directors or affiliates of the Company, seeking to restrain, prevent or change the transactions contemplated by the Transaction Documents, or seeking material damages in connection with such transactions.

(o) The Company shall have delivered the Commitment Fee to the Investor.

9. INDEMNIFICATION.

In consideration of the Investor's execution and delivery of the Transaction Documents and acquiring the Purchase Shares hereunder and in addition to all of the Company's other obligations under the Transaction Documents, the Company shall defend, protect, indemnify and hold harmless the Investor and all of its affiliates, stockholders, officers, directors, employees and direct or indirect investors and any of the foregoing Person's agents or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Company contained in the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, or (c) any cause of action, suit or claim brought or made against such Indemnitee and arising out of or resulting from the execution, delivery, performance or enforcement of the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby, other than, in the case of clause (c), with respect to Indemnified Liabilities which directly and primarily result from the fraud, gross negligence or willful misconduct of an Indemnitee. The indemnity in this Section 9 shall not apply to amounts paid in settlement of any claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld, conditioned or delayed. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. Payment under this indemnification shall be made within thirty (30) days from the date Investor makes written request for it subject to the Company's prior receipt of a written undertaking that the applicable Indemnitee will promptly return any such indemnification amounts upon final judicial determination (all appeals having been taken or time for appeals having expired) that such Indemnitee was not entitled to such indemnification pursuant to the terms of this Agreement. If any action shall be brought against any Indemnitee in respect of which indemnity may be sought pursuant to this Agreement, such Indemnitee shall promptly notify the Company in writing, and the Company shall (a) assume the defense thereof with counsel of its own choosing reasonably acceptable to the Indemnitee at the Company's expense, or (b) reimburse such Indemnitee for all fees and expenses incurred in defending such action as incurred if (i) the Company has failed after a reasonable period of time to assume such defense and to employ counsel, or (ii) in such action there is, in the reasonable opinion of such separate counsel, a material conflict on any material issue between the position of the Company and the position of such Indemnitee, or (iii) the Company has authorized the Indemnitee to employ its own counsel.

EVENTS OF DEFAULT.

An "Event of Default" shall be deemed to have occurred at any time as any of the following events occurs:

(a) the effectiveness of a registration statement registering the resale of the Purchase Shares lapses for any reason (including, without limitation, the issuance of a stop order or similar order) or such registration statement (or the prospectus forming a part thereof) is unavailable to the Investor for resale of any or all of the Purchase Shares to be issued to the Investor under the Transaction Documents, and such lapse or unavailability continues for a period of ten (10) consecutive Business Days or for more than an aggregate of thirty (30) Business Days in any 365-day period, but excluding a lapse or unavailability where (i) the Company terminates a registration statement after the Investor has confirmed in writing that all of the Purchase Shares covered thereby have been resold or (ii) the Company supersedes one registration statement with another registration statement, including (without limitation) by terminating a prior registration statement when it is effectively replaced with a new registration statement covering Purchase Shares (provided in the case of this clause (ii) that all of the Purchase Shares covered by the superseded (or terminated) registration statement that have not theretofore been resold are included in the superseding (or new) registration statement);

(b) the suspension of the American Depositary Shares from trading or the failure of the American Depositary Shares to be listed on a Principal Market for a period of three (3) consecutive Business Days, provided that the Company may not direct the Investor to purchase any American Depositary Shares during any such suspension;

(c) the delisting of the American Depositary Shares from The NASDAQ Global Market, provided, however, that the American Depositary Shares is not immediately thereafter trading on the New York Stock Exchange, The NASDAQ Capital Market, The NASDAQ Global Select Market, the NYSE MKT, the NYSE Arca, the OTC Bulletin Board or OTC Markets (or nationally recognized successor to any of the foregoing);

(d) the failure for any reason by the Transfer Agent to issue Purchase Shares to the Investor within three (3) Business Days after the applicable Purchase Date or Accelerated Purchase Date (as applicable) on which the Investor is entitled to receive such Purchase Shares;

(e) the Company breaches any representation, warranty, covenant or other term or condition under any Transaction Document if such breach could have a Material Adverse Effect and except, in the case of a breach of a covenant which is reasonably curable, only if such breach continues for a period of at least five (5) Business Days;

(f) if any Person commences a proceeding against the Company pursuant to or within the meaning of any Bankruptcy Law;

(g) if the Company, pursuant to or within the meaning of any Bankruptcy Law, (i) commences a voluntary case, (ii) consents to the entry of an order for relief against it in an involuntary case, (iii) consents to the appointment of a Custodian of it or for all or substantially all of its property, or (iv) makes a general assignment for the benefit of its creditors or is generally unable to pay its debts as the same become due;

(h) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against the Company in an involuntary case, (ii) appoints a Custodian of the Company or for all or substantially all of its property, or (iii) orders the liquidation of the Company or any Subsidiary;

(i) if at any time the American Depositary Shares are not DTCeligible or the Company is not eligible to transfer its American Depositary Shares electronically as DWAC/FAST Shares;

(j) if at any time after the Commencement Date, the Exchange Cap is reached (to the extent such Exchange Cap is applicable pursuant to Section 2(d) hereof); or

(k) if the Company is listed on the Principal Market and at any time prior to shareholder approval of the Agreement more than 19.99% of the Company's aggregate voting equity securities would be issuable to the Investor in violation of the Principal Market's rules.

In addition to any other rights and remedies under applicable law and this Agreement, so long as an Event of Default has occurred and is continuing, or if any event which, after notice and/or lapse of time, would become an Event of Default, has occurred and is continuing, the Company shall not deliver to the Investor any Regular Purchase Notice or Accelerated Purchase Notice.

10. TERMINATION

This Agreement may be terminated only as follows:

(a) If pursuant to or within the meaning of any Bankruptcy Law, the Company commences a voluntary case or any Person commences a proceeding against the Company, a Custodian is appointed for the Company or for all or substantially all of its property, or the Company makes a general assignment for the benefit of its creditors (any of which would be an Event of Default as described in Sections 10(f), 10(g) and 10(h) hereof), this Agreement shall automatically terminate without any liability or payment to the Company (except as set forth below) without further action or notice by any Person.

(b) In the event that the Commencement shall not have occurred on or before December 31, 2015, due to the failure to satisfy the conditions set forth in Sections 7 and 8 above with respect to the Commencement, either the Company or the Investor shall have the option to terminate this Agreement at the close of business on such date or thereafter without liability of any party to any other party (except as set forth below); provided, however, that the right to terminate this Agreement under this Section 11(b) shall not be available to any party if such party is then in breach of any covenant or agreement contained in this Agreement or any representation or warranty of such party contained in this Agreement fails to be true and correct such that the conditions set forth in Section 7(c) or Section 8(c), as applicable, could not then be satisfied.

(c) At any time after the Commencement Date, the Company shall have the option to terminate this Agreement for any reason or for no reason by delivering notice (a "Company Termination Notice") to the Investor electing to terminate this Agreement without any liability whatsoever of any party to any other party under this Agreement (except as set forth below). The Company Termination Notice shall not be effective until one (1) Business Day after it has been received by the Investor.

(d) This Agreement shall automatically terminate on the date that the Company sells and the Investor purchases the full Available Amount as provided herein, without any action or notice on the part of any party and without any liability whatsoever of any party to any other party under this Agreement (except as set forth below).

(e) If, for any reason or for no reason, the full Available Amount has not been purchased in accordance with Section 2 of this Agreement by the Maturity Date, this Agreement shall automatically terminate on the Maturity Date, without any action or notice on the part of any party and without any liability whatsoever of any party to any other party under this Agreement (except as set forth below).

Except as set forth in Sections 11(a) (in respect of an Event of Default under Sections 10(f), 10(g) and 10(h)), 11(d) and 11(e), any termination of this Agreement pursuant to this Section 11 shall be effected by written notice from the Company to the Investor, or the Investor to the Company, as the case may be, setting forth the basis for the termination hereof. The representations and warranties and covenants of the Company and the Investor contained in Sections 3, 4, 5, and 6 hereof, the indemnification provisions set forth in Section 9 hereof and the agreements and covenants set forth in Sections 10, 11 and 12 shall survive the Commencement and any termination of this Agreement. No termination of this Agreement shall (i) affect the Company's or the Investor's rights or obligations under (A) this Agreement with respect to pending Regular Purchases and Accelerated Purchases and the Company and the Investor shall complete their respective obligations with respect to any pending Regular Purchases and Accelerated Purchases under this Agreement and (B) the Registration Rights Agreement, which shall survive any such termination, or (ii) be deemed to release the Company or the Investor from any liability for intentional misrepresentation or willful breach of any of the Transaction Documents.

11. MISCELLANEOUS.

(a) Governing Law; Jurisdiction; Jury Trial. The corporate laws of the Republic of India shall govern all issues concerning the relative rights of the Company and its shareholders. All other questions concerning the construction, validity, enforcement and interpretation of this Agreement and the other Transaction Documents shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State of New York, County of New York, for the adjudication of any dispute hereunder or under the other Transaction Documents or in connection herewith or therewith, or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

(b) Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a facsimile signature or signature delivered by e-mail in a “.pdf” format data file shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original signature.

(c) Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

(d) Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

(e) Entire Agreement. The Transaction Documents supersede all other prior oral or written agreements between the Investor, the Company, their affiliates and Persons acting on their behalf with respect to the subject matter thereof, and this Agreement, the other Transaction Documents and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Investor makes any representation, warranty, covenant or undertaking with respect to such matters. The Company acknowledges and agrees that it has not relied on, in any manner whatsoever, any representations or statements, written or oral, other than as expressly set forth in the Transaction Documents.

(f) Notices. Any notices, consents or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt when delivered personally; (ii) upon receipt when sent by facsimile or email (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one Business Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses for such communications shall be:

If to the Company:

Rediff.com India Limited
Mahalaxmi Engineering Estate
1st Floor, L. J. First Cross Road
Mahim (West)
Mumbai - 400016, India
Telephone: +91.22.6182.0000
Facsimile: +91.22.2445.5346
E-mail: ajitb@rediff.co.in
Attention: AjitBalakrishnan, Chief Executive Officer

With a copy to (which shall not constitute notice or service of process):

Morrison Cohen LLP
909 Third Avenue
New York, New York 10022
Telephone: 212.735.8680
Facsimile: 212.735.8708
E-mail: ppappas@morrisoncohen.com
Attention: Perry Pappas

If to the Investor:

Lincoln Park Capital Fund, LLC
440 North Wells, Suite 410
Chicago, IL 60654
Telephone: 312.822.9300
Facsimile: 312.822.9301
E-mail: jscheinfeld@lpcfunds.com/jcope@lpcfunds.com
Attention: Josh Scheinfeld/Jonathan Cope

With a copy to (which shall not constitute notice or service of process):

K&L Gates, LLP
200 S. Biscayne Boulevard
Ste. 3900
Miami, Florida 33131
Telephone: 305.539.3306
Facsimile: 305.358.7095
E-mail: clayton.parker@klgates.com
Attention: Clayton Parker, Esq.

If to the Transfer Agent:

Citibank N.A.
390 Greenwich Street
3rd Floor
New York, NY 10013
Telephone: _____
Facsimile: _____
Attention: _____

or at such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party three (3) Business Days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent or other communication, (B) mechanically or electronically generated by the sender's facsimile machine or email account containing the time, date, and recipient facsimile number or email address, as applicable, and an image of the first page of such transmission or (C) provided by a nationally recognized overnight delivery service, shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

(g) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Investor, including by merger or consolidation. The Investor may not assign its rights or obligations under this Agreement.

(h) No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

(i) Publicity. The Company shall afford the Investor and its counsel with the opportunity to review and comment upon, shall consult with the Investor and its counsel on the form and substance of, and shall give due consideration to all such comments from the Investor or its counsel on, any press release, SEC filing or any other public disclosure by or on behalf of the Company relating to the Investor, its purchases hereunder or any aspect of the Transaction Documents or the transactions contemplated thereby, not less than 24 hours prior to the issuance, filing or public disclosure thereof. The Investor must be provided with a final version of any such press release, SEC filing or other public disclosure at least 24 hours prior to any release, filing or use by the Company thereof. The Company agrees and acknowledges that its failure to fully comply with this provision constitutes a Material Adverse Effect.

(j) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to consummate and make effective, as soon as reasonably possible, the Commencement, and to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(k) No Financial Advisor, Placement Agent, Broker or Finder. The Company represents and warrants to the Investor that, except for Oberon L, it has not engaged any financial advisor, placement agent, broker or finder in connection with the transactions contemplated hereby. The Investor represents and warrants to the Company that it has not engaged any financial advisor, placement agent, broker or finder in connection with the transactions contemplated hereby. The Company shall be responsible for the payment of any fees or commissions, if any, of any financial advisor, placement agent, broker or finder relating to or arising out of the transactions contemplated hereby retained by the Company. The Company shall pay, and hold the Investor harmless against, any liability, loss or expense (including, without limitation, attorneys' fees and out of pocket expenses) arising in connection with any such claim.

(l) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

(m) Remedies, Other Obligations, Breaches and Injunctive Relief. The Investor's remedies provided in this Agreement, including, without limitation, the Investor's remedies provided in Section 9, shall be cumulative and in addition to all other remedies available to the Investor under this Agreement, at law or in equity (including a decree of specific performance and/or other injunctive relief), no remedy of the Investor contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit the Investor's right to pursue actual damages for any failure by the Company to comply with the terms of this Agreement. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Investor and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Investor shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

(n) Enforcement Costs. If: (i) this Agreement is placed by the Investor in the hands of an attorney for enforcement or is enforced by the Investor through any legal proceeding, in each case, relating to or as the result of a breach by the Company of any of the terms hereof, or to enforce the indemnification obligations of the Company herein; (ii) an attorney is retained to represent the Investor in any bankruptcy, reorganization, receivership or other proceedings affecting creditors' rights and involving a claim under this Agreement; or (iii) an attorney is retained to represent the Investor in any other proceedings whatsoever in connection with this Agreement (except any proceeding brought by the Company against the Investor as a result of the breach by the Investor of any of the terms hereof), then, in each case, the Company shall pay to the Investor, as incurred by the Investor (subject to the Company's prior receipt of a written undertaking that the Investor will promptly return any such amounts upon final judicial determination (all appeals having been taken or time for appeals having expired) that the Investor was not entitled to such amounts pursuant to the terms of this Agreement), all reasonable costs and expenses including attorneys' fees incurred in connection therewith, in addition to all other amounts due hereunder, except that in the event the subject claims are levied by the Investor directly against the Company such costs and expenses shall be paid upon final adjudication of the dispute including a determination that such costs and expenses are owing by the Company to the Investor.

(o) Amendment and Waiver; Failure or Indulgence Not Waiver. No provision of this Agreement may be amended or waived by the parties from and after the date that is one (1) Business Day immediately preceding the filing of the Initial Registration Statement with the SEC. Subject to the immediately preceding sentence, (i) no provision of this Agreement may be amended other than by a written instrument signed by both parties hereto and (ii) no provision of this Agreement may be waived other than in a written instrument signed by the party against whom enforcement of such waiver is sought. No failure or delay in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

* * * * *

IN WITNESS WHEREOF, the Investor and the Company have caused this Purchase Agreement to be duly executed as of the date first written above.

THE COMPANY :

REDIFF.COM INDIA LIMITED

By: /s/ Ajit Balakrishnan

Name: Ajit Balakrishnan

Title: Chairman & Managing Director

INVESTOR :

LINCOLN PARK CAPITAL FUND, LLC

BY: LINCOLN PARK CAPITAL, LLC

BY: ROCKLEDGE CAPITAL CORPORATION

By: /s/ Josh Scheinfeld

Name: Josh Scheinfeld

Title: President

SCHEDULES

Schedule 4(w) Agent's Fees

EXHIBITS

Exhibit A	Form of Officer's Certificate
Exhibit B	Form of Resolutions of Board of Directors of the Company
Exhibit C	Form of Secretary's Certificate
Exhibit D	Form of Transfer Agent Instructions

EXHIBIT A

FORM OF OFFICER'S CERTIFICATE

This Officer's Certificate (" **Certificate** ") is being delivered pursuant to Section 8(c) of that certain Purchase Agreement dated as of July 29, 2015, (" **Purchase Agreement** "), by and between **REDIFF.COM INDIA LIMITED** , a Republic of India corporation (the " **Company** "), and **LINCOLN PARK CAPITAL FUND, LLC**, an Illinois limited liability company (the " **Investor** "). Terms used herein and not otherwise defined shall have the meanings ascribed to them in the Purchase Agreement.

The undersigned, Ajit Balakrishnan, Chairman & Managing Director of the Company, hereby certifies as follows:

1. I am the Chairman & Managing Director of the Company and make the statements contained in this Certificate;
2. The representations and warranties of the Company are true and correct in all material respects (except to the extent that any of such representations and warranties is already qualified as to materiality in Section 4 of the Purchase Agreement, in which case, such representations and warranties are true and correct without further qualification) as of the date when made and as of the Commencement Date as though made at that time (except for representations and warranties that speak as of a specific date, in which case such representations and warranties are true and correct as of such date);
3. The Company has performed, satisfied and complied with the covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Commencement Date.
4. The Company has not taken any steps, and does not currently expect to take any steps, to seek protection pursuant to any Bankruptcy Law nor does the Company or any of its Subsidiaries have any knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy or insolvency proceedings. The Company is financially solvent and is generally able to pay its debts as they become due.

IN WITNESS WHEREOF, I have hereunder signed my name on this 29 day of July 2015.

/s/ Ajit Balakrishnan

Name: Ajit Balakrishnan

Title: Chairman & Managing Director

The undersigned as Secretary of the Company, hereby certifies that Ajit Balakrishnan is the duly elected, appointed, qualified and acting Chairman & Managing Director of the Company and that the signature appearing above is his genuine signature.

/s/ Pooja Lohade

Secretary

EXHIBIT B

**FORM OF COMPANY RESOLUTIONS
FOR SIGNING PURCHASE AGREEMENT**

**WRITTEN CONSENT OF
REDIFF.COM INDIA LIMITED**

In accordance with the corporate laws of the Republic of India, the undersigned, being the directors (the "Board of Directors") of **REDIFF.COM INDIA LIMITED**, a Republic of India corporation (the "Corporation") do hereby consent to and adopt the following resolutions as the action of the Board of Directors for and on behalf of the Corporation and hereby direct that this written consent (this "Consent") be filed with the minutes of the proceedings of the Board of Directors:

WHEREAS, there has been presented to the Board of Directors a draft of the Purchase Agreement (the "Purchase Agreement") by and between the Corporation and Lincoln Park Capital Fund, LLC ("Lincoln Park"), providing for the purchase by Lincoln Park of up to Fifteen Million Dollars (\$15,000,000) of the Corporation's American Depositary Shares (the "American Depositary Shares"); and

WHEREAS, after careful consideration of the Purchase Agreement, the documents incident thereto and other factors deemed relevant by the Board of Directors, the Board of Directors has determined that it is advisable and in the best interests of the Corporation to engage in the transactions contemplated by the Purchase Agreement, including, but not limited to, the sale of American Depositary Shares to Lincoln Park up to the available amount under the Purchase Agreement (the "Purchase Shares").

Purchase Agreement and Transaction Documents

NOW, THEREFORE, BE IT RESOLVED, that the transactions described in the Purchase Agreement are hereby approved and Mr. Ajit Balakrishnan – Chairman & CEO (the "Authorized Officer") are each authorized to execute and deliver the Purchase Agreement, and any other agreements or documents contemplated thereby including, without limitation, the Transaction Documents (as defined in the Purchase Agreement) and a registration rights agreement (the "Registration Rights Agreement") providing for the registration of the Purchase Shares on behalf of the Corporation, with such amendments, changes, additions and deletions as the Authorized Officer may deem to be appropriate and approve on behalf of, the Corporation, such approval to be conclusively evidenced by the signature of an Authorized Officer thereon; and

FURTHER RESOLVED, that the terms and provisions of the Registration Rights Agreement by and among the Corporation and Lincoln Park are hereby approved and the Authorized Officer is authorized to execute and deliver the Registration Rights Agreement (pursuant to the terms of the Purchase Agreement), with such amendments, changes, additions and deletions as the Authorized Officer may deem appropriate and approve on behalf of, the Corporation, such approval to be conclusively evidenced by the signature of an Authorized Officer thereon; and

FURTHER RESOLVED, that the terms and provisions of the forms of Commencement Irrevocable Transfer Agent Instructions and Notice of Effectiveness of Initial Registration Statement (collectively, the "Instructions") are hereby approved and the Authorized Officer is authorized to execute and deliver the Instructions on behalf of the Company in accordance with the Purchase Agreement, with such amendments, changes, additions and deletions as the Authorized Officer may deem appropriate and approve on behalf of, the Corporation, such approval to be conclusively evidenced by the signature of an Authorized Officer thereon; and

Issuance of American Depositary Shares

FURTHER RESOLVED, that the Corporation is hereby authorized to issue American Depositary Shares upon the purchase of Purchase Shares up to the Available Amount under the Purchase Agreement in accordance with the terms of the Purchase Agreement and that, upon issuance of the Purchase Shares pursuant to the Purchase Agreement, the Purchase Shares will be duly authorized, validly issued, fully paid and nonassessable with no personal liability attaching to the ownership thereof; and

FURTHER RESOLVED, that the Corporation shall initially reserve 7,000,000 American Depositary Shares for issuance as Purchase Shares under the Purchase Agreement.

Approval of Actions

FURTHER RESOLVED, that, without limiting the foregoing, the Authorized Officers are, and each of them hereby is, authorized and directed to proceed on behalf of the Corporation and to take all such steps as deemed necessary or appropriate, with the advice and assistance of counsel, to cause the Corporation to consummate the agreements referred to herein and to perform its obligations under such agreements; and

FURTHER RESOLVED, that the Authorized Officer be, and each of them hereby is, authorized, empowered and directed on behalf of and in the name of the Corporation, to take or cause to be taken all such further actions and to execute and deliver or cause to be executed and delivered all such further agreements, amendments, documents, certificates, reports, schedules, applications, notices, letters and undertakings and to incur and pay all such fees and expenses as in their judgment shall be necessary, proper or desirable to carry into effect the purpose and intent of any and all of the foregoing resolutions, and that all actions heretofore taken by any officer or director of the Corporation in connection with the transactions contemplated by the agreements described herein are hereby approved, ratified and confirmed in all respects.

IN WITNESS WHEREOF, the Board of Directors has executed and delivered this Consent effective as of 29th July, 2015.

Certified to be True

For **REDIFF.COM INDIA LIMITED**

Ajit Balakrishnan

Chairman & Managing Director

Date: July 29, 2015

Place: Mumbai

EXHIBIT C

FORM OF SECRETARY'S CERTIFICATE

This Secretary's Certificate ("Certificate") is being delivered pursuant to Section 8(i) of that certain Purchase Agreement dated as of July 29, 2015 ("Purchase Agreement"), by and between **REDIFF.COM INDIA LIMITED**, a Republic of India corporation (the "Company") and **LINCOLN PARK CAPITAL FUND, LLC**, an Illinois limited liability company (the "Investor"), pursuant to which the Company may sell to the Investor up to Fifteen Million Dollars (\$15,000,000) of the Company's American Depositary Shares, no par value per share (the "American Depositary Shares"). Terms used herein and not otherwise defined shall have the meanings ascribed to them in the Purchase Agreement.

The undersigned, Pooja Lohade, Secretary of the Company, hereby certifies as follows:

1. I am the Secretary of the Company and make the statements contained in this Secretary's Certificate.

2. Attached hereto as Exhibit A are true, correct and complete copies of the Company's Certificate of Incorporation, Memorandum of Association and Articles of Association ("Charter"), in each case, as amended through the date hereof, and no action has been taken by the Company, its directors, officers or stockholders, in contemplation of the filing of any further amendment relating to or affecting the Charter.

3. Attached hereto as Exhibit B are true, correct and complete copies of the resolutions duly adopted by the Board of Directors of the Company on 29th July 2015. Such resolutions have not been amended, modified or rescinded and remain in full force and effect and such resolutions are the only resolutions adopted by the Company's Board of Directors, or any committee thereof, or the stockholders of the Company relating to or affecting (i) the entering into and performance of the Purchase Agreement, or the issuance, offering and sale of the Purchase Shares and (ii) and the performance of the Company of its obligation under the Transaction Documents as contemplated therein.

4. As of the date hereof, the authorized, issued and reserved equity securities of the Company is as set forth on Exhibit C hereto.

IN WITNESS WHEREOF, I have hereunder signed my name on this 29th day of July 2015.

/s/ Pooja Lohade

Secretary

The undersigned as CFO of the Company, hereby certifies that Ms. Pooja Lohade is the duly elected, appointed, qualified and acting Secretary of the Company, and that the signature appearing above is his genuine signature.

/s/ Swasti Bhowmick

Swasti Bhowmick

CFO

EXHIBIT D

IRREVOCABLE TRANSFER AGENT INSTRUCTIONS

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this “Agreement”), dated as of July 29, 2015, by and between **REDIFF.COM INDIA LIMITED**, a Republic of India corporation (the “Company”), and **LINCOLN PARK CAPITAL FUND, LLC**, an Illinois limited liability company (together with its permitted assigns, the “Buyer”). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Purchase Agreement by and between the parties hereto, dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the “Purchase Agreement”).

WHEREAS:

The Company has agreed, upon the terms and subject to the conditions of the Purchase Agreement, to sell to the Buyer up to Fifteen Million Dollars (\$15,000,000) of Purchase Shares and to induce the Buyer to enter into the Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the “Securities Act”), and applicable state securities laws.

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Buyer hereby agree as follows:

1. DEFINITIONS.

As used in this Agreement, the following terms shall have the following meanings:

a. “Investor” means the Buyer, any transferee or assignee thereof to whom a Buyer assigns its rights under this Agreement in accordance with Section 9 and who agrees to become bound by the provisions of this Agreement, and any transferee or assignee thereof to whom a transferee or assignee assigns its rights under this Agreement in accordance with Section 9 and who agrees to become bound by the provisions of this Agreement.

b. “Person” means any individual or entity including but not limited to any corporation, a limited liability company, an association, a partnership, an organization, a business, an individual, a governmental or political subdivision thereof or a governmental agency.

c. “Register,” “registered,” and “registration” refer to a registration effected by preparing and filing one or more registration statements of the Company in compliance with the Securities Act and pursuant to Rule 415 under the Securities Act or any successor rule providing for offering securities on a continuous basis (“Rule 415”), and the declaration or ordering of effectiveness of such registration statement(s) by the United States Securities and Exchange Commission (the “SEC”).

d. “Registrable Securities” means all of the Purchase Shares that may, from time to time, be issued or become issuable to the Investor under the Purchase Agreement (without regard to any limitation or restriction on purchases), and any and all shares of equity securities issued or issuable with respect to the Purchase Shares or the Purchase Agreement as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise, without regard to any limitation on purchases under the Purchase Agreement.

e. “Registration Statement” means one or more registration statements of the Company covering only the sale of the Registrable Securities.

2. REGISTRATION.

a. Mandatory Registration. The Company shall, within ninety (90) days from the date hereof, file with the SEC an initial Registration Statement on Form F-3 covering the maximum number of Registrable Securities as shall be permitted to be included thereon in accordance with applicable SEC rules, regulations and interpretations so as to permit the resale of such Registrable Securities by the Investor under Rule 415 under the Securities Act at then prevailing market prices (and not fixed prices), as mutually determined by both the Company and the Investor in consultation with their respective legal counsel, subject to the aggregate number of authorized shares of the Company's American Depositary Shares then available for issuance in its Charter. The Registration Statement shall register only the Registrable Securities and no other securities of the Company. The Investor and its counsel shall have a reasonable opportunity to review and comment upon such Registration Statement and any amendment or supplement to such Registration Statement and any related prospectus prior to its filing with the SEC, and the Company shall give due consideration to all such comments. The Investor shall furnish all information reasonably requested by the Company for inclusion therein. The Company shall use its best efforts to have the Registration Statement and any amendment declared effective by the SEC at the earliest possible date. The Company shall use reasonable best efforts to keep the Registration Statement effective pursuant to Rule 415 promulgated under the Securities Act and available for the resale by the Investor of all of the Registrable Securities covered thereby at all times until the date on which the Investor shall have resold all the Registrable Securities covered thereby and no Available Amount remains under the Purchase Agreement (the "Registration Period"). The Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

b. Rule 424 Prospectus. The Company shall, as required by applicable securities regulations, from time to time file with the SEC, pursuant to Rule 424 promulgated under the Securities Act, the prospectus and prospectus supplements, if any, to be used in connection with sales of the Registrable Securities under the Registration Statement. The Investor and its counsel shall have a reasonable opportunity to review and comment upon such prospectus prior to its filing with the SEC, and the Company shall give due consideration to all such comments. The Investor shall use its reasonable best efforts to comment upon such prospectus within one (1) Business Day from the date the Investor receives the final pre-filing version of such prospectus.

c. Sufficient Number of Shares Registered. As soon as practicable, but in any event not later than thirty (30) days after the necessity therefor arises, subject to any limits that may be imposed by the SEC pursuant to Rule 415 under the Securities Act, the Company shall file one or more new Registration Statements (each, a "New Registration Statement") covering all of the Registrable Securities that were not covered by the initial Registration Statement (subject to the limitations set forth in Section 2(a)). The Company shall use its reasonable best efforts to cause each such New Registration Statement to become effective as soon as practicable following the filing thereof.

d. Offering. If the staff of the SEC (the “Staff”) or the SEC seeks to characterize any offering pursuant to a Registration Statement filed pursuant to this Agreement as constituting an offering of securities that does not permit such Registration Statement to become effective and be used for resales by the Investor under Rule 415 at then-prevailing market prices (and not fixed prices), or if after the filing of the initial Registration Statement with the SEC pursuant to Section 2(a), the Company is otherwise required by the Staff or the SEC to reduce the number of Registrable Securities included in such initial Registration Statement, then the Company shall reduce the number of Registrable Securities to be included in such initial Registration Statement (with the prior consent, which shall not be unreasonably withheld, of the Investor and its legal counsel as to the specific Registrable Securities to be removed therefrom) until such time as the Staff and the SEC shall so permit such Registration Statement to become effective and be used as aforesaid. In the event of any reduction in Registrable Securities pursuant to this paragraph, the Company shall file one or more New Registration Statements in accordance with Section 2(c) until such time as all Registrable Securities have been included in Registration Statements that have been declared effective and the prospectus contained therein is available for use by the Investor. Notwithstanding any provision herein or in the Purchase Agreement to the contrary, the Company’s obligations to register Registrable Securities (and any related conditions to the Investor’s obligations) shall be qualified as necessary to comport with any requirement of the SEC or the Staff as addressed in this Section 2(d).

3. RELATED OBLIGATIONS.

With respect to the Registration Statement and whenever any Registrable Securities are to be registered pursuant to Section 2 including on any New Registration Statement, the Company shall use its reasonable best efforts to effect the registration of the Registrable Securities in accordance with the intended method of disposition thereof and, pursuant thereto, the Company shall have the following obligations:

a. The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to any registration statement and the prospectus used in connection with such registration statement, which prospectus is to be filed pursuant to Rule 424 promulgated under the Securities Act, as may be necessary to keep the Registration Statement or any New Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of the Company covered by the Registration Statement or any New Registration Statement until such time as all of such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such registration statement.

b. The Company shall permit the Investor to review and comment upon the Registration Statement or any New Registration Statement and all amendments and supplements thereto at least two (2) Business Days prior to their filing with the SEC. The Investor shall use its reasonable best efforts to comment upon the Registration Statement or any New Registration Statement and any amendments or supplements thereto within two (2) Business Days from the date the Investor receives the final version thereof. The Company shall furnish to the Investor, without charge any correspondence from the SEC or the staff of the SEC to the Company or its representatives relating to the Registration Statement or any New Registration Statement. Without the prior written consent of the Investor (which shall not be unreasonably withheld or delayed), the Company shall not file any document with the SEC or make any disclosure directly referring to the Investor.

c. Upon request of the Investor, the Company shall furnish to the Investor, (i) promptly after the same is prepared and filed with the SEC, at least one copy of such registration statement and any amendment(s) thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits, (ii) upon the effectiveness of any registration statement, a copy of the prospectus included in such registration statement and all amendments and supplements thereto (or such other number of copies as the Investor may reasonably request) and (iii) such other documents, including copies of any preliminary or final prospectus, as the Investor may reasonably request from time to time in order to facilitate the disposition of the Registrable Securities owned by the Investor. For the avoidance of doubt, any filing available to the Investor via the SEC’s live EDGAR system shall be deemed “furnished to the Investor” hereunder.

d. The Company shall use reasonable best efforts to (i) register and qualify the Registrable Securities covered by a registration statement under such other securities or “blue sky” laws of such jurisdictions in the United States as the Investor reasonably requests, (ii) prepare and file in those jurisdictions, such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (x) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (y) subject itself to general taxation in any such jurisdiction, or (z) file a general consent to service of process in any such jurisdiction. The Company shall promptly notify the Investor who holds Registrable Securities of the receipt by the Company of any notification with respect to the suspension of the registration or qualification of any of the Registrable Securities for sale under the securities or “blue sky” laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threatening of any proceeding for such purpose.

e. As promptly as practicable after becoming aware of such event or facts, the Company shall notify the Investor in writing of the happening of any event or existence of such facts as a result of which the prospectus included in any registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and promptly prepare a supplement or amendment to such registration statement to correct such untrue statement or omission, and deliver a copy of such supplement or amendment to the Investor (or such other number of copies as the Investor may reasonably request). The Company shall also promptly notify the Investor in writing (i) when a prospectus or any prospectus supplement or post-effective amendment has been filed, and when a registration statement or any post-effective amendment has become effective (notification of such effectiveness shall be delivered to the Investor by email or facsimile on the same day of such effectiveness and by overnight mail), (ii) of any request by the SEC for amendments or supplements to any registration statement or related prospectus or related information, and (iii) of the Company’s reasonable determination that a post-effective amendment to a registration statement would be appropriate.

f. The Company shall use its reasonable best efforts to prevent the issuance of any stop order or other suspension of effectiveness of any registration statement, or the suspension of the qualification of any Registrable Securities for sale in any jurisdiction and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension at the earliest possible moment and to notify the Investor of the issuance of such order and the resolution thereof or its receipt of actual notice of the initiation or threat of any proceeding for such purpose.

g. The Company shall (i) cause all the Registrable Securities to be listed on each securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (ii) secure designation and quotation of all the Registrable Securities on the Principal Market. The Company shall pay all fees and expenses in connection with satisfying its obligation under this Section.

h. The Company shall cooperate with the Investor to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) representing the Registrable Securities to be offered pursuant to any registration statement and enable such certificates to be in such denominations or amounts as the Investor may reasonably request and registered in such names as the Investor may request.

i. The Company shall at all times provide a depository bank/transfer agent and registrar with respect to its American Depository Shares.

j. If reasonably requested by the Investor, the Company shall (i) immediately incorporate in a prospectus supplement or post-effective amendment such information as the Investor believes should be included therein relating to the sale and distribution of Registrable Securities, including, without limitation, information with respect to the number of Registrable Securities being sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities; (ii) make all required filings of such prospectus supplement or post-effective amendment as soon as practicable upon notification of the matters to be incorporated in such prospectus supplement or post-effective amendment; and (iii) supplement or make amendments to any registration statement.

k. The Company shall use its reasonable best efforts to cause the Registrable Securities covered by any registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to consummate the disposition of such Registrable Securities.

l. Within one (1) Business Day after any registration statement which includes the Registrable Securities is ordered effective by the SEC, the Company shall deliver, and shall cause legal counsel for the Company to deliver, to the Transfer Agent for such Registrable Securities (with copies to the Investor) confirmation that such registration statement has been declared effective by the SEC in the form attached hereto as Exhibit A. Thereafter, if requested by the Buyer at any time, the Company shall require its counsel to deliver to the Buyer a written confirmation whether or not the effectiveness of such registration statement has lapsed at any time for any reason (including, without limitation, the issuance of a stop order) and whether or not the registration statement is current and available to the Buyer for sale of all of the Registrable Securities.

m. The Company shall take all other reasonable actions necessary to expedite and facilitate disposition by the Investor of Registrable Securities pursuant to any registration statement.

4. OBLIGATIONS OF THE INVESTOR.

a. The Company shall notify the Investor in writing of the information the Company reasonably requires from the Investor in connection with any registration statement hereunder. The Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request.

b. The Investor agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of any registration statement hereunder.

c. The Investor agrees that, upon receipt of any notice from the Company of the happening of any event or existence of facts of the kind described in Section 3(f) or the first sentence of 3(e), the Investor will immediately discontinue disposition of Registrable Securities pursuant to any registration statement(s) covering such Registrable Securities until the Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(f) or the first sentence of 3(e). Notwithstanding anything to the contrary, the Company shall cause its Transfer Agent to promptly deliver American Depository Shares without any restrictive legend in accordance with the terms of the Purchase Agreement in connection with any sale of Registrable Securities with respect to which an Investor has entered into a contract for sale prior to the Investor's receipt of a notice from the Company of the happening of any event of the kind described in Section 3(f) or the first sentence of Section 3(e) and for which the Investor has not yet settled.

5. EXPENSES OF REGISTRATION.

All reasonable expenses, other than sales or brokerage commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, and fees and disbursements of counsel for the Company, shall be paid by the Company.

6. INDEMNIFICATION.

a. To the fullest extent permitted by law, the Company will, and hereby does, indemnify, hold harmless and defend the Investor, each Person, if any, who controls the Investor, the members, the directors, officers, partners, employees, agents, representatives of the Investor and each Person, if any, who controls the Investor within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (each, an “Indemnified Person”), against any losses, claims, damages, liabilities, judgments, fines, penalties, charges, costs, attorneys’ fees, amounts paid in settlement or expenses, joint or several, (collectively, “Claims”) incurred in investigating, preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC, whether pending or threatened, whether or not an indemnified party is or may be a party thereto (“Indemnified Damages”), to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in the Registration Statement, any New Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other “blue sky” laws of any jurisdiction in which Registrable Securities are offered (“Blue Sky Filing”), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities pursuant to the Registration Statement or any New Registration Statement or (iv) any material violation by the Company of this Agreement (the matters in the foregoing clauses (i) through (iv) being, collectively, “Violations”). The Company shall reimburse each Indemnified Person promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim subject to the Company’s prior receipt of a written undertaking that the applicable Indemnified Person will promptly return any such indemnification amounts upon final judicial determination (all appeals having been taken or time for appeals having expired) that such Indemnified Person was not entitled to such indemnification pursuant to the terms of this Agreement. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (i) shall not apply to a Claim by an Indemnified Person arising out of or based upon a Violation which occurs in reliance upon and in conformity with information about the Investor furnished in writing to the Company by such Indemnified Person expressly for use in connection with the preparation of the Registration Statement, any New Registration Statement or any such amendment thereof or supplement thereto, if such prospectus was timely made available by the Company pursuant to Section 3(c) or Section 3(e); (ii) with respect to any superseded prospectus, shall not inure to the benefit of any such person from whom the person asserting any such Claim purchased the Registrable Securities that are the subject thereof (or to the benefit of any person controlling such person) if the untrue statement or omission of material fact contained in the superseded prospectus was corrected in the revised prospectus, as then amended or supplemented, if such revised prospectus was timely made available by the Company pursuant to Section 3(c) or Section 3(e), and the Indemnified Person was promptly advised in writing not to use the incorrect prospectus prior to the use giving rise to a violation and such Indemnified Person, notwithstanding such advice, used it; (iii) shall not be available to the extent such Claim is based on a failure of the Investor to deliver or to cause to be delivered the prospectus made available by the Company, if such prospectus was timely made available by the Company pursuant to Section 3(c) or Section 3(e); and (iv) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Investor pursuant to Section 9.

b. In connection with the Registration Statement or any New Registration Statement, the Investor agrees to indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement or any New Registration Statement, each Person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act (collectively and together with an Indemnified Person, an “Indemnified Party”), against any Claim or Indemnified Damages to which any of them may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information about the Investor set forth on Exhibit B attached hereto and furnished to the Company by the Investor expressly for use in connection with such registration statement; and, subject to Section 6(d), the Investor will reimburse any legal or other expenses reasonably incurred by them in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Investor, which consent shall not be unreasonably withheld; provided, further, however, that the Investor shall be liable under this Section 6(b) for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to the Investor as a result of the sale of Registrable Securities pursuant to such registration statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Indemnified Party and shall survive the transfer of the Registrable Securities by the Investor pursuant to Section 9.

c. Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action or proceeding (including any governmental action or proceeding) involving a Claim, such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. The Indemnified Person or Indemnified Person shall cooperate fully with the indemnifying party in connection with any negotiation or defense of any such action or claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party or Indemnified Person which relates to such action or claim. The indemnifying party shall keep the Indemnified Party or Indemnified Person fully apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. No indemnifying party shall be liable for any settlement of any action, claim or proceeding effected without its written consent, provided, however, that the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the consent of the Indemnified Party or Indemnified Person, consent to entry of any judgment or enter into any settlement or other compromise which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party or Indemnified Person of a release from all liability in respect to such claim or litigation. Following indemnification as provided for hereunder, the indemnifying party shall be subrogated to all rights of the Indemnified Party or Indemnified Person with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is prejudiced in its ability to defend such action.

d. The indemnity agreements contained herein shall be in addition to (i) any cause of action or similar right of the Indemnified Party or Indemnified Person against the indemnifying party or others, and (ii) any liabilities the indemnifying party may be subject to pursuant to the law.

7. CONTRIBUTION.

To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that: (i) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of fraudulent misrepresentation; and (ii) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

8. REPORTS AND DISCLOSURE UNDER THE SECURITIES ACTS.

With a view to making available to the Investor the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the SEC that may at any time permit the Investor to sell securities of the Company to the public without registration (“Rule 144”), the Company agrees, at the Company’s sole expense, so long as the Investor owns Registrable Securities, to:

a. make and keep public information available, as those terms are understood and defined in Rule 144;

b. file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act so long as the Company remains subject to such requirements and the filing of such reports and other documents is required for the applicable provisions of Rule 144;

c. furnish to the Investor so long as the Investor owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting and or disclosure provisions of Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit the Investor to sell such securities pursuant to Rule 144 without registration; and

d. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or Indemnified Damages are incurred.

e. take such additional action as is requested by the Investor to enable the Investor to sell the Registrable Securities pursuant to Rule 144, including, without limitation, delivering all such legal opinions, consents, certificates, resolutions and instructions to the Company's Transfer Agent as may be requested from time to time by the Investor and otherwise fully cooperate with Investor and Investor's broker to effect such sale of securities pursuant to Rule 144.

The Company agrees that damages may be an inadequate remedy for any breach of the terms and provisions of this Section 8 and that Investor shall, whether or not it is pursuing any remedies at law, be entitled to equitable relief in the form of a preliminary or permanent injunctions, without having to post any bond or other security, upon any breach or threatened breach of any such terms or provisions.

9. ASSIGNMENT OF REGISTRATION RIGHTS.

The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Investor. The Investor may not assign its rights under this Agreement without the written consent of the Company, other than to an affiliate of the Investor controlled by Jonathan Cope or Josh Scheinfeld.

10. AMENDMENT OF REGISTRATION RIGHTS.

No provision of this Agreement may be amended or waived by the parties from and after the date that is one (1) Business Day immediately preceding the filing of the initial Registration Statement with the SEC pursuant to Section 2(a) hereof. Subject to the immediately preceding sentence, no provision of this Agreement may be (i) amended other than by a written instrument signed by both parties hereto or (ii) waived other than in a written instrument signed by the party against whom enforcement of such waiver is sought. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

11. MISCELLANEOUS.

a. A Person is deemed to be a holder of Registrable Securities whenever such Person owns or is deemed to own of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more Persons with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

b. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile or email (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one (1) Business Day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses for such communications shall be:

If to the Company:

Rediff.com India Limited
Mahalaxmi Engineering Estate
1st Floor, L. J. First Cross Road
Mahim (West)
Mumbai - 400016, India
Telephone: +91.22.6182.0000
Facsimile: +91.22.2445.5346
E-mail: ajitb@rediff.co.in
Attention: AjitBalakrishnan, Chief Executive Officer

With a copy to (which shall not constitute notice or service of process):

Morrison Cohen LLP
909 Third Avenue
New York, New York 10022
Telephone: 212.735.8680
Facsimile: 212.735.8708
E-mail: ppappas@morrisoncohen.com
Attention: Perry Pappas

If to the Investor:

Lincoln Park Capital Fund, LLC
440 North Wells, Suite 410
Chicago, IL 60654
Telephone: 312.822.9300
Facsimile: 312.822.9301
E-mail: jscheinfeld@lpcfunds.com/jcope@lpcfunds.com
Attention: Josh Scheinfeld/Jonathan Cope

With a copy to (which shall not constitute notice or service of process):

K&L Gates, LLP
200 S. Biscayne Boulevard
Ste. 3900
Miami, Florida 33131
Telephone: 305.539.3306
Facsimile: 305.358.7095
E-mail: clayton.parker@klgates.com
Attention: Clayton Parker, Esq.

or at such other address and/or facsimile number and/or to the attention of such other person as the recipient party has specified by written notice given to each other party three (3) Business Days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine or email account containing the time, date, recipient facsimile number or email address, as applicable, and an image of the first page of such transmission or (C) provided by a nationally recognized overnight delivery service, shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

c. The corporate laws of the Republic of India shall govern all issues concerning the relative rights of the Company and its stockholders. All other questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting the State of New York, County of New York, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

d. This Agreement and the Purchase Agreement constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement and the Purchase Agreement supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof and thereof.

e. Subject to the requirements of Section 9, this Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties hereto.

f. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

g. This Agreement may be executed in identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission or by e-mail in a “.pdf” format data file of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

h. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

i. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent and no rules of strict construction will be applied against any party.

j. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

* * * * *

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be duly executed as of day and year first above written.

THE COMPANY :

REDIFF.COM INDIA LIMITED

By: /s/ Ajit Balakrishnan

Name: Ajit Balakrishnan

Title: Chairman & Managing Director

BUYER:

LINCOLN PARK CAPITAL FUND, LLC

BY: LINCOLN PARK CAPITAL, LLC

BY: ROCKLEDGE CAPITAL CORPORATION

By: /s/ Josh Scheinfeld

Name: Josh Scheinfeld

Title: President

EXHIBIT A

TO REGISTRATION RIGHTS AGREEMENT

**FORM OF NOTICE OF EFFECTIVENESS
OF REGISTRATION STATEMENT**

[Date]

[TRANSFER AGENT]

Re: [_____]

Ladies and Gentlemen:

We are counsel to **REDIFF.COM INDIA LIMITED**, Republic of India corporation (the "Company"), and have represented the Company in connection with that certain Purchase Agreement, dated as of July [___], 2015 (the "Purchase Agreement"), entered into by and between the Company and Lincoln Park Capital Fund, LLC (the "Buyer") pursuant to which the Company has agreed to issue to the Buyer shares of the Company's American Depository Shares, (the "American Depository Shares"), in an amount up to Fifteen Million Dollars (\$15,000,000) (the "Purchase Shares"), in accordance with the terms of the Purchase Agreement. In connection with the transactions contemplated by the Purchase Agreement, the Company has registered with the U.S. Securities & Exchange Commission the following shares of American Depository Shares:

[_____] shares of American Depository Shares to be issued to the Buyer upon purchase from the Company by the Buyer from time to time (the "Purchase Shares").

Pursuant to the Purchase Agreement, the Company also has entered into a Registration Rights Agreement, dated as of July [___], 2015 with the Buyer (the "Registration Rights Agreement") pursuant to which the Company agreed, among other things, to register the resale of the Purchase Shares under the Securities Act of 1933, as amended (the "Securities Act"). In connection with the Company's obligations under the Purchase Agreement and the Registration Rights Agreement, on [_____] 201[___], the Company filed a Registration Statement (File No. 333-[____]) (the "Registration Statement") with the Securities and Exchange Commission (the "SEC") relating to the resale of the Purchase Shares.

In connection with the foregoing, we advise you that a member of the SEC's staff has advised us by telephone that the SEC has entered an order declaring the Registration Statement effective under the Securities Act at [____] [A.M./P.M.] on [____], 201[___] and we have no knowledge, after telephonic inquiry of a member of the SEC's staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC and the Purchase Shares are available for resale under the Securities Act pursuant to the Registration Statement and may be issued without any restrictive legend.

Very truly yours,
[Company Counsel]

By: _____

cc: Lincoln Park Capital Fund, LLC

EXHIBIT B

TO REGISTRATION RIGHTS AGREEMENT

**Information About The Investor Furnished To The Company By The Investor
Expressly For Use In Connection With The Registration Statement**

Information With Respect to Lincoln Park Capital

As of the date of the Purchase Agreement, Lincoln Park Capital Fund, LLC, beneficially owned _____ shares of our common stock. Josh Scheinfeld and Jonathan Cope, the Managing Members of Lincoln Park Capital, LLC, the manager of Lincoln Park Capital Fund, LLC, are deemed to be beneficial owners of all of the shares of common stock owned by Lincoln Park Capital Fund, LLC. Messrs. Cope and Scheinfeld have shared voting and investment power over the shares being offered under the prospectus filed with the SEC in connection with the transactions contemplated under the Purchase Agreement. Lincoln Park Capital, LLC is not a licensed broker dealer or an affiliate of a licensed broker dealer.

CERTIFICATIONS

I, Ajit Balakrishnan, certify that:

1. I have reviewed this annual report on Form 20-F of Rediff.com India Limited (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 31, 2015

By: /s/ Ajit Balakrishnan
Ajit Balakrishnan
Chairman and Managing Director
(Principal Executive Officer)

CERTIFICATIONS

I, Swasti Bhowmick, certify that:

1. I have reviewed this annual report on Form 20-F of Rediff.com India Limited (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 31, 2015

By: /s/ Swasti Bhowmick
Swasti Bhowmick
Chief Financial Officer
(Principal Financial Officer)

Exhibit 13.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Annual Report on Form 20-F of Rediff.com India Limited (the "Company") for the fiscal year ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ajit Balakrishnan, the principal executive officer of the Company, hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2015

By: /s/ Ajit Balakrishnan
Ajit Balakrishnan
Chairman and Managing Director
(Principal Executive Officer)

A signed original of this written statement required by §906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 13.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the accompanying Annual Report on Form 20-F of Rediff.com India Limited (the "Company") for the fiscal year ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Swasti Bhowmick, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Date: July 31, 2015

By: /s/ Swasti Bhowmick
Swasti Bhowmick
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by §906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration statement Nos. 333-111432, 333-121773, 333-143836 and 333-143837 on Form S-8 of our reports relating to the consolidated financial statements of Rediff.com India Limited and subsidiaries ("the Company") and the effectiveness of the Company's internal control over financial reporting dated July 31, 2015 appearing in this Annual Report on Form 20-F of Rediff.com India Limited for the year ended March 31, 2015.

/s/ DELOITTE HASKINS & SELLS LLP
Mumbai, India
July 31, 2015
