

I would like to congratulate the advisory committee on Smaller Public Companies for publishing an excellent set of recommendations,

Rediff.com India Limited is a foreign private issuer operating out of India. Our ADS's are listed on the Nasdaq. Our revenues for the fiscal year ended March 31, 2005 were \$ 12.6 million.

My specific comments and suggestions are :

1. Market capitalization needs to be defined carefully – The committee has recommended that companies be classified into different categories based on market capitalization. This is understandable since 80% of all US public companies account for only 6% of US equity market capitalization. However a clear definition of the term “market capitalization” is necessary, particularly in the context of foreign private issuers. Only about 30% of our equity capital is represented by ADS's listed in the US capital markets. The remainder of our Indian common stock is closely held and is unlisted. We would respectfully suggest that the definition of the term “market capitalization” recognizes the market value only of securities listed in the United States and not some derived global value of the total capitalization of a foreign private issuer. .
2. Cost versus time - Whilst the financial cost of implementing SOX 404 undoubtedly poses an unduly high burden for smaller companies the greater cost for smaller fast growing companies is diversion of management time away from building business as well as shareholder value. In our view, shareholders' interests are better served by focusing on growth and profitability rather than on excessive documentation and paperwork.
3. One size does not fit all – The COSO framework in its present form is not suitable for smaller companies. We would encourage the SEC to adopt a different framework more appropriate to smaller companies.
4. Need to clearly specify what exactly is required – Currently there is too much debate about what exactly is required by SOX 404. Literature available in this regard is capable of varying interpretations. In discussion with our public accounting firm, we understood that Audit Standard 2 required us to document all controls and processes for “significant classes” of transactions affecting “significant accounts”. For our Company, quantitative materiality is relatively small as several of our accounts individually and as an aggregate of several accounts are scoped-in as significant accounts and as such there was a need for a large amount of documentation. Subsequent to the May 16 PCAOB release there does not appear to be any change in the way Audit Standard 2 is being interpreted. Given that management of public companies do not have any guidance, we have to revert to Audit Standard 2 which is meant for auditors and therefore are subjected to the auditor's interpretation of what is required to be documented and how much. The auditors in turn have a tendency to interpret the Standard in a

conservative manner as they feel that they may be questioned or second-guessed in the PCAOB inspection process.

5. Need to clearly specify the objectives of SOX 404 – Will SOX 404 help prevent another Enron or Worldcom ? Is that indeed the objective? If not what then is the objective? And what evidence is there that SOX 404 in its current form will help meet that objective?
6. Don't chase companies away – There is overwhelming evidence to show that “overreaching regulation that constricts business and stifles initiative” (a phrase borrowed from Mr. Bob Greifeld of Nasdaq) is forcing many new issuers outside the United States to list in non-U.S. markets rather than in the United States. We believe the interests of US investors are best served by foreign companies being listed in the United States and operating within the framework of the SEC. Addressing Section 404 requirements for small businesses is certainly a step in the right direction.
7. Implementation date – It will be helpful to foreign private issuers if the SEC notifies a firm date by which it will announce its stand on the recommendations.

Finally we would urge the SEC to accept the recommendations highlighted in this excellent report and not be swayed by certain vested interests who will no doubt be clamoring for continuance of status quo.