

## Draft Red Herring Prospectus

Please read Section 60 B of the Companies Act, 1956

(To be updated upon filing with RoC)

Dated March 13, 2006

100% Book Building Issue



# INDUSTRIAL ORGANICS LIMITED

(We were originally incorporated as Industrial Organics Limited on September 29, 1986 and the name of the Company was changed to Trident Alco- Chem Limited w.e.f. June 29, 1994. Further, w.e.f. December 5, 2002 the name was changed to Industrial Organics Limited)

**REGISTERED OFFICE:** Trident Complex, Raikot Road, Barnala-148 101, Dist Sangrur, Punjab.

(The registered office was changed from 85, Industrial Area, 'A' Ludhiana, Punjab to the present address w.e.f. September 27, 1993)

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**Website:** www.industrialorganics.com, Contact Person/ Compliance Officer: Mr. Krishan Singla

**PUBLIC ISSUE OF [●] EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS. [●] (INCLUDING A SHARE PREMIUM OF Rs. [●] PER EQUITY SHARE) AGGREGATING RS. 3000 LACS ("THE ISSUE") BY INDUSTRIAL ORGANICS LIMITED ("IOL" OR "THE COMPANY" OR "THE ISSUER"). THE ISSUE WILL CONSTITUTE [●] % OF TOTAL POST ISSUE PAID UP EQUITY CAPITAL.**

**THE PRICE BAND WILL BE DECIDED BY THE ISSUER IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER AND ANNOUNCED AND ADVERTISED AT LEAST ONE DAY PRIOR TO THE ISSUE OPENING DATE / BID OPENING DATE**

**PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE OF RS. 10/- EACH**

**THE FACE VALUE OF THE EQUITY SHARES IS RS. 10/- EACH, THE FLOOR PRICE IS [●] TIMES THE FACE VALUE AND THE CAP PRICE IS [●] TIMES THE FACE VALUE**

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after such revision, subject to the Bidding/Issue Period not exceeding ten working days. Any revision of Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") by issuing a press release and also by indicating the change on the websites of the Book Running Lead Manager and at the terminals of the Syndicates.

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs), 5% of the portion available for allocation to QIBs shall be allocated proportionately to Mutual Funds. Further, at least 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

### RISK IN RELATION TO THE ISSUE

The face value of the shares is Rs.10/- and the floor price is [●] times of the face value and the cap price is [●] times of the face value. The price band (as determined by the Issuer in consultation with the BRLM as stated under the justification of premium paragraph) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are allotted pursuant to the Issue are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISKS

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

### ISSUER'S ABSOLUTE RESPONSIBILITY

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

### LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE) where the existing Equity Shares of the Company are listed. We have received in-principle approval from BSE for the listing of the Equity Shares to be allotted pursuant to the Issue, vide letter dated [●].

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 <b>UTI BANK</b> Solutions for a lifetime <b>UTI Bank Limited</b> Central Office: 111, Maker Towers F, Cuffe Parade, Colaba, Mumbai - 400 005 Tel: + 91 22 5507 4407 (Extn 1725), Fax: + 91 22 2216 2467 Email: utibmbd@utibank.co.in , Website: <a href="http://www.utibank.com">www.utibank.com</a>	 <b>INTIME SPECTRUM REGISTRY LIMITED</b> <b>Intime Spectrum Registry Limited</b> C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400 078 Tel: +91 22 2596 0320, Fax: +91 22 2596 0329 E-mail: <a href="mailto:iolfpo@intimespectrum.com">iolfpo@intimespectrum.com</a> Website: <a href="http://www.intimespectrum.com">www.intimespectrum.com</a>
ISSUE PROGRAMME	
<b>BID / ISSUE OPENS ON [●]</b>	<b>BID / ISSUE CLOSES ON [●]</b>

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## SECTION I DEFINITIONS AND ABBREVIATIONS

### 1. CONVENTIONAL / GENERAL TERMS

Act/ Companies Act/ the Act	The Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Ltd.
CDSL	Central Depository Services (India) Ltd.
Depository	A Company formed and registered under the Companies Act, 1956 (1 of 1956) and which has been granted a certificate of registration under sub section (1 A) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996 as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EPS	Earnings Per Share i.e. profit after tax divided by outstanding number of equity shares at the year end
FCNR Account	Foreign Currency Non Resident Account
FERA	Foreign Exchange Regulation Act, 1973
FI	Financial Institutions
Financial Year / Fiscal/ FY	Twelve months ended March 31 or December 31 of a particular year, except for the year ended March 31, 2002 for fifteen months.
Indian GAAP	The Generally Accepted Accounting Principles in India
I.T. Act	The Income Tax Act, 1961, as amended from time to time except as stated otherwise
Mn / mn	Million
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss Account
NSDL	National Securities Depository Ltd.
OCB/Overseas Corporate Body	A Company partnership, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRI's and overseas trust, in which not less than 60% of beneficial interest is irrevocably held by NRI's directly or indirectly as defined in Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
ROC	Registrar of Companies, Punjab, Himachal Pradesh & Union Territory of Chandigarh, situated at 285- 286, Defence Colony, Jalandhar. Pin – 144 003.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI	Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 as amended from time to time



## ISSUE RELATED TERMS

Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in date after Deducting any bid amounts that may already have been paid by such bidder
Allotment	Issue of Equity Shares of the Company pursuant to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being issued
Bankers to the Issue	The Bankers with whom the escrow account for the issue shall be opened
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto.
Bid Price/ Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid / Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of the Company and which will be considered as the application for allotment of the equity shares in terms of this Red Herring Prospectus
Bid / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus.
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
BRLM	Book Running Lead Manager to the Issue, in this case being UTI Bank Limited (“UTI Bank”)
Book Building Process/Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Collaborator	Means and includes persons in the Financial Collaboration Agreement dated August 7, 1998
Cut-off	Cut-off price refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Designated Stock Exchange	Bombay Stock Exchange Limited
Designated Date	The date on which the funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the Registrar of Companies (‘RoC’), following which the Board of Directors shall allot Equity Shares to successful bidders
Directors	The Directors of the Company
Draft Red Herring Prospectus/ DRHP	This Draft Red Herring Prospectus dated [●] issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the number of shares under the Issue. Upon filing with RoC at least three days before the Bid/Issue Opening Date it will become the Red Herring Prospectus. It will become a Prospectus upon filing with RoC after the determination of Issue Price.
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a bid and the Allocation Amount paid thereafter
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank (s)	The banks which are clearing members and registered with SEBI as Banker to



	the issue with whom the Escrow Account for the issue will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Fresh Issue / Issue Size/ Issue	The Issue of [●] new Equity Shares of Rs. 10/- each at the Issue Price by the Company in terms of the Draft Red Herring Prospectus
Group Company	Includes companies promoted by Mr. Varinder Gupta and/or MPL
Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date and both these days inclusive
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date
Issuer	Industrial Organics Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Memorandum / Memorandum of Association	The Memorandum of Association of IOL
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
Non-Institutional Portion	The portion of the Issue being a minimum of [●] Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders
NRI/ Non Resident Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Pay-in-date	Bid/ Issue closing date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in-Date as specified in the CAN
Price Band	Being the Price band of a minimum price (Floor price) of Rs. [●] and the maximum price (Cap Price) of Rs. [●] and includes revision thereof
Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price
Promoter(s)	Mr Varinder Gupta, Mayadevi Polycot Limited and Punjab State Industrial Development Corporation Limited
Promoter Group	The Promoters, the immediate relatives of the Promoters and such entities/ partnership firms as prescribed under Explanation II to clause 6.8.3.2 of the SEBI DIP Guidelines
Prospectus	The Prospectus, filed with the ROC containing inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory



	And Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 2500 Lacs and Pension Funds with a minimum corpus of Rs. 2500 Lacs.
QIB portion	The portion of the issue being [•] Equity Shares of Rs. 10/- each available for allocation to QIBs
Red Herring Prospectus/ RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, 1956, which does not have complete particulars on the price at which the equity shares are offered and size of the issue. It carries the same obligations as are applicable in case of a prospectus and will be filed with the ROC at least three (3) days before the opening of the issue. It will become a Prospectus after filing with the ROC after the pricing and allocation.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount in excess of Rs. 100,000/- in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being a minimum of [•] Equity Shares of Rs. 10/- each available for allocation to Retail Individual Bidder(s).
Registrars to the Issue	Intime Spectrum Registry Ltd.
Registrar to the Company	Alankit Assignments Limited
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
Stock Exchange	BSE
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM.
Syndicate	The Syndicate members collectively
TRS / or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate members and the Company to be entered into on or after the Pricing Date

#### **COMPANY / INDUSTRY RELATED TERMS / DEFINITIONS**

Articles/ Articles of Association	Articles of Association of Industrial Organics Limited
Auditors	M/s K K Kapoor & Associates
Committee	Committee of the Board of Directors of Industrial Organics Limited authorized to take decisions on matters related to / incidental to this Issue
Company /IOL/ /Issuer	Industrial Organics Limited
GDPL	G Drugs and Pharmaceuticals Limited
Equity Shares	Equity Shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding Equity shares of the Company unless otherwise specified in the context thereof
Expansion Project	Expansion Project means proposed capacity enhancement of acetic acid from 30000 TPA to 50000 TPA, ethyl acetate from 18000 TPA to 33000 TPA, acetic anhydride 7500 TPA to 12000 TPA, ibuprofen 720 TPA to 1500 TPA and setting up of 4 MW Co-Generation Plant.
MPL	Mayadevi Polycot Limited
PSIDC	Punjab State Industrial Development Corporation Limited
Registered Office of the Company	Trident Complex, Raikot Road, Barnala-148 101



## ABBREVIATIONS

Abbreviation	Full Form
A/c	Account
AETC	Additional Excise Taxation Commissioner
ANDA	Abbreviated New Drug Application
APIs	Active Pharmaceuticals Ingredients
ASME	American Society for Mechanical Engineering
BIFR	Board for Industrial and Financial Reconstruction
Bn	Billion
BPLR	Bank Prime Lending Rate
C	Celsius
C.T.	Cooling Tower
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CC	Cash Credit
CENVAT	Central Value Added Tax
CGMP	Current Good Manufacturing Practices
CIF	Cost Insurance Freight
CVD	Countervailing Duty
CMD	Chairman cum Managing Director
CNS	Central Nervous System
CY	Current Year
DA	Designated Authority
DCS	Distributed Control System
Deg	Degree
DG	Diesel Generator
DMF	Drug Master Files
DPCO	Drugs (Prices Control) Order 1995
EBITDA	Earning Before Interest Tax Depreciation and Amortisation
EDC	Ethylene Di Chloride
EGM	Extraordinary General Meeting
EIA	Environment Impact Assessment
EPCG	Export Promotion Capital Goods
EPS	Earnings Per Equity Share
ERS	Equipment Refinance Scheme
ETP	Effluent Treatment Plant
Euro	Currency of European Union
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and regulations framed there under.
FII(s)	Foreign Institutional Investors as defined under FEMA (Transfer or Issue of Security by a person Resident outside India) Regulations 2000, registered with SEBI.
FIPB	Foreign Investment Promotion Board
FLC	Foreign Letter of Credit
FY	Financial Year
GIR Number	General Index Registration Number
GMP	Good Manufacturing Practices
GoI	Government of India
HC	High Court
HR	Human Resources
HUF	Hindu Undivided Family
IAS	Indian Administrative Services
IBAP	Iso Butyl Aceto Phenone
IDBI	Industrial Development Bank of India Limited
ILC	Inland Letter of Credit
INDA	Investigational New Drug Application



IPA	Iso Propyl Alcohol
IPCA	Iso Propyl Chloro Acetate
IT	Information Technology
ITI	Industrial Training Institute
KM	Kilo Meter
KVA	Kilo Volt Ampere
LDO	Light Diesel Oil
LPM	Litres Per Minute
LSHS	Low Sulphur Heavy Stock
M/C	Machine
M <sup>3</sup> /hr	Cubic Meter Per Hour
MCA	Monochloro Acetic Acid
MT	Metric Tonne
Mn	Million
MT/Hr	Metric Tonne per hour
MT/Day	Metric Tonne per day
MW	Mega Watt
NA	Not Applicable
NDA,	New Drug Application
NITCON	The North India Technical Consultancy Organization
NOC	No Objection Certificate
NPPA	National Pharmaceutical Pricing Authority
NR	Non-resident
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSAID	Non-steroidal Anti-inflammatory drug
OBC	Oriental Bank of Commerce
OTS	One Time Settlement Scheme
p.a.	Per Annum
p.a.w.m.r	Per annum with monthly rest
P.H.E	Plate Type Heat Exchanger
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PCBs	Pollution Control Boards
PET	Polyethylene Terephthalate
PNB	Punjab National Bank
PLR	Prime Lending Rate
PSEB	Punjab State Electricity Board
PTA	Purified Terephthalic Acid
R & D	Research and Development
RBI	The Reserve Bank of India
RONW	Return on Net Worth
Rs. / INR	Indian Rupees
SDS	Specially Denatured Spirit
SAT	Securities Appellate Tribunal
SEBI (SAST) Regulations, 1997	Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997
SED	Special Excise Duty
SHE	Safety, Health and Environment
SIA	Secretariat for Industrial Assistance
SIL	Special Import License
SPO	Sodium Prop oxide
TEMA codes	Tubular Exchanger Manufacturer's Association
TEP	Tri ethyl phosphate
TL	Term Loan
TPA	Tonnes Per Annum



TPH	Tonnes Per Hour
TR	Tonnes of Refrigeration
UASB	Upflow Anaerobic Sludge Blanket
US	United States
USD or \$ or US \$	United States Dollar
USFDA	United States Food and Drug Authority
VAM	Vinyl Acetate Monomer
w.e.f.	with effect from
WHO	World Health Organisation



## **2. CERTAIN CONVENTIONS; USE OF MARKET DATA**

In the Draft Red Herring Prospectus, the terms “We”, “Us”, “Our”, the “Company”, “Our Company”, “Industrial Organics Limited” unless the context otherwise indicates or implies, refers to Industrial Organics Limited. In this Draft Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word “Lacs” means “one hundred thousand”, the word “million (mn)” means “ten Lacs”, the word “crore” means “ten million” and the word “billion (bn)” means “one hundred crore”. In this Draft Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Through out this Draft Red Herring Prospectus, all figures have been expressed in Lacs except the industry chapter where the figures have been expressed in crores.

Unless stated otherwise, the financial data in the Draft Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP, and included in this Draft Red Herring Prospectus. Our current fiscal year commenced on April 1, 2005 and ends on March 31, 2006. In the Draft Red Herring Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in the Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in the Draft Red Herring Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data. All references to “India” contained in the Draft Red Herring Prospectus are to the Republic of India.

For additional definitions used in this Draft Red Herring Prospectus, please refer to section titled ‘Definitions and Abbreviations’ on page no. (v) f this Draft Red Herring Prospectus. In the section titled ‘Main Provisions of Articles of Association’, defined terms have the meaning given to such terms in the Articles of Association of our Company.

Market data used throughout the Draft Red Herring Prospectus has been obtained from industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness is not guaranteed and their reliability cannot be assured. Although the Company believes market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent source.

### **Currency of Presentation**

In the Draft Red Herring Prospectus, all references to “Rupees” and “Rs.” and “Indian Rupees” are to the legal currency of Republic of India. Through out the sections on ‘Financial Information’, ‘Summary of Financial Information’ and ‘Management’s Discussion and Analysis of Financial Conditions and Results of Operation’ in the Draft Red Herring Prospectus figures have been expressed in lacs. The term ‘lacs’ means ‘One Hundred Thousand’.

Any percentage amounts, as set forth in “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operation” in the Draft Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP. In the Draft Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.



### 3. FORWARD-LOOKING STATEMENTS

Statements included in this Draft Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expression or variations of such expressions, that are “forward-looking statements”.

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

- General economic and business conditions in India and other countries.
- Regulatory changes relating to the chemical sector in India and our ability to respond to them.
- Our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks that have an impact on our business activities or investments.
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.
- Changes in the value of the Rupee and other currencies.
- The occurrence of natural disasters or calamities
- Change in political condition in India

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page no. (x) of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the Book Running Lead Managers will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange.



## SECTION II - RISK FACTORS

An investment in equity involves a higher degree of risk. Investors should carefully consider all the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our equity shares. Any of the following risks as well as other risks and uncertainties discussed in this Draft Red Herring Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial implication of any of the risks described in this section.

### ***There are certain civil cases including winding up petitions filed against our Company***

There are certain civil cases pending against the company including eight winding up petitions, three civil suits for recovery of money, a suit before Court of Civil Judge (Senior Division) Barnala alleging damages to crop and animals due to leakage of hazardous waste, an appeal before the District Judge, Chandigarh by Gurdaspur Cooperative Sugar Mills Limited challenging validity of Arbitration Award. The total amount involved in the various civil cases and winding up petition is Rs. 73.56 Lacs plus interest. For further details please refer to the /section titled “ Outstanding Litigations” on page no. 105 of this Draft Red Herring Prospectus.

### ***Appeals by our Promoters MPL and Mr. Varinder Gupta are pending before the SAT against the SEBI Order***

Our Company was originally incorporated by Mr. Rajinder Gupta together with PSIDC. Pursuant to a family settlement, Mr. Varinder Gupta and MPL acquired the entire shareholding of Nominees of Mr. Rajinder Gupta through interse transfer. SEBI, vide its Order dated September 16, 2004, held Mr. Varinder Gupta and MPL responsible for the violation of certain provisions of the SEBI (SAST) Regulations 1997. Our Promoters Mr. Varinder Gupta and MPL have appealed before the Securities Appellate Tribunal against the said SEBI Orders imposing penalty for alleged violation of SEBI (SAST) Regulations 1997, for further details please refer to the section titled “Outstanding Litigations” on page no. 105 of this Draft Red Herring Prospectus.

### ***A suit for declaration as promoter/collaborator of our Company is pending***

Subsequent to acquisition of the shareholding of Nominees of Mr. Rajinder Gupta, MPL and Mr. Varinder Gupta became our Promoters. However, the request made by MPL to PSIDC for buying back the shareholding of PSIDC in our Company under OTS was not agreed upon by PSIDC as PSIDC did not recognize MPL as Collaborator of our Company. MPL has filed a suit against PSIDC and our Company for declaration as promoter/collaborator of our Company before the Court of Civil Judge, Senior Division Ludhiana. For further details, please refer to the section titled “Outstanding Litigations” on page no. 105 of this Draft Red Herring Prospectus.

### ***One of our Promoter has given its dissent for the proposed Issue of our Company***

PSIDC, which holds 12.17 % of our issued equity share capital, has not consented for the proposed Issue. , In the Extra Ordinary General Meeting held on January 07, 2006, PSIDC voted “against” the resolution for further issue of shares u/s 81 (1A) of the Companies Act, 1956. For further details, please refer to the “ About the Issuer Company – Our History and Corporate Structure” on page no. 61

### ***We were referred to the BIFR for the period June 10, 2002 to June 18, 2004.***

Due to steep increase in prices of furnace oil resulting in non-operation of boiler and turbine, initially we were forced to run our plants on DG Sets and subsequently source steam and power from Abhishek Industries Limited (erstwhile Varinder Agro Chemicals Limited later merged with Abhishek Industries Limited). Further recession in the chemical industry led to heavy losses during the financial year 2001 and the Networth of our Company turned negative as on financial year ended March 31, 2002; and on June 10, 2002 our Board of Directors made reference of our Company to the BIFR. As our Networth became positive as on financial year ended March 31, 2004 we were deregistered from the BIFR with effect from June 18, 2004 without appointment of any operating agency by the BIFR. For further details, please refer to section titled ‘ About the Issuer Company - Our History and Corporate Structure’ on page no 61 of this Draft Red Herring Prospectus.

### ***Certain Loans of our Company were rescheduled in past***

We had obtained term loans from IDBI amounting to Rs. 1070 Lacs, Rs. 220 Lacs and Rs. 108 Lacs, vide Loan Agreements dated February 03, 1998, June 18, 1998 and February 22, 2000. IDBI restructured the term loans for



three times vide letter dated March 31, 2003, August 08, 2003 and April 15, 2004.

As per the last reschedulement on April 15, 2004, the term loan due for repayment in 32 instalments from April 1, 2004, was rescheduled for repayment in 26 quarterly instalments commencing from January 1, 2005. For further details on history of reschedulement of term loans and funded interest please refer to section titled 'About the Issuer Company - Our History and Corporate Structure' on page no 61 of this Draft Red Herring Prospectus.

***We have incurred losses in past as per the restated financial statements as under:***

<b><i>Financial year ended</i></b>	<b><i>Rs. in Lacs</i></b>
March 31, 2003	(614.14)
March 31, 2002*	(1044.24)
December 31, 2000	(114.68)

*\* for period ending 15 months*

For further details on financials of our Company please refer to section titled 'Financial Information' on page no 80 of this Draft Red Herring Prospectus.

### **PROJECT RELATED RISKS**

***The Expansion Project for which funds are being raised have not been not appraised by any bank, financial institution or an independent appraiser.***

The requirement of funds as stated in the section titled 'Objects of the Issue' on page no. 19 of this Draft Red Herring Prospectus is based on the internal management estimates and has not been appraised independently by any bank, financial institution or any independent agency. Further, deployment of funds is entirely at the discretion of our Board of Directors and is not subject to monitoring by any independent agency. All the figures included under the "Objects of the Issue" are based on our own estimates.

***We have not placed orders for certain plant and machinery, equipments etc. as stated in section titled 'Objects of the Issue' on page no. 19 of this Draft Red Herring Prospectus***

The net proceeds of the issue are proposed to be utilised to fund the expansion of installed capacity of acetic acid, ethyl acetate, acetic anhydride, ibuprofen and setting up 4 MW Co-generation plant. We have placed orders only to the extent of 53% of the total cost of the plant and machinery, amounting to Rs. 2450 Lacs, orders for the remaining 47% of projected cost of plant and machinery remains to be placed or we have not entered into service or purchase agreements for procurement thereof. Any delay in placing the orders or procurement of plant and machinery may delay implementation schedule. Such delays may also lead to increase in prices of these equipments, further affecting our cost and profit estimates.

***Our proposed Expansion is dependent on Issue Proceeds***

Part of the funding of Expansion Project is proposed to be met from the issue proceeds. Any delay in issue will have a negative impact on the expansion plans of the company and may delay the commencement of the Project.

***We have not identified alternate sources of financing the Expansion Project. If we fail to mobilize resources as per our plans, we may be severely affected.***

Any failure or delay on our part to mobilize required resources may delay implementation schedule of the Expansion Project and could adversely affect our growth plans.

***Delay or non-receipt of regulatory approvals may delay the expansion and could adversely affect our growth plans***

Our company has applied for approval of various licences, clearances, etc., for Expansion Project as stated in the object of the issue. Our inability to fulfil the specified conditions will affect the implementation of the Expansion Project as specified under section titled 'Objects of the Issue' on page 19.

***Delay in completing capacity expansion could have an adverse impact on our business***

Any delay in completing the Expansion Project for any reason whatsoever could result in a significant cost and time overrun. Due to these time and/or cost overrun, the overall benefit of such plans to our revenues and profitability may decline.



***Any under utilisation of capacities may have an adverse effect on the performance of the company.***

The capacity of acetic acid, ethyl acetate, acetic anhydride and ibuprofen will increase upon completion of the Expansion Project. This will result in a substantial increase in fixed costs. Therefore, any under utilization of the capacity will increase the cost of production and would adversely affect our financial condition.

***Any shortfall in power generation due to under-utilisation of the co-generation project will adversely impact our operations.***

Any shortfall in power generation due to non availability of fuels viz rice husk, coal etc will have an adverse impact on our operations and which may impact financial results of our Company.

***Our proposed Expansion is without any firm Marketing Arrangements***

We do not have any firm arrangements for marketing of chemicals/ drugs manufactured by us. In the absence of guaranteed customers for the increased production, there can be no assurance that we will be successful in selling our increased production. This may result in lower capacity utilization and adversely affect our operations and financial results.

**INTERNAL TO THE COMPANY AND SPECIFIC TO THE BUSINESS**

***Contingent liabilities not provided for by the Company as on December 31, 2005 are as under:***

<b>Contingent Liability not provided for</b>	<b>Rs. in Lacs</b>
(a) Bills discounted with bankers against irrevocable letters of credit	<b>152.64</b>
(b) Estimated amount of contracts remaining to be executed on capital account	<b>1803.13</b>
(c) Corporate Guarantee	<b>200.00</b>
<b>Total</b>	<b>2155.77</b>

For further details, please refer to page 96 of this Draft Red Herring Prospectus under section titled ‘Financial Information – Statement of Contingent Liabilities.’

***Any non- availability of raw materials may have adverse impact on our operations***

The availability of industrial alcohol depends upon the performance of the Sugar industry, which in turn depends upon the availability of sugarcane crop depends on natural vagaries, and the crop of one season may vary from that of another. Moreover due to the diversion of industrial alcohol in the gasohol (blending of ethanol with petrol) project may also affect the availability of industrial alcohol.

***Failure to fulfil outstanding export obligations may have an adverse effect on our Company***

Our company procures advance licence to imports raw materials for manufacture of products as per the exim policy of the country; our inability to fulfil the conditions of issue of licence will have adverse effect on our financials. As on December 31, 2005 total outstanding export obligation were to the extent of Rs. 1456.80 Lacs. For further details see section titled ‘ About the Company- Business Overview’ on page 45 of this Draft Red Herring Prospectus.

***Trademarks / logo of our Company are not registered in our name***

Trademark / logo which we are using in registered in the name of “Abhishek Industries Limited”. We have been granted exclusive right to use the said trademark \ logo for goods specified in class I of fourth schedule of the Trade Marks Rules, 2002, however the rights granted may be revoked by Abhishek Industries Limited at any time which may adversely affect our commercial interests.

***Covenants with lenders may restrict our operations, our capacity to expand, distribute dividends, etc.***

Certain covenants in our financing agreements require us to obtain approval from the financial institutions / development corporation *inter alia* before undertaking new projects or expansion of the existing facilities, making any new investments, issuing new security (debt or equity) including shares being issued in this Issue, making changes to our capital structure, distributing dividends to our shareholders. For details, see section titled “Introduction - Capital Structure” on page 11 of this Draft Red Herring Prospectus.



***For generation of certain part of our steam and power requirement at our facilities we are dependant on Abhishek Industries Limited.***

At present, we are using 66 KVA grid and a boiler of 15 TPH capacity of Abhishek Industries Limited to the to meet our requirement of power and steam. Though we have one boiler of 9 TPH capacity and also 3 DG Sets for our steam and power requirement respectively, further we have entered into agreements with Abhishek Industries Limited for using of aforesaid facilities, any termination of the said agreements by Abhishek Industries Limited will result in operational difficulties and our cost of manufacturing may increase.

***We have not paid dividend for the financial year ended March 31, 2004 and March 31, 2005 on the 7% Non Cumulative Redeemable Preference Shares held by Abhishek Industries Limited.***

We have not declared/paid dividend since allotment on 50,00,000 7% Non Cumulative Redeemable Preference Shares of face value Rs. 10 each, issued to Abhishek Industries Limited on March 20, 2004. As per the provisions of the Companies Act, 1956 non- payment of dividend for certain periods entitles the holders of Non Cumulative Redeemable Preference Shares the right to vote in the general meeting of the Company. Accordingly, Abhishek Industries Limited, the preference shareholder is entitled to exercise its right in the general meeting, to this extent the rights of the equity shareholders may be affected until the declaration of dividend.

***Though we have taken insurance cover, we may not be fully insured for losses we may incur.***

We have a committed insurance strategy to cover the assets against all potential hazards and events incidental to our business. However, we cannot assure the comprehensiveness of insurance against all foreseeable risks, there can be situations where the management may not be able to cover some risks which are insurable or beyond the comprehension of insurance. The occurrence of such incidence may adversely affect the business of the company. Investors are advised to refer to the section titled “Business Overview” on page 45 of this Draft Red Herring Prospectus.

***We may continue to be controlled by our Promoters following this Issue and our other shareholders may not be able to determine the outcome of shareholding voting.***

After the completion of this Issue, our Promoters will collectively hold approximately [•] of the outstanding Equity Shares. Consequently, Our Promoters may exercise substantial control over us and inter alia may have the power to elect our Directors/Auditors and/or determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders, such as lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions/joint ventures.

**MPL one of our Promoter and Our Group Company have incurred losses in past**

Our Promoter/ Group Company have incurred losses in recent years, as set forth in the table below:

Promoter Company:

Name of the company incurring losses	Rs. In Lacs		
	March 31, 2005	March 31, 2004	March 31, 2003
Mayadevi Polycot Limited	(1.31)	(0.12)	(0.17)

Group Company:

Name of the company incurring losses	Rs. In Lacs		
	March 31, 2005 (15 Months)	December 31, 2003 (12 Months)	December 31, 2002 (12 Months)
G Drugs and Pharmaceuticals Limited (Formerly Vikas Chemdrugs Limited)	(203.76)	(113.15)	(128.45)

**Further PSIDC, one of our promoter has also incurred losses in past. For further details, please refer to the section titled “ Our Promoters” on page no. 73 of this Draft Red Herring Prospectus.**

***We may face shortage of skilled personnel***

The ability of the management to hire, retain and develop qualified pool of knowledgeable personnel will determine the success of the company.

***You will not receive the Equity Shares you subscribe in this Issue until several days after you pay for them, which will subject you to market risk.***

The Equity Shares you subscribe in this Issue will not be credited to your demat account with depository participants until approximately 15 working days from the Bid/ Issue Closing Date (or approximately 10 working days from the



date that you make payment for the equity shares). You can start trading your equity shares only after receipt of listing and trading approvals in respect of these shares which will require additional time after the credit of shares into your demat accounts. Since our equity shares are already listed on the stock exchanges, you will be subject to market risk from the date you pay for the equity shares to the date they are listed. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the time periods specified above.

## **SUMMARY OF PENDING LITIGATIONS**

There are certain following litigations involving our Company, Promoter, Directors and Group Company. For further details, please refer to the section titled “ Outstanding Litigations” on page no. 105 of this Draft Red Herring Prospectus.

## **CASES AGAINST OUR COMPANY**

### **Criminal Cases**

#### ***Criminal Case against former employee of the company***

Gurdaspur Cooperative Sugar Mills Limited has filed a criminal complaint under the Indian Penal Code against a former employee of the company for alleged misappropriation of their goods (Molasses). The next date of the hearing is April 24, 2006.

## **CASES FILED BY OUR COMPANY**

### **Civil Cases**

#### ***There are certain income tax proceedings by our Company***

Our Company has filed a number of appeals before income tax authorities, tribunal and high court against orders relating to disallowances of various expenses, treating sales tax subsidy as revenue receipts etc., including three appeals before the Income Tax Appellate Board, three appeals before Commissioner of Income Tax (Appeal), Ludhiana, one appeal before the Honourable High Court of Punjab and Harayana, Chandigarh. The total disputed amount involved is around Rs. 1230.99 Lacs.

#### ***There are certain Sales Tax proceedings by our Company***

Our company has filed an appeal before Joint Director (Mobile Squad), Patiala, against penalty order imposed by AETC (Additional Excise Taxation Commissioner), Sangrur for Rs. 2.40 Lacs and by ETO, Khanori for Rs. 0.74 Lacs.

#### ***Civil Suits for recovery of money by the company***

Our Company has filed three civil suits against various parties, including two for recovery of money and one for winding up; the total amount involved in the litigation is Rs. 48.90 Lacs plus interest.

#### ***Our Company has filed Writ Petition against State Governments***

Our company has filed two writ petitions, one of them before the honourable High Court of Punjab and Harayana, Chandigarh, challenging the levy of permit fee on denatured alcohol by Government of Punjab being ultra vires and out of the power of the State Government and other writ petition before the honourable Allahabad High Court, Uttar Pradesh, (UP) challenging levy of export fee on the export of denatured spirit from the State of UP into the State of Punjab.

### **Criminal Cases**

#### ***Cases filed by the company in relation to dishonour of cheques***

Our Company has filed four criminal complaints against parties dishonouring cheques under section 138 of Negotiable Instrument Act and the Indian Penal Code; the total amount involved is Rs. 41.40 Lacs.

## **Summary of pending litigations filed against our Group Companies**

### ***Civil Cases/ Winding up petition against Group Company G Drugs and Pharmaceuticals Limited***

Four winding up petitions and two civil suits for recovery of money are pending against our group company G Drugs and Pharmaceuticals Limited (Formerly Vikas Chemdrugs Limited) before various judicial authorities, the total disputed amount is Rs. 12.63 Lacs plus interest.

We are defendants in legal proceedings incidental to our business and operations. These legal proceedings are pending at different level of adjudication before various courts and tribunals. Should any new developments arise



such as change in Indian laws or rulings against us by the Courts or by tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. Further more, if significant claims are determined against us and we are required to pay all or a portion of the disputed amounts, it could have material adverse affect on our business or profitability. No assurance can be given as to whether above litigation will be settled in favour of or against our Company, Group Companies, Promoter. For details on aforesaid litigations please refer to section titled ‘Outstanding Litigation’ on page 105 of this Draft Red Herring Prospectus.

***Any future issuance of Equity Shares by our Company may dilute your holding in the Company***

To fund future growth plans of our Company we may further raise capital by way of issuance of Equity Shares or convertibles in domestic or overseas market. Such further issuance of Equity Shares or convertibles could dilute your shareholding in our Company. Further, perception of such further Issues may also affect the trading price of our Equity Shares.

***Sale of equity shares by Promoters may adversely affect the trading price of our Shares.***

In event of any of our Promoters sell significant portion of their shareholding the trading price of the Equity Shares of our Company may be adversely affected.

Subsequent to the acquisition of shareholding of Nominees of Mr. Rajinder Gupta, MPL and Mr. Varinder Gupta became Our Promoters. However, the request made by MPL to PSIDC, for buying back the shareholding of PSIDC in Our Company, was not agreed upon by PSIDC as PSIDC did not recognise MPL as Collaborator of Our Company. MPL has filed a suit against PSIDC and our Company for declaration as promoter/collaborator of Our Company before the Court of the Civil Judge, Senior Division, Ludhiana. For further details please refer to the section titled “ Outstanding Litigations” on page no. 105 of this Draft Red Herring Prospectus. Pending the final hearing, PSIDC may sell the shares with consent of the Hon’ble Court.

PSIDC is enforcing the obligation of Mr Rajinder Gupta to buyback the shares as per agreement under the Arbitration proceedings. In the event Mr. Rajinder Gupta does not acquire these shares and there is no restraint on PSIDC, it may sell its shareholding in secondary market due to which trading price of equity shares of Our Company may be impacted. In the event Mr. Rajinder Gupta acquires these shares, Mr. Rajinder Gupta may sell his shareholding in secondary market due to which trading price of equity shares of Our Company may be impacted.

**RISK FACTORS EXTERNAL TO THE COMPANY**

***Exchange Rate Fluctuations may have impact on the performance of the Company.***

The Company is exposed to exchange rate fluctuations. Uncertainties in the global financial market may have an adverse impact on the exchange rate between Rupee vis-à-vis other currencies. The exchange rate between the Rupee and other currencies is variable and may continue to fluctuate in the future. Such fluctuations can have a serious impact on the revenues from the export business of the Company.

***There may be changes in the regulatory framework that could adversely affect us.***

The statutory and regulatory framework for the Indian Chemical and Pharma Industry may see changes in the next few years. There could be changes in the areas of levy of fee, any duty/levies for movement of industrial alcohol, usage of ethanol in petrol, Drug Price Control Order etc. We presently do not know what the nature or extent of the changes will be and cannot assure you that such changes will not have an adverse impact on our financial condition and results of operations. For a discussion on the regulatory framework on the chemical and pharma industry in India, please refer to sections titled “Regulations and Policies” on page 57 of this Draft Red Herring Prospectus.

***Political situation and changes in the Government of India may affect the performance of the Company.***

The Government of India has pursued the economic liberalization policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced policies and taken initiatives that support continued economic liberalization. There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatisation could slow down the pace of liberalization and deregulation. A significant change in India’s economic liberalization and deregulation policies could disrupt the business and economic conditions in India.

***Natural disasters could disrupt our operations and result in loss of revenues and increased costs.***

The business of the Company is exposed to man-made and natural disasters such as, explosions, earthquakes, storms and floods as well as to terrorist attacks or other enemy actions. The occurrence of a man-made or natural disaster, terrorist attack, enemy action or other accidents could disrupt the operations of the business of the Company and result in loss of revenues and increased costs.



***The acts of violence and terrorist attacks or war involving India could adversely affect the Company's business.***

There have been instances of terrorist attacks in many parts of the world and also in India in the recent past. Any recurrence of such events or other acts of violence/war may negatively affect the Indian capital market and may also adversely affect performance of our scrip in the stock exchanges. These acts may also result in a loss of business confidence. Any recurrence of events of terrorist attacks or other acts of violence may adversely impact the desire of corporate executives to travel to India for business purposes and thereby adversely impacting business prospects. These uncertainties make it difficult for us and our customers to accurately plan future business activities.

***After the Issue, the price of the equity shares may be highly volatile or there may be no active market for the Equity Shares***

The share price of equity shares of our Company may be volatile in future on account of volatility in the Indian and global securities market, results of operations and performance, perceptions about our future, performance of the Indian Economy.

**Notes to Risk Factors:**

1. The Net worth of the Company as per the financial statements of the Company before the Issue as on December 31, 2005 is Rs. 1023.06 Lacs
2. The size of the Present Issue – Public Issue of [●] Equity Shares of Rs. 10/- each at a price band of Rs. [●] to [●] per Equity Share aggregating to Rs. 3000 Lacs.
3. The average cost of acquisition of Equity shares by Mr. Varinder Gupta and MPL is Rs. 3.02 per share and by PSIDC is Rs. 10/- per share .
4. The Book value per share as on December 31, 2005 is Rs. 12.70 per share of Rs.10/- each.
5. Other than as disclosed in the “Related Party Information” on page no. 78 of this Draft Prospectus, the promoters / directors / key management personnel of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits.
6. Details of “Related Party Information” as on December 31, 2005 is given on page no. 78 of this Draft Red Herring Prospectus.
7. The Investors are advised to refer to the Para on “Basis for Issue Price” on page no. 32 of this Draft Red Herring Prospectus before making any investment in this Issue.
8. Investors may note that in case of over-subscription, the allotment to QIB's, non institutional and retail portion shall be on proportionate basis for more information, see “Basis of Allotment” beginning on page no. 147 of this Draft Red Herring Prospectus.
9. The Investors may contact the Book Running Lead Manager to the Issue or the Compliance Officer for any complaint / clarification / information pertaining to the Issue, who will be obliged to attend to the same.
10. No part of the Issue proceeds will be paid as consideration to promoters, directors, key managerial personnel, associate or Group Companies



### SECTION III

#### INTRODUCTION

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Draft Red Herring Prospectus, including the information on 'Risk Factors' and the section titled 'Financial Statements' and related notes beginning on page 80 of this Draft Red Herring Prospectus before deciding to invest in our Equity Shares.

#### OVERVIEW OF THE COMPANY

Our Company was incorporated on September 29, 1986 in the State of Punjab under the name Industrial Organics Limited, which was later changed to Trident Alco-Chem Limited with effect from June 29, 1994, the name of the Company was once again changed to Industrial Organics Limited with effect from December 05, 2002. The Registered Office of the Company was originally situated at 85, Industrial Area 'A' Ludhiana-141 003, Punjab and w.e.f. September 27, 1993 the registered office was shifted to the present office at Trident Complex, Raikot Road, Barnala 148 101, Punjab.

Our Company was originally promoted by Mr. Rajinder Gupta jointly with PSIDC, a state level industrial development corporation and financial institution as financial collaborator. In 1996 Mr. Rajinder Gupta and his Nominees bought back the equity stake from PSIDC. Thereafter, in 1998 pursuant to financial collaboration agreement dated August 7, 1998 PSIDC and Nominees of Mr. Rajinder Gupta subscribed to certain equity shares to part finance the expansion plans undertaken by our Company. On June 8, 2002 in terms of family settlement between Mr. Varinder Gupta and Mr. Rajinder Gupta, MPL and Mr. Varinder Gupta acquired entire shareholding of Nominees of Mr. Rajinder Gupta. Consequently MPL and Mr. Varinder Gupta, acquired 49,88,800 equity shares representing 61.97% of shareholding. This arrangement does not have the approval of PSIDC.

We started our operations in 1991, with a small project to manufacture 4500 TPA of acetic acid and gradually diversified into a multi product-manufacturing unit. We are manufacturer, exporter and supplier of industrial organic chemicals like acetic acid, ethyl acetate, acetic anhydride & bulk drug ibuprofen. Today we are among the leading producers of organic chemicals and bulk pharmaceutical drug ibuprofen.

Our production facilities are located at Village Fatehgarh Channa, Barnala, District Sangrur, Punjab. The raw materials required for manufacturing our products are procured from the domestic markets in India, and also from overseas market like Brazil, China etc.

Currently, we have an installed capacity of 30000 TPA of acetic acid, majority of the production of which is captively consumed in the production of ethyl acetate and acetic anhydride. We plan to increase the capacity of acetic acid to 50000 TPA.

In case of ethyl acetate, acetic anhydride and ibuprofen, we are currently operating with an installed capacity of 18000 TPA, 7500 TPA & 720 TPA respectively, which we plan to increase to 33000 TPA, 12000 TPA & 1500 TPA respectively. We also plan to set up a 4 MW co-generation project to meet our requirements of power & steam.

We have a strong marketing and distribution network with our marketing headquarters at Ludhiana and marketing offices at Delhi and Mumbai. The major buyers for our products include various companies such as Surya Pharmaceuticals Limited, Dishman Pharmaceuticals Limited, Abhishek Industries Limited, United Phosphorus Limited, Rallis India Limited, Ranbaxy Laboratories Limited, Nector Life Science Limited, Meghmani Organics Limited. We also export our products to countries such as Bangladesh, Dubai, Libya, Lebanon, Thailand, Syria & Singapore.

The equity shares of our Company were first listed on the Ludhiana, Delhi and Bombay Stock Exchange in 1991. On account of infrequent trading the securities of our Company were delisted from the Delhi and Ludhiana Stock Exchanges with effect from March 22, 2004 and March 26, 2004 respectively. Equity shares of our Company continue to be listed on the BSE.

Our strategy is primarily focussed on leadership through rationalization of cost structure, increasing our operational efficiencies, to develop global strategic alliances with quality leaders and to enter a wider domestic and international market.

An experienced management team, good labour relations, proximity to major markets, constant innovation and operational efficiency are our competitive strengths.



## SUMMARY OF FINANCIAL INFORMATION

The following tables sets forth the historical financial information of our Company derived from their restated and audited financial statements for the year ended December 31, 2000 and year ending March 31, 2002 (consisting of 15 months), 2003, 2004, 2005 and for the nine months period ended December 31, 2005, all prepared in accordance with Indian GAAP, SEBI guidelines, and included in the section titled 'Financial Information' on page no. 80 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and notes.

## STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

Rs. in Lacs

	As At					
	December 31 2005	March 31 2005	March 31 2004	March 31 2003	March 31 2002	December 31 2000
<b>Fixed Assets</b>						
Gross Block	4974.16	4302.76	3672.73	3654.10	3587.58	3512.99
Less: Depreciation	1455.44	1252.99	1039.92	888.73	715.08	499.90
Net Block	3518.72	3049.77	2632.81	2765.37	2872.50	3013.09
Capital Work in Progress	915.98	81.37	23.93	8.12	--	10.79
Total (A)	4434.70	3131.14	2656.74	2773.49	2872.50	3023.88
Investments (B)	--	--	--	--	6.20	--
<b>Current Assets, Loans and Advances:</b>						
Inventories	1576.81	1084.64	420.07	392.06	472.60	310.35
Sundry Debtors	1449.40	1092.64	781.70	652.66	719.14	619.54
Cash & bank Balances	290.88	105.00	59.11	59.48	57.46	125.49
Loans & Advances	246.60	222.51	186.55	163.99	152.77	128.62
Total (C)	3563.69	2504.79	1447.43	1268.19	1401.97	1184.00
<b>Liabilities and Provisions:</b>						
Secured Loans	3222.82	2867.12	2392.05	2177.12	2002.08	1892.70
Unsecured Loans	1537.28	837.54	613.14	852.48	752.39	717.76
Current Liabilities and Provisions	1851.71	1262.60	705.46	1676.05	1609.49	669.99
Deferred Tax (Assets)/Liabilities Net	(136.48)	(305.78)	--	--	--	--
Total (D)	6475.33	4661.48	3710.65	4705.65	4363.79	3280.45
<b>Net Worth (A+B+C-D)</b>	1523.06	974.45	393.52	(663.97)	(83.29)	927.43
<b>Represented by</b>						
1. Equity Share Capital	805.00	805.00	805.00	805.00	805.00	805.00
2. Preference Share Capital	500.00	500.00	500.00	--	--	--
2. Reserves & Surplus	267.14	105.46	105.46	105.46	105.46	223.10
3. Accumulated Loss	--	(369.55)	(927.31)	(1540.74)	(926.60)	--
4. Misc. Expenditure to the extent not written off	(49.08)	(66.46)	(89.63)	(33.69)	(67.15)	(100.67)
<b>Net Worth</b>	1523.06	974.45	393.52	(663.97)	(83.29)	927.43



# STATEMENT OF PROFIT AND LOSS, AS RESTATED

Rs. in Lacs

	Period ended	Year ended	Year ended	Year ended	Period ended	Year ended
	December 31 2005	March 31 2005	March 31 2004	March 31 2003	March 31 2002	December 31 2000
	9 Months	12 Months	12 Months	12 Months	15 Months	12 Months
<b>INCOME:</b>						
Gross Sales	11763.35	9653.24	6125.29	6221.18	5909.77	4276.82
Less: Excise Duty	1563.51	1243.21	759.40	771.17	772.17	559.47
Net Sales	10199.84	8410.03	5365.89	5450.17	5137.60	3717.35
Other Income	12.93	18.91	11.79	11.03	24.52	48.01
Total Income	10212.77	8428.94	5377.68	5461.20	5162.12	3765.36
<b>EXPENDITURE:</b>						
Raw Materials	7557.72	6070.01	3517.23	3849.61	3817.54	2258.81
(Increase)/Decrease in WIP/Finished Goods	(434.14)	(152.70)	(31.79)	66.13	(90.88)	46.40
Manufacturing Expenses	1230.16	1096.31	876.58	1094.87	1151.91	690.58
Personnel Expenses	216.90	249.56	173.14	174.05	265.83	172.44
Administrative Expenses	131.79	165.30	138.94	117.16	128.21	104.38
Selling & Distribution Expenses	177.73	138.77	106.38	95.00	164.85	53.15
Financial Expenses	396.23	349.98	331.08	467.40	507.01	381.16
Miscellaneous Expenditure Written Off	17.38	23.17	51.17	33.46	43.52	18.88
Depreciation	202.45	216.76	189.63	177.66	218.37	138.24
Total Expenditure	9496.39	8157.16	5352.36	6075.18	6206.36	3880.04
<b>Net Profit Before Tax And Extraordinary Items</b>	716.38	271.78	25.32	(614.14)	(1044.24)	(114.68)
Less: Provision for Taxation - Current	10.00	19.80	--	--	--	--
Fringe Benefit Tax	5.85	--	--	--	--	--
Less: Deferred Tax (Assets)/Liabilities Net	169.30	(305.78)	--	--	--	--
<b>Net Profit/(Loss) Before Extraordinary Items</b>	531.23	557.76	25.32	(614.14)	(1044.24)	(114.68)
Add: Waivment of Liabilities of Steam/Power of earlier years (as extraordinary item)	--	--	588.11	--	--	--
Profit/(Loss) after tax	531.23	557.76	613.43	(614.14)	(1044.24)	(114.68)
Profit/(Loss) Adjusted to the extent General Reserve available	--	--	--	--	225.00	--
Profit/(Loss) brought forward from previous year	(369.55)	(927.31)	(1540.74)	(926.60)	(107.36)	7.32
Balance carried to Balance Sheet	161.68	(369.55)	(927.31)	(1540.74)	(926.60)	(107.36)



## THE ISSUE

<b>Equity Shares offered:</b>		
Fresh Issue by the Company		[●] Equity Shares of face value of Rs. 10/- each, constituting [●] % of the post-issue paid up capital of the Company, aggregating Rs. 3000 Lacs.
<b>Of which</b>		
A) Qualified Institutional Buyers portion		At least [●] Equity Shares of face value of Rs. 10/- each aggregating Rs. 1500 Lacs constituting minimum 50% of the Issue (Allocation on a proportionate basis, of which 5% shall be reserved for Mutual Funds)
B) Non-Institutional Portion		At Least [●] Equity Shares of face value of Rs. 10/- each, i.e., minimum 15% of the Issue aggregating to Rs. 450 Lacs. (Allocation on a proportionate basis)
C) Retail Individual Investors Portion		At least [●] Equity Shares of face value of Rs. 10/- each, i.e., minimum 35% of the Issue aggregating to Rs. 1050 Lacs. (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue		80,50,000 Equity Shares of face value of Rs.10/- each
Equity Shares outstanding after the Issue		[●] Equity Shares of face value of Rs.10/- each
Use of Issue proceeds		Please refer to the section titled “Objects of the Issue” on page 19 of the Draft Red Herring Prospectus for a detailed discussion on the Objects of the Issue

### Notes:

Under-subscription, if any, in the Retail Individual Investors or Non-Institutional Investors portion would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLM.



## GENERAL INFORMATION

### Registered Office:

Industrial Organics Limited  
Trident Complex, Raikot Road,  
Barnala-148 101, Punjab, India  
Tel: +91-1679-244700-07  
Fax: +91-1679-244708

### Corporate Office

Industrial Organics Limited  
85, Industrial Area 'A',  
Ludhiana - 141 003, Punjab, India  
Tel: +91 - 0161-2225531-35  
Fax: +91- 0161-2608784

### Plant:

Village Fatehgarh Channa,  
Mansa Road,  
Barnala-148 101, Punjab, India  
Tel: +91-1679-285285-88  
Fax: +91-1679-285292  
Email: [iol@industrialorganics.com](mailto:iol@industrialorganics.com)  
Website: [www.industrialorganics.com](http://www.industrialorganics.com)

**Registration Number:** U24116PB1986PLC7030

**Registrar of Companies:** The Registrar of Companies, Punjab, Himachal Pradesh & Union Territory of Chandigarh, situated at 285- 286, Defence Colony, Jalandhar - 144 003.

### Listing Details:

We are listed on the Bombay Stock Exchange Limited (BSE)  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai-400 001  
BSE Code: 524164

For changes in our incorporation details please see the section titled 'About the Company - Our History and Corporate Structure' on page no. 61 of this Draft Red Herring Prospectus.

### The Board of Directors of the Company

Board of Directors of our Company comprises the following:

Name	Designation
Mr. Varinder Gupta	Chairman cum Managing Director
Mr. Yogesh Goel	Nominee Director, PSIDC
Dr. M A Zahir	Independent Director
Mr. Chandra Mohan	Independent Director
Ms. Lalita Kapur	Nominee Director, IDBI
Dr (Mrs) H K Bal	Independent Director
Ms. Dimple Gupta	Director



## **Brief profile of Chairman and Managing Director**

### **Mr. Varinder Gupta**

Mr. Varinder Gupta, aged 43 years is Chairman and Managing Director of the Company. He is an industrialist and having wide and rich experience of more than 19 years in chemical and fertilizer industry. His leadership and direction has been instrumental in the growth of our Company. Under his leadership, the Company has also received the Punjab State Safety Award for Nil Accident in the chemical industry during the year 2001 and 2002. The Company has also received from the Ministry of Power, Government of India, The National Award for Energy Conservation (2<sup>nd</sup> prize) in the chemical sector for the year 2005. He is also Director in G Drugs and Pharmaceuticals Limited and Mayadevi Polycot Limited

## **COMPANY SECRETARY AND COMPLIANCE OFFICER**

### **Mr. Krishan Singla**

Sr. Company Secretary  
Industrial Organics Limited  
85, Industrial Area 'A', Ludhiana -141 003  
Tel: +91 161 2225531-5  
Fax: +91 161 2608784  
**Email:** [krishan@industrialorganics.com](mailto:krishan@industrialorganics.com)

Investors can contact the compliance officer in case of any pre-issue or post-issue related problems such as non-receipt of the letters of allotment, credit for allotted shares in the respective beneficiary account, refund orders etc.

## **BANKERS TO THE COMPANY**

### **Punjab National Bank**

Large Corporate Branch,  
First Floor, Miller Ganj,  
Ludhiana – 141 001  
Tel: 0161- 2541266/ 3946683  
Fax: 0161- 2541568  
Email: [pnblcb@rediffmail.com](mailto:pnblcb@rediffmail.com)

### **Oriental Bank of Commerce**

Overseas Branch,  
B XV – 130, Zandu Tower,  
Miller Ganj, G.T. Road,  
Ludhiana – 141 003  
Tel: 0161 -2532158  
Fax: 0161- 2544013  
Email: [bm0605@obc.co.in](mailto:bm0605@obc.co.in)

### **Industrial Development Bank of India Limited**

SCO 72-73, Sector 17-B,  
Bank Square,  
Chandigarh – 160 017  
Tel: 0172 -2709689  
Fax: 0172- 2703409  
Email: [ldbichbo@sancharnet.in](mailto:ldbichbo@sancharnet.in)

### **Allahabad Bank**

International cum Industrial Finance Branch,  
165, Industrial Area -A,  
Ludhiana – 141 003  
Tel: 0161 -2653158  
Fax: 0161- 2653117  
Email: [albibldh@satyam.net.in](mailto:albibldh@satyam.net.in)

## **LEGAL ADVISORS TO THE ISSUE**

### **Corporate Professionals**

Advocates & Solicitors  
7/9 Sarvpriya Vihar, New Delhi - 110 016  
Tel: +91- 11 -26966100  
Fax: +91- 11- 26967100  
Email: [info@indiacp.com](mailto:info@indiacp.com)  
Website: [www.corporateprofessionals.com](http://www.corporateprofessionals.com)



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**BOOK RUNNING LEAD MANAGER****UTI Bank Limited**

Central Office: 111, Maker Towers F,  
Cuffe Parade, Colaba  
Mumbai -400 005  
Tel: + 91- 22- 5507 4407 (Extn 1725)  
Fax: + 91- 22 -22162467  
Email: [utibmbd@utibank.co.in](mailto:utibmbd@utibank.co.in)  
Website: [www.utibank.com](http://www.utibank.com)  
Contact Person: Mr. Dinkar Rai

**REGISTRAR TO THE ISSUE****Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound,  
L B S Marg, Bhandup (W),  
Mumbai -400 078  
Tel: +91-22-2596 0320  
Fax: +91 -22 -2596 0329  
E-mail: [iolfpo@intimespectrum.com](mailto:iolfpo@intimespectrum.com)  
Website: [www.intimespectrum.com](http://www.intimespectrum.com)  
Contact Person: Mr. Vishwas Attawar

**ESCROW BANKERS AND BANKERS TO THE ISSUE [•]****SYNDICATE MEMBERS****UTI Bank Limited**

Central Office: 111, Maker Towers F,  
Cuffe Parade, Colaba  
Mumbai -400 005  
Tel: + 91- 22- 5507 4407 (Extn 1725)  
Fax: + 91- 22 -22162467  
Email: [utibmbd@utibank.co.in](mailto:utibmbd@utibank.co.in)

[•]

**AUDITORS OF THE COMPANY****K. K. Kapoor & Associates**

Chartered Accountants  
48 –B, Udham Singh Nagar,  
Ludhiana – 141 001  
Ph: 0161 - 2302036,  
Fax: 0161- 2305845  
Email: [kk.kapoor@sify.com](mailto:kk.kapoor@sify.com)

**CREDIT RATING**

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

**TRUSTEES**

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

**APPRAISING ENTITY**

The proposed project has not been appraised by any independent agency and the cost of the project and means of finance are based on the estimates by our Company.



## WITHDRAWAL OF THE ISSUE

Our Company in consultation with the BRLM reserves the right not to proceed with the Issue anytime after Bid/Issue Opening Date without assigning any reason therefore.

## BOOK BUILDING PROCESS

Book Building refers to the collection of Bids from Investors, which is based on the Price Band, with the Issue Price being finalised after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;
2. Book Running Lead Manager;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLM;
4. Registrar to the Issue;

The SEBI Guidelines have permitted an issue of securities to the public through 100% Book Building Process, wherein (i) at least 50% of the Issue to the public shall be allocated on a proportionate basis to QIB's, 5% thereof shall be specifically available for mutual funds registered with SEBI on a proportionate basis. In case of under-subscription, if any, in Mutual fund category, the shares may be made available to other QIB's, (ii) at least 15% of the Issue shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) at least 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

The Public Issue is through the process of book building, under SEBI Guidelines the investors are advised to make their own judgement about investment through the process prior to making a Bid in the Issue. QIB's are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details please refer to the section titled "Terms of the Issue" on page 125 of this Draft Red Herring Prospectus.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed UTI Bank Limited as the BRLM to manage the Issue and to procure subscription to the Issue.

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

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 40 to Rs. 48 per share, issue size of Rs. 2,50,000 and receipt of nine bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the BSE ([www.bseindia.com](http://www.bseindia.com)). The illustrative book below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Value	Subscription
500	48	24000	9.60%
700	47	56900	22.76%
1000	46	102900	41.16%
400	45	120900	48.36%
500	44	142900	57.16%
200	43	151500	60.60%
2800	42	269100	107.64%
800	41	301900	120.76%
1200	40	349900	139.79%

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

### Steps to be taken for bidding:

1. Check eligibility for making a Bid (please see section titled "Issue Procedure - Who Can Bid" on page 128 of this Draft Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;



3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (please see section titled “Issue Procedure —‘PAN’ or ‘GIR’ Number” on page 143 of this Draft Red Herring Prospectus).
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Draft Red Herring Prospectus and in the Bid cum Application Form.

## **BID / ISSUE PROGRAMME**

### **BIDDING PERIOD / ISSUE PERIOD**

<b>BID/ISSUE OPENS ON</b>	[•]
<b>BID/ISSUE CLOSES ON</b>	[•]

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid / Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m. (Indian Standard Time)** and uploaded until such time as permitted by the BSE on the Bid / Issue Closing Date.

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

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period / Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period / Issue Period, if applicable, will be widely disseminated by notification to the BSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate.

### **UNDERWRITING AGREEMENT**

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

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

<b>Name, Address and other details of the Underwriters</b>	<b>Indicative Number of Equity Shares to be Underwritten</b>	<b>Amount Underwritten Rs. in Lacs</b>
UTI Bank Limited Central Office: 111, Maker Towers F, Cuffe Parade, Colaba, Mumbai 400 005 Tel: + 91 22 5507 4407 (Extn 1725) Fax: + 91 22 22162467 Email: <a href="mailto:utibmbd@utibank.co.in">utibmbd@utibank.co.in</a> Website: <a href="http://www.utibank.com">www.utibank.com</a>	[•]	[•]
[•]	[•]	[•]

The above table is indicative of the underwriting arrangement and this would be finalised after the pricing and actual allocation. The above Underwriting Agreement is dated [•]

In the opinion of the Board of Directors of our Company (based on a certificate given by the Underwriters), the resources of the above mentioned underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above underwriting agreement has been accepted by the Board of Directors of our Company at the meeting held on [•] and our Company has issued letters of acceptance to the Underwriters.



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



## CAPITAL STRUCTURE

Share capital of our Company as at the date of filing of this Draft Red Herring Prospectus with SEBI is set forth below:

Rs. in Lacs			
	PARTICULARS	Nominal Value	Aggregate Value Including Premium
(A)	<b>Authorized Share Capital</b> 1,50,00,000 Equity Shares of Rs.10/- each 50,00,000 Preference Shares of Rs. 10/- each	1500.00 500.00	-- --
(B)	<b>Issued, Subscribed and Paid-up Equity Capital before the issue.</b> 80,50,000 Equity shares of Rs.10/- each 50,00,000 7% Non Cumulative Preference Shares of Rs 10/- each	805.00 500.00	-- --
(C)	<b>Present Issue to the public in terms of the Draft Red Herring Prospectus*</b> [•] Equity Shares of Rs.10/- each are offered to the public.	[•]	[•]
(D)	<b>Issued, Subscribed and Paid-Up Capital post the Issue:</b> [•] Equity Shares of Rs. 10 each 50,00,000 7% Non Cumulative Preference Shares of Rs. 10 each**	[•] 500.00	[•] --
(E)	<b>Share Premium Account</b> Before the Issue After the Issue	-- --	-- [•]
(F)	<b>Issued, Subscribed and Paid-Up Capital post Conversion of 14,00,000 Outstanding Warrants:</b> (Assuming that Outstanding Warrants are subscribed by the Warrant holders) [•] Equity Shares of Rs. 10 each 50,00,000 7% Non Cumulative Preference Shares of Rs. 10 each**	[•] 500.00	[•] --
(G)	<b>Share Premium Account</b> Before the Conversion of Warrants After the Conversion of Warrants	-- --	[•] [•]

\* The issue in terms of this Draft Red Herring Prospectus has been authorized pursuant to a resolution passed at the meeting of our shareholders held on January 7, 2006 at Registered Office of the Company situated at Trident Complex, Raikot Road, Barnala.

\*\* The Preference Shares will be redeemed at the end of 10 (Ten) years from the date of allotment.



**a. Details of increase and change in the Authorised Share Capital of our Company after the date of incorporation till filing of this Draft Red Herring Prospectus with SEBI are as follows:**

Date of change	Cumulative Authorised Share Capital	No. of Equity Shares	No. of Preference Shares	Face Value (Rs.)	Particulars
September 29, 1986	200 Lacs	20,00,000	Nil	10/-	At the time of Incorporation
March 30, 1990	400 Lacs	40,00,000	Nil	10/-	Increase of Capital
August 24, 1991	1500 Lacs	1,50,00,000	Nil	10/-	Increase of Capital
September 6, 2003	1500 Lacs	90,00,000	60,00,000	10/-	Reclassification of Share Capital
December 12, 2003	2000 Lacs	1,00,00,000	1,00,00,000	10/-	Increase of Capital
September 20, 2005	2000 Lacs	1,50,00,000	50,00,000	10/-	Reclassification of Share Capital

- b. At the Annual General Meeting held on September 6, 2003 the Authorised Share Capital of the Company consisting of 1,50,00,000 Equity Shares of Rs. 10/-/- each was re-classified into 90,00,000 Equity Shares of Rs. 10/- each and 60,00,000 Preference Shares of Rs. 10/- each.
- c. At the Annual General Meeting held on September 20, 2005 the Authorised Share Capital of the Company consisting of 1,00,00,000 Equity Shares of Rs. 10/- each and 1,00,00,000 Preference Shares of Rs. 10/-/- each was re-classified into 1,50,00,000 Equity Shares of Rs. 10/-/- each and 50,00,000 Preference Shares of Rs. 10/-/- each.

**Notes forming part of the Capital Structure**

**a) Equity/ Preference Share Capital History of the Company (Capital build up)**

Date of Allotment and when made fully paid up	No. of Shares Allotted	Face Value (Rs.)	Issue Price (Rs.)	Cumulative No. Of Shares	Consideration	Nature of issue & reason of allotment
September 18, 1986	70	10/-	10/-	70	Cash	Subscription to memorandum
June 25, 1988	79,850	10/-	10/-	79,920	Cash	Preferential Allotment*
September 7, 1990	7,50,080	10/-	10/-	8,30,000	Cash	Preferential Allotment*
October 26, 1990	7,00,000	10/-	10/-	15,30,000	Cash	Preferential Allotment
January, 2, 1991	16,90,500	10/-	10/-	32,20,500	Cash	Public Issue
June 26, 1991	2,29,500	10/-	10/-	18,50,000	Cash	Public Issue
December 30, 2000	46,00,000	10/-	10/-	80,50,000	Cash	Preferential Allotment
March, 20, 2004	50,00,000	10/-	10/-	50,00,000	Cash	Allotment of 7 % Non-Cumulative Redeemable Preference Shares

**Notes:**

- The Company has neither consolidated nor divided any part of its share capital into shares of different amount than its existing shares.
- No shares has been issued for consideration other than cash
- No reduction of share capital has been effected from the date of incorporation of the Company.
- \* Preferential allotment was made to Indian Resident Directors, their friends and relatives



**b) Promoters' Contribution and lock-in:**

Sr. No.	Name of the Promoter	Date of Allotment/ Transfer/ when made fully paid-up	Nature of Allotment	No. of Shares	Face Value (Rs.)	Issue/ Transfer Price (Rs.)	% Of Post Issue paid-up capital	Lock-in period
1	Mr. Varinder Gupta	[•]	[•]	[•]	10/-	[•]	[•]	3 Years
2	Mayadevi Polycot Limited	[•]	[•]	[•]	10/-	[•]	[•]	3 Years
	Total			[•]			20%	

**c) Promoters Contribution and lock-in in respect of Promoters whose name figure in the Draft Red Herring Prospectus as Promoters in the paragraph on “Our Promoters” required as per Clause 6.8.3.2 (c) of the SEBI (DIP) Guidelines**

Sr. No	Name of the Promoter	Date of Allotment/ Transfer/ when made fully paid-up	Nature of Allotment	No. of Shares	Face Value (Rs.)	Issue Price / Transfer (Rs.)	% of Post Issue paid-up capital	Lock-in period
1	Mr. Varinder Gupta	[•]	[•]	[•]	10/-	[•]	[•]	3 Years
	Total			[•]			[•]	

- I. The Equity Shares to be locked-in for a period of three years have been computed as 20% of our Equity Capital after the Issue. As the Company is a listed company, the promoters contribution shall be only 20% of post issue capital of the company, shares held by Promoters in excess of minimum promoters contribution of 20% of post issue capital shall not be subject to any lock in.
- II. Mayadevi Polycot Limited and Mr. Varinder Gupta have vide their respective letter dated March 10, 2006 given their consent for lock in of shares as stated above.
- III. In terms of clause 4.15 of the SEBI Guidelines, locked in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.
- IV. In terms of clause 4.16.1 (b) of the SEBI Guidelines, locked in Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable. Further in terms of clause 4.16.1 (a) of the SEBI Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
- V. The promoters' contribution shall be well above the minimum required as specified under the SEBI guidelines. In case their shareholdings falls below the minimum required, they have undertaken to bring in the sufficient contribution to comply with the SEBI guidelines before opening of the issue to the public.



## 5. Shareholding pattern of our Company prior and post this Issue

<u>Shareholders' Category</u>	<b>Pre-issue</b>		<b>Post-issue</b>	
	<b>No. of Shares</b>	<b>%</b>	<b>No. of Shares</b>	<b>%</b>
<b>Promoters</b>				
• Varinder Gupta	11,56,630	14.37	11,56,630	[•]
• Mayadevi Polycot Limited	29,01,323	36.04	29,01,323	[•]
• PSIDC	9,80,000	12.17	9,80,000	[•]
<b>Total</b>	<b>50,37,953</b>	<b>62.58</b>	<b>50,37,953</b>	[•]
NRI/ Overseas Corporate Body	351	0.00		[•]
<b>Total</b>	<b>Nil</b>	<b>62.58</b>	<b>[•]</b>	<b>[•]</b>
Others Shareholders including employees of Our Company	30,11,696	37.42	[•]	[•]
<b>Total</b>	<b>30,11,696</b>	<b>37.42</b>	<b>[•]</b>	<b>[•]</b>
<b>Grand Total</b>	<b>80,50,000</b>	<b>100</b>	<b>[•]</b>	<b>[•]</b>

### 6) Equity Shares held by the top ten shareholders

a) Top ten shareholders as on the date of filing of this Draft Red Herring Prospectus with SEBI

<b>Sr. No</b>	<b>Name</b>	<b>Number of Shares</b>	<b>% age of total shareholding</b>
1	Mayadevi Polycot Limited	2901323	36.04
2	Varinder Gupta	1156630	14.37
3	Punjab State Industrial Development Corporation Limited	980000	12.17
4	Consortium Securities Private Limited	219032	2.72
5	Shri Parasram Holdings Private Limited	123580	1.54
6	Sundeeep Sehgal	66007	0.82
7	Anagram Stockbroking Limited	42985	0.53
8	Mahesh Narsih Pujara	42296	0.53
9	Incredible Capital Limited	41262	0.51
10	My Money Capital Services Private Limited	32988	0.41
	<b>Total</b>	<b>5606103</b>	<b>69.64</b>

b) Top ten shareholders 10 days prior to the date of filing of this Draft Red Herring Prospectus with SEBI

<b>Sr. No</b>	<b>Name</b>	<b>Number of Shares</b>	<b>% age of total shareholding</b>
1	Mayadevi Polycot Limited	2901323	36.04
2	Varinder Gupta	1156630	14.37
3	Punjab State Industrial Development Corporation Limited	980000	12.17
4	Consortium Securities Private Limited	159168	1.98
5	Shri Parasram Holdings Private Limited	120810	1.50
6	Sundeeep Sehgal	66007	0.82
7	Mahesh Narsih Pujara	44296	0.55
8	Anagram Stockbroking Limited	42885	0.53
9	Incredible Capital Limited	41262	0.51
10	My Money Capital Services Private Limited	32988	0.41
	<b>Total</b>	<b>5545369</b>	<b>68.89</b>



- c) Top ten shareholders as on two years prior to the date of filing of this Draft Red Herring Prospectus with SEBI

Sr. No	Name	Number of Shares	% age of total shareholding
1	Maya Devi Polycot Limited	3838800	47.7
2	Varinder Gupta	1156600	14.4
3	Punjab State Industrial Development Corporation Limited	980000	12.2
4	Valliammai. V	43100	0.5
5	Prism Finance Limited	18500	0.2
6	Asha Goyal	18330	0.2
7	Rajeev Garg	16000	0.2
8	Mahendra Girdharilal	14270	0.2
9	Manju Singh	10600	0.1
10	Harneesh Kaur Arora	9300	0.1
	<b>Total</b>	<b>6105500</b>	<b>75.8</b>

- d) The following Equity Shares have been purchased or sold by the Promoters and the Directors of the Promoter during a period of six months preceding the date on which the Draft Red Herring Prospectus is filed with SEBI.

Transferee	Transferor	Date on which Shares Purchased/sold	Number of Shares	Consideration	Sale Price (Rs.)
-	Mayadevi Polycot Ltd	September 23, 2005	25,000	Cash	71.70
-	Mayadevi Polycot Ltd	September 26, 2005	2,00,000	Cash	75.40
-	Mayadevi Polycot Ltd	November 14, 2005	3314	Cash	48.23
-	Mayadevi Polycot Ltd	November 16, 2005	252	Cash	46.75
-	Mayadevi Polycot Ltd	November 18, 2005	301	Cash	47.23
-	Mayadevi Polycot Ltd	November 21, 2005	1350	Cash	44.36
-	Mayadevi Polycot Ltd	November 22, 2005	4723	Cash	43.99
-	Mayadevi Polycot Ltd	December 20, 2005	45000	Cash	42.02
-	Mayadevi Polycot Ltd	December 21, 2005	60000	Cash	42.00
-	Mayadevi Polycot Ltd	December 22, 2005	30000	Cash	44.70
-	Mayadevi Polycot Ltd	December 23, 2005	30000	Cash	46.60
-	Mayadevi Polycot Ltd	December 26, 2005	20000	Cash	44.00
-	Mayadevi Polycot Ltd	December 29, 2005	20000	Cash	47.90

The minimum and maximum sale price is Rs. 83.99 and Rs. 42.00 respectively.

7. As on of the date of the Draft Red Herring Prospectus, other than 14,00,000 Optionally Convertible Warrants issued at a price of Rs. 55/- to the holders, convertible within a period of 18 months from the date of allotment, no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. The Shares locked in by Promoters are not pledged to any party. The Promoters may pledge their Equity Shares with banks or FIs as additional security for loan whenever availed by them from banks/FIs.
8. MPL, has requested under the One Time Settlement scheme for buy back of equity stake of PSIDC in our Company, however PSIDC rejected its request under OTS as MPL was not the Collaborator and the request not as per the terms of OTS. For further details, please refer in the section 'Outstanding Litigation' in page no. 105 of Draft Red Herring Prospectus.
9. Subject to as stated above there is no "buyback" or "stand by" arrangement for purchase of Equity Shares by our Company, our Promoters, Directors, or the BRLM for the Equity Shares offered through this Draft Red Herring Prospectus.
10. Our Company has deployed unsecured loan of Rs. 569.58 Lacs against the proceeds of the Issue from the following persons till February 15, 2006:

Sr. No.	Name of Lender	Rs. In Lacs
1	Mayadevi Polycot Limited	469.58
2	Abhishek Industries Limited	100.00



11. The Equity Shares offered through the Issue will be fully paid up.
12. In the Public Issue, in case of over subscription in all categories, not less than 50% of the Issue shall be allocated to QIBs on a proportionate basis. Out of 50% allocated to QIBs 5% will be available for allocation to Mutual Funds registered with SEBI on a proportionate basis. These Mutual Funds shall also be eligible to participate in the balance available to QIBs. Further, at least 15% of the Issue shall be available for allocation to non-institutional bidders and at least 35% of the Issue shall be available for allocation to retail bidders, on proportionate basis and subject to valid bids being received at or above the Issue Price. Under subscription, if any, in the Non-institutional, Retail categories shall be allowed to be met with spillover from any other category at the sole discretion of the Company and the BRLM.
13. Subject to issue of equity shares on exercise of option granted to the warrant holders, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares offered through this Draft Red Herring Prospectus have been listed.
14. Subject to issue of equity shares on exercise of option granted to the warrant holders, we do not have any intention or proposal to alter our capital structure for a period of six months from date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or to make a further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except Employee Stock Option Plans, if any, or if we enter into any joint ventures or acquired any business/entity or make investments, in which case we may consider raising additional capital to fund such activity or use Equity Shares as a currency for acquisition or participation in such joint ventures or investments.
15. At the Extra-Ordinary General Meeting of the Company held on January 7, 2006 the shareholders have approved the issue of 14,00,000 warrants carrying an option to the holder of such warrants to subscribe to one Equity Share of Rs. 10/- each within 18 months from the date of allotment of the warrants at Rs. 55.00 per share or at a price to be determined as per SEBI Guidelines, to the group of investors. The BSE has granted in principal approval vide its letter dated February 2, 2006 subject to certain conditions to be complied at the time of listing of shares issued on the exercise of warrants. Our Company has allotted these warrants on February 09, 2006 to the persons mentioned herein under. Copy of the in principal approval for the issue of warrants is available for public inspection and for further details please refer to section titled "Material Contracts and Documents for Inspection " beginning on page 161 of this DRHP.

Sundaram Commercials Limited-	4,70,000 warrants
Sunlight Commercial & Trading Limited-	4,60,000 warrants
Shiva Enterprises Limited-	4,70,000 warrants
16. Subject to above, as on the date of filing this Draft Red Herring Prospectus with SEBI, there are no outstanding financial instruments or any other right, which would entitle the Promoters or shareholders of our Company or any other person any option to receive Equity Shares after the Issue.
17. Our Company does not have any outstanding Employee Stock Option Plans.
18. We have not issued any Equity Shares out of revaluation reserve.
19. Our Company after seeking approval from shareholders of our Company at the EGM, on December 12, 2003 had issued and allotted on March 20, 2004, 50,00,000 7% Non-Cumulative Redeemable Preference shares of Rs. 10/- each to Abhishek Industries Limited which shall be redeemable at par on the expiry of 10 years from the date of allotment. These preference shares were issued pursuant to the settlement entered in by our Company towards the outstanding payment for supply of power and steam to our Company.
20. At any given point of time there shall be only one denomination of Equity Shares of our Company, unless otherwise permitted by law. Our Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.
21. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.



22. Our Company has 9453 shareholders as on the date of filing this Draft Red Herring Prospectus with SEBI.
23. There are restrictive covenants in the agreements that we have entered into with banks for short-term loans and long-term borrowings. These restrictive covenants, require our Company to give certain undertakings, and mandate that our Company has to obtain the said bank's prior permission for alteration of our capital structure, change in beneficial ownership, entering into any merger/amalgamation, expenditure in new projects, transfer/change in the key personnel, change in the constitutional documents etc. Further, in many cases, the lenders have the right to appoint a nominee director on the Board of Directors of our Company upon an event of default. Also, there are restrictive covenants regarding declaration and payment of dividend in cases of any subsisting default or out of accumulated reserves.
24. An over-subscription to the extent of 10% of the Issue can be retained for the purposes of rounding off while finalising the basis of allotment.
25. Details of the aggregate shareholding of the Promoter Group/ Directors of the Promoter company in case Promoter is a company

**i. Mayadevi Polycot Limited**

Sr. No.	Name of the Promoter/Director of Our Promoter Company	Number of Shares	% Of Total Issued Capital
1	Varinder Gupta, Director	100100	49.14
2	Nohar Chand Gupta, Director	100	0.05
3	Dimple Gupta, Director	100000	49.09
4	Others	3500	1.72
	<b>Total</b>	<b>203700</b>	<b>100.00</b>

\*During the financial year 2005-06 150000 equity shares of Rs. 10/- each were allotted to Mr. Varinder Gupta (75000) and Ms. Dimple Gupta (75000),

**ii. Punjab State Industrial Development Corporation Limited**

Sr. No.	Name of the Promoter/Director of Our Promoter Company	Number of Shares	% Of Total Issued Capital
1.	Mr. O. P. Soni	Nil	Nil
2.	Mr. Deepinder Singh Dhillon	Nil	Nil
3.	Mr. S. C. Agrawal, IAS	Nil	Nil
4.	Mr. D S Kalha	Nil	Nil
5.	Mr. Suresh Kumar, IAS	Nil	Nil
6.	Mr. Sanjay Kumar, IAS	Nil	Nil
7.	Mr. Mandeep Singh Sandhu, IAS	Nil	Nil
8.	Captain R. S. Pathania	Nil	Nil
9.	Mr. Anand Sarup Singh Mohi	Nil	Nil
10.	Mr. Pawan Goel	Nil	Nil
11.	Mr. Daljit Singh Ahluwalia	Nil	Nil



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12.	Mr. Devinder Singh Babbu	Nil	Nil
13.	Mr. Sanjeev Garg	Nil	Nil
14.	Mr. Joginder Singh Chhina	Nil	Nil
15.	Mrs. Ravneet Kaur, IAS	Nil	Nil

**Shareholding Pattern**

State Government of Punjab holds the entire Share Capital of the Punjab State Industrial Development Corporation Limited



## OBJECT OF THE ISSUE

The objective of the issue is to raise capital to part finance our Expansion Project which includes expansion of our existing manufacturing capacities and setting up of cogeneration power project for captive consumption. The details of our objects for which the present public issue of equity shares is being made is as under:

- a. **Capacity Enhancement of:**
  - Acetic Acid from 30000 TPA to 50000 TPA
  - Ethyl Acetate from 18000 TPA to 33000 TPA
  - Acetic Anhydride from 7500 TPA to 12000 TPA
  - Ibuprofen from 720 TPA to 1500 TPA
- b. **To set up Cogeneration project of 4 MW**
- c. **And to meet the issue related expenses**

Our assessment of funds requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution or any independent organisation. Our expansion plans are subject to a number of variables, including possible cost overruns; import clearances, delays or defects; receipt of critical governmental approvals including availability of working capital finance, if any, on acceptable terms; and changes in management's views of the desirability of current plans, among others. In case of any variations in the actual utilization of funds earmarked for the above activities, the difference if any, may be adjusted against the availability/requirement of funds in the areas identified as part of the expansion plan and/or increased fund deployment for a particular activity. The shortfall, if any, may be met with by surplus funds, if any available in the other areas and/or our Company's internal accrual, and/or working capital loans that may be availed from the banks. The balance proceeds of the Issue in addition to the abovementioned requirements, if any, will be used for general corporate purposes including but not restricted to acquisitions and repayment of loans, if any.

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

## REQUIREMENT OF FUNDS

The total estimated funds requirement is given below:

Cost of Project						Rs. in Lacs	
Particulars	Acetic Acid	Ethyl Acetate	Acetic Anhydride	Ibuprofen	Co-Generation	Others	Total
Plant & Machinery	901.50	226.00	466.61	1390.43	1614.29	278.00	4876.83
Civil Cost	32.00	10.00	5.06	356.78	115.01	350.00	868.85
Land & Site Development						95.00	95.00
Preoperative Expenses & Contingencies						404.32	404.32
<b>Project Cost</b>	<b>933.50</b>	<b>236.00</b>	<b>471.67</b>	<b>1747.21</b>	<b>1729.30</b>	<b>1127.32</b>	<b>6245.00</b>
Issue related expenses						[•]	[•]
<b>Total Project Cost</b>						<b>[•]</b>	<b>[•]</b>



## MEANS OF FINANCE

The above requirement of funds of Rs [●] Lacs is proposed to be financed through term loans to be raised from banks/financial institutions, bridge loan in the form of unsecured loans from the Promoters and others, proceeds of the Issue and from internal accruals of our Company. We undertake that firm arrangements of finance have already been made for the whole of the debt component of the Expansion Project.

Rs. in Lacs	
Means of finance	Funds required
Term Loans	3164.00
Public Issue Proceeds	3000.00
Internal Accruals	[●]
<b>Total</b>	<b>[●]</b>

### Note:

The entire rupee term loan for the Expansion Project amounting to Rs. 3164 Lacs has already been tied up and we have received final sanction letters from three banks for a total amount of Rs. 3164 Lacs

### Bridge Finance

Pending the availability of the proceeds of the issue, the Expansion Project has been temporarily financed through short term unsecured bridge loan. We propose to repay the said loan out of the public Issue proceeds.

The details of the bridge finance as on February 15, 2006 is as follows

Rs. in Lacs		
Sr. No.	Name of Lender	Amount
1	Mayadevi Polycot Limited	469.58
2	Abhishek Industries Limited	100.00

### Details of Capital Expenditure to be incurred on the Expansion Project

#### a. Capacity Enhancement of Acetic Acid from 30000 TPA to 50000 TPA

Rs. in Lacs		
Sr.	Particulars	Fund Requirement
1	Civil Works	32.00
2	Plant and Machinery	901.50
	<b>Total</b>	<b>933.50</b>

### Civil Work

Civil work comprises of foundation work, construction of bonded security room for chemical export with a constructed area of 600 Sq. Mtrs and tube well which will cost Rs. 32.00 Lacs.

The details of plant and machinery for which orders have been placed are mentioned below

Rs. in Lacs						
S. No.	Particulars of Machinery	Quantity (Nos.)	Total Cost	Date of Agreement/Order	Expected Delivery	Supplier
1	Reboiler, Heat Exchanger, Super Heater & Gas Cooler	5	29.03	22-Feb-2006	May 2006	Alfa Laval India Ltd.
2	Acetaldehyde Reactor	1	23.14	20-Feb-2006	May 2006	Aerolite Engineers Pvt. Ltd.
3	Distillation Column	1	58.97	14-Feb-2006	June 2006	Flowlink Industries Pvt. Ltd.
4	Air Compressors - screw type	2	22.54	30-Nov-2005	May 2006	Atlas Copco Compressors



5	Silver Mesh	600 KG.	73.20	24-Nov-2005	March 2006	National Refinery Pvt. Ltd.
6	Cooling Tower	1	53.39	20-Oct-2005	March 2006	Paharpur Cooling Tower Ltd.
	<b>Total</b>		<b>260.27</b>			

The details of plant and machinery for which orders are yet to be placed are mentioned below:

Rs. in Lacs

S. No.	Particulars of Machinery	Quantity (Nos.)	Tentative Cost	Date of Quotation	Quotation Received (Prospective Suppliers/Contractors)
1	Pump	2	5.55	22-Feb-2006	Akay Industries Pvt. Ltd.
2	Pump Suction Headers, Discharge Header, Outlet header, BlowDown Header, Air Blower	5	46.00	--	Management Estimates
3	Storage Tank	2	70.00	--	Management Estimates
4	Distributed Control System		60.29	24-Feb-2006	ABB Ltd.
5	Instrumentation		25.00	--	Management Estimates
6	Electrical Installation		136.00	--	Management Estimates
7	Piping, Valves, Fittings & Insulation		85.00	--	Management Estimates
8	Fabrication & Erection Charges		105.00	--	Management Estimates
9	Reboiler, Heat Exchanger, Super Heater & Gas Cooler	5	54.97	21-Feb-2006	HRS Process Systems Pvt. Ltd.
10	Cooling Tower	1	53.42	--	Management Estimates
	<b>Total</b>		<b>641.23</b>		

**b. Capacity Enhancement of Ethyl Acetate from 18000 TPA to 33000 TPA**

Rs. in Lacs

Sr.	Particulars	Fund Requirement
1	Civil Cost Foundation	10.00
2	Plant and Machinery	226.00
	<b>Total</b>	<b>236.00</b>

**Civil Work**

The civil work comprises of foundation work to be carried out for installing the respective machineries, which will cost Rs. 10 Lacs.

The details of plant and machinery for which orders have been placed are mentioned below:

Rs. in Lacs

S. No.	Particulars of Machinery	Quantity (Nos.)	Total Cost	Date of Agreement/Order	Expected Delivery	Supplier
1	Distillation Column Condenser	2	31.05	22-Feb-2006	May 2006	Alfa Laval (India) Ltd.



2	Crude Column Condenser	1	25.85	22-Feb-2006	May 2006	Alfa Laval (India) Ltd.
	<b>Total</b>		<b>56.90</b>			

The details of plant and machinery for which orders are yet to be placed are mentioned below:

Rs. in Lacs

S. No.	Particulars of Machinery	Quantity (Nos.)	Tentative Cost	Date of Quotation	Quotation Received (Prospective Suppliers/Contractors)
1	Reactor	1	20.00	--	Management Estimates
2	Reboiler for Kettle	2	15.00	--	Management Estimates
3	Distillation Column	1	40.00	--	Management Estimates
4	Washing Pumps	2	4.75	22-Feb-2006	Akay Industries Pvt. Ltd.
5	Instrumentation		30.00	--	Management Estimates
6	Piping, Valves, Fittings & Insulation		40.00	--	Management Estimates
7	Fabrication & Erection Charges		19.35	--	Management Estimates
	<b>Total</b>		<b>169.10</b>		

**c. Capacity Enhancement of Acetic Anhydride from 7500 TPA to 12000 TPA**

Rs in Lacs

Sr.	Particulars	Fund Requirement
1	Civil Work	5.06
2	Plant and Machinery	466.61
	<b>Total</b>	<b>471.67</b>

**Civil Work**

The civil work comprises of foundation work for installing the respective machineries

The details of plant and machinery for which orders have been placed are mentioned below:

Rs. in Lacs

S. No.	Particulars of Machinery	Quantity (Nos.)	Total Cost	Date of Agreement/Order	Expected Delivery	Supplier
1	Furnace		3.33	2-Feb-2006	March 2006	Rajhans Refractories
			36.20	31-Dec-2005	March 2006	Rajhans Refractories
			4.81	31-Dec-2005	March 2006	Bharat Graphite
			41.84	18-Aug-2005	March 2006	TTI Tubacex Tubos Inoxidables
			20.50	18-Aug-2005	March 2006	TTA Tubacex Taylor Accesorios
2	Inter Coolers, Gas Coolers, Condensers & Reboiler	6	13.92	22-Feb-2006	April 2006	Alfa Laval (India) Ltd.
		2	35.59	7-Feb-2006	April 2006	Novatech Process Equipments Pvt. Ltd.
3	Absorption & Recovery Column		24.10	20-Feb-2006	May 2006	Aerolite Engineers Pvt. Ltd.
	<b>Total</b>		<b>180.29</b>			



The details of plant and machinery for which orders are yet to be placed are mentioned below:

Rs. in Lacs

S. No.	Particulars of Machinery	Quantity (Nos.)	Total Cost	Date of Quotation	Quotation Received (Prospective Suppliers/Contractors)
1	Air Blower	2	3.68	18-Jul-2005	Wesmen Thermal Engineering
2	Air Preheater	1	4.32	18-Jul-2005	Sunrise Process Equipments
3	KOP Vessel	1	2.81	6-Jul-2005	Sri Krishna fabricators
4	Pumps	9	11.91	--	Management Estimate
5	Instrumentation		11.93	--	Management Estimate
6	Electrical Installation		20.67	--	Management Estimate
7	Pipelines, Valves, Fittings and Insulation		79.26	--	Management Estimate
8	Furnace Fabrication & Erection Charges		83.19	--	Management Estimate
9	Inter Coolers, Gas Coolers, Condensers & Reboiler		8.36	6-Jul-2005	Modern Equipment Company
10	Absorption & Recovery Column		43.19	18-Jul-2005	Sunrise Process Equipments
	<b>Total</b>		<b>286.32</b>		

**d. Capacity Enhancement of Ibuprofen from 720 TPA to 1500 TPA**

Rs. in Lacs

Sr.	Particulars	Fund Requirement
1	Civil Cost	356.78
2	Plant and Machinery	1390.43
	<b>Total</b>	<b>1747.21</b>

**Civil Work**

On our existing land, we propose to construct the new multi-storeyed building consisting of production facilities, warehousing facility for raw material and finished goods etc with the total construction area admeasuring approximately 7850 Sq. Mtrs.

The details of plant and machinery for which orders have been placed are mentioned below:

Rs. in Lacs

S. No.	Particulars of Machinery	Quantity (Nos.)	Total Cost	Date of Agreement/Order	Expected Delivery	Supplier
1	Reactors	38	149.49	14-Jan-2006	April 2006	Swiss Glasscoat
			225.51	17-Feb-2006	April 2006	Sunrise Process Equipments
2	Pumps, Motors & Vacuum Boosters	6	6.26	21-Feb-2006	June 06	Enkay Enterprises
			8.31	21-Feb-2006	June 06	Shiva Engineers
3	Brine Plant	1	72.37	2-Dec-2005	May 2006	Thermax Ltd
4	Cooling Tower	1	32.85	20-Oct-2005	May 2006	Paharpur Cooling Towers Ltd.
5	Chilling Plant	1	41.53	2-Dec-2005	May 2006	Thermax Ltd
6	Pipelines, Valves, Fittings & Insulation		1.57	13-Dec-2005	March 2006	Hawa Valves (India) Pvt. Ltd.
	<b>Total</b>		<b>537.89</b>			



The details of plant and machinery for which orders are yet to be placed are mentioned below:

Rs. in Laacs

S. No.	Particulars of Machinery	Quantity (Nos.)	Tentative Cost	Date of Quotation	Quotation Received (Prospective Suppliers/Contractors)
1	Distillation Column	1	32.08	18-Apr-2005	Shree Krishna Fabricators
2	Heat Exchangers	2	2.17	19-Jul-2005	Ablaze Glass Works Pvt. Ltd.
		33	76.31	7-Jul-2005	Modern equipments
		45	53.25	15-Jul-2005	Sunrise Process Equipments
3	Storage Tanks	27	108.92	18-Jul-2005	Shree Krishna Fabricators
		13	16.41	14-Jul-2005	Sunrise Enterprises
		10	3.23	6-Jul-2005	Frontier Polymers
4	Oil Fired Thermic Fluid Heaters	1	4.81	9-May-2005	Neotech Energy System
5	Scrubber	1	2.80	10-Jul-2005	Advance FRP Industries
6	Blowers, Hastelloy Coil, Leaf Filter, Nutche Filter, Fludiised Bed Dryer, Sifter, Multimill & Blender	1	0.59	18-Jan-2005	Kay International Ltd.
		100	5.55	6-Jul-2005	Vinay Metals
		1	2.43	6-Jul-2005	Amar Equipments P Ltd.
		2	66.63	6-Jul-2005	GMM Pfaudler
		6	30.48	6-Jan-2005	Technic Pharma
7	Air Handling Unit (Blower, Duct)	1	30.85	15-Jul-2005	Contec Airflow (I) Pvt.Ltd
			20.79	7-Jul-2005	Rual Fabricators
8	Weighing balance	5	4.69	15-Jul-2005	Metler Toledo India Pvt.Ltd
9	Fire Fighting Equipment		27.50	--	Management Estimate
10	Instrumentations		31.67	--	Management Estimate
11	Scada System/Distributed Control System (DCS)	1	20.00	--	Management Estimate
12	Electrical Installation		100.40	--	Management Estimate
13	Fork Lifter	1	8.00	--	Management Estimate
14	Pumps, Motors & Vacuum Boosters	14	7.88	8-Jul-2005	Seemsan Pumps & Equipments P Ltd.
		16	7.39	7-Jul-2005	Marc Flow Engineers
		5	4.44	16-Jan-2005	PPI Systems
		2	2.3	16-Nov-2005	Sunrise Enterprises
15	Cooling Tower Piping & Erection		21.61	--	Management Estimate
16	Pipelines, Valves, Fittings & Insulation		159.36	--	Management Estimate
	<b>Total</b>		<b>852.54</b>		



**e. To set up Cogeneration project of 4 MW**

We are in process of expanding our manufacturing capacities. Presently, we meet our power requirements from PSEB grid and generate steam at 11 kg/cm<sup>2</sup> (g) for process application. We propose to install one Atmospheric Fluidised Bed, Multi Fuel Bed Boiler and 4 MW Extraction cum Condensing type Turbine to generate steam at 64 kg/cm<sup>2</sup> (g), 480°C and to feed the turbine to generate power and extract steam to be supplied to our processes. Further we propose to install electrostatic precipitator to meet the allowable dust emission as stipulated by the latest Pollution Control Standards.

Rs in Lacs		
Sr.	Particulars	Fund Requirement
1	Civil Cost	115.01
2	Plant and Machinery	1614.29
	<b>Total</b>	<b>1729.30</b>

**Civil Work**

The civil work will be carried out for installation of Power Boiler, Turbine, Transformer, construction of M.C.C Room, the total construction area will aggregate to approximately 1054 Sq. Mtrs.

**The details of plant and machinery for which orders have been placed are mentioned below:**

Rs. in Lacs						
S. No.	Particulars of Machinery	Quantity (Nos.)	Total Cost	Date of Agreement/Order	Expected Delivery	Supplier
1	Power Boiler	1	590.04	14-Jul-2005	June 2006	Cheema Boilers Ltd
2	Turbo Alternator	1	467.56	2-Jul-2005	June 2006	Triveni Engineering & Industries Ltd
3	Husk Handling Plant	1	21.00	29-Nov-2005	May 2006	GVN Material Handling Pvt. Ltd.
4	Ash Handling Plant	1	41.86	21-Nov-2005	May 2006	Macawber Beekay Pvt.Ltd
5	DM Plant	1	4.40	29-Oct-2005	March 2006	Micromeg Enterprises Pvt.Ltd
6	Pressure Reducing Desuperating Station	1	19.36	29-Nov-2005	April 2006	Forbes Marshall Acra Pvt. Ltd.
7	E.O.T Crane	1	17.82	29-Nov-2005	March 2006	Eddy Cranes
8	Cooling Tower		22.16	20-Oct-2005	March 2006	Paharpur Cooling Towers Ltd.
			6.63	8-Dec-2005	April 2006	Enkay Enterprises
9	Instrumentation		33.87	29-Nov-2005	April 2006	Siemens Ltd.
10	Electrical Installations		61.70	19-Dec-2005	May 2006	ABB Ltd.
			50.20	26-Dec-2005	March 2006	ETE Electrogears
			3.58	5-Jan-2006	March 2006	Crompton Greaves Ltd.
			19.60	12-Dec-2005	March 2006	Kirloskar Power Equipments Ltd.
11	Piping, Valves & Insulations		9.33	2-Dec-2005	April 2006	Industrial Agencies
			8.48	27-Feb-2006	May 2006	Industrial Agencies
12	Erection, Installation & Commissioning Charges		23.00	14-Jul-2005	June 2006	Cheema Boilers Ltd
			12.00			Triveni Engineering & Industries Ltd
			1.02	29-Nov-2005	April 2006	Eddy Cranes
			1.00	29-Nov-2005	April 2006	Siemens Ltd.
	<b>Total</b>		<b>1414.61</b>			



The details of plant and machinery for which orders are yet to be placed are mentioned below:

Rs. in Lacs

S. No.	Particulars of Machinery	Quantity (Nos.)	Tentative Cost	Date of Quotation	Quotation Received (Prospective Suppliers/Contractors)
1	Air Compressor, Air Dryer & Air Receiver	3	5.11	19-Jul-2005	Entech Engineers
2	Fire Fighting Equipment		14.30	20-Jul-2005	Rajindra Fire Protection Services
3	Cooling Tower		20.61	--	Management estimates
4	Electrical Installation		75.00	--	Management estimates
5	Piping, Valves & Insulation		53.12	--	Management estimates
6	Erection, Installation & Commissioning Charges		31.54	--	Management estimates
	<b>Total</b>		<b>199.68</b>		

**f. Common Facilities:**

Other cost includes expenditure on Land and Site Development, construction of new Effluent Treatment Plant, Workshop Building, General Stores Room, Administrative and Research and Development Building, Canteen for the employees of the company at the ibuprofen Section, construction of Roads and Expenditure on electrical insulation etc.

**i. Land and Site Development**

Rs. in Lacs

Sr.	Particulars	Fund Requirement
1	Land	80.00
2	Site Development	15.00
	<b>Total</b>	<b>95.00</b>

**ii. Other Civil Cost:**

**a. Effluent Treatment Plant**

In the Expansion Project, we propose to install Effluent Treatment Plant (ETP) for the effluent generated from the existing units as well from new units. We propose to convert the existing ETP into water storage facility. After commissioning of new ETP. The proposed ETP will not only meet pollution control norms but may also generate non-conventional source of energy in the form of Methane rich Biogas which may be used as fuel in Boiler.

Rs in Lacs

Sr.	Particulars	Fund Requirement
1	Civil Cost	150.00
2	Drainage	50.00
3	Water Storage	10.00
	<b>Total</b>	<b>210.00</b>

**b. Workshop**

For the Expansion Project we plan to construct an Engineering Workshop Building with a floor area of 750 Sq. Mtrs. The expected cost of the workshop is Rs. 20.00 Lacs.

Rs in Lacs

Sr.	Particulars	Fund Requirement
1	Engineering Workshop Building	20.00
	<b>Total</b>	<b>20.00</b>



**c. Other Civil Construction**

Rs in Lacs		
Sr.	Particulars	Fund Requirement
1	General Stores	25.00
2	Administrative, R&D Building and Quality Control Laboratory	25.00
3	Canteen	10.00
	<b>Total</b>	<b>60.00</b>

**Research & Development and Quality Control Laboratory**

Research & Development forms an integral part of the chemical and pharmaceutical industry. Our Company has a small research & development set-up at our existing facility at the plant. In view of the various expansion projects undertaken, focus on entering the value added pharmaceutical segment and to compete effectively we are in the process of setting up a modern Research & Development Center.

The Quality Control aspect in the Pharmaceutical Company could be bifurcated into “in-process quality control” and “corporate/plant quality control”. In process quality control would comprise of quality control at various manufacturing levels and also quality assurance. The in-process quality control equipments and control are in-build at the production level, where as the corporate /plant quality control focuses on quality control at macro level and documentation of the quality control to comply with regulated markets. The in process quality control is already built in current and proposed expansion and we are in the process of setting up the Corporate Quality Control Center. This proposed Quality Control center will also go a long way in getting the US FDA approval.

**General Stores and Canteen**

For the Expansion Project we propose to construct a General Stores and canteen facility for the employees of our company.

**d. Roads and Electrical Lighting:**

Rs. in Lacs		
Sr.	Particulars	Fund Requirement
1	Cost of Roads	45.00
2	Road Lightings	15.00
	<b>Total</b>	<b>60.00</b>

**iii. Miscellaneous Fixed Assets**

Other Miscellaneous costing Rs. 278.00 includes Workshop Tools Rs. 10.00 Lacs, Fire fighting & Safety Equipments Rs. 25.00 Lacs, Furniture and Fixtures Rs. 25.00 Lacs, Computers Rs. 5.00 Lacs, Utility Vehicles Rs. 6.00 Lacs, DG Set Rs. 150.00 Lacs, Research & Development and Quality Control department Rs. 57.00 Lacs.

**iv. Engineering and Consultancy Fees**

Our Company has appointed M/s SPB Projects and Consultancy Limited; Dr. B.M. Sharma, Quality System Consultants, M/s. Caliber Technical Services Private Limited, M/s Vivek Consultants, Architect, Engineers and Planners, as consultants for this Expansion Project. In addition to overall coordination of civil work relating to expansion project, their responsibilities would include overall planning of the civil works, structuring, negotiating and awarding various sub-contracts packages; ensuring that the plant meets the US FDA, GMP requirements, over viewing the working of various sub-contractors, etc. Total estimated expenditure to be paid for their services is Rs. 45.16 Lacs.



**v. Preoperative Expenses & Contingencies**

Preoperative Expenses and Contingencies amounting to Rs. 404.32 Lacs includes Preoperative Expenses Rs. 145.00 Lacs, Interest payable to bank during the construction period of Rs 83.61 Lacs, Provision for Contingencies Rs. 130.53 Lacs.

**Details of Term Loans sanctioned by the Banks for the Expansion Project**

Rs. in Lacs				
Sr. No.	Name of the Bank	Sanction Letter Details	Amount Sanctioned	Important Terms and Conditions
1	Punjab National Bank	Dated September 24, 2005	1900.00	BPLR+TL premium – 0.25% i.e 11% p.a. as amended from time to time. Repayment: in 24 equal quarterly instalments commencing on July 1, 2007, interest to be recovered as and when due. Security: First pari passu charge with OBC & IDBI on existing / future block assets of the company including machinery/equipment costing Rs. 3298 Lacs to be purchased for Expansion Project
2	Oriental Bank of Commerce	Dated November 21, 2005	632.00	Rate of Interest: PLR Repayment: in 24 equal quarterly instalments commencing on July 1, 2007 with a 12 months moratorium interest to be recovered as and when due. Security: First Pari Passu charge over the fixed asset with IDBI & PNB on existing / future block assets of the company including machinery/equipment costing Rs. 3298 Lacs to be purchased for Expansion Project
3	Allahabad Bank	LIIFB/ADV/IOL/ 434 dated February 11, 2006 and LIIFB/ADV/IOL/ 439 dated February 17, 2006	632.00	Rate of Interest PLR + p.a.w.m.r Repayment: in 24 equal quarterly instalments of Rs. 2633350/- starting from October 1, 2007 or one year from date of commissioning whichever is earlier, monthly interest shall be realised separately as and when due including that during moratorium period. Security: 1 <sup>st</sup> pari passu charge on the entire fixed assets of the company, present and future, ranking pari-passu with PNB, OBC & IDBI
<b>Total</b>			<b>3164.00</b>	



### Issue Related Expenses

Issue related expenses includes underwriting and issue management fees, selling commission, distribution expenses, legal fees, printing and stationery costs, advertising expenses and listing fees payable to the Stock exchanges etc. The total expenses for the Issue are estimated at Rs. [●] Lacs, which is [●] % of the Issue size. All the Issue related expenses shall be met out of the proceeds of the Issue and the break-up of the same is as follows:

Particulars	Expenses Rs. in Lacs	As a % of the Issue size
Management fees, underwriting commission and brokerage	[●]	[●]
Marketing and advertisement expenses	[●]	[●]
Stationery, printing and registrar expenses	[●]	[●]
Legal fees, listing fees, book building charges, auditors fees	[●]	[●]
Miscellaneous	[●]	[●]
<b>Total</b>	[●]	[●]

### Appraisal

No outside independent agency has appraised the cost and schedule of implementation of the project, the estimation are based on internal estimates of the company.

### Schedule of implementation

Sr. No.	Activity	Start	Completion	Commercial Production
1	4 MW Co-generation Plant	July, 2005	July 2006	July 2006
2	Acetic Anhydride	August, 2005	July 2006	July 2006
3	Ibuprofen	October, 2005	July 2006	July 2006
4	Acetic Acid	October, 2005	October 2006	October 2006
5	Ethyl Acetate	February, 2006	October 2006	October 2006

### FUNDS DEPLOYED

As per the certificate dated February 20, 2006 of our auditors K K Kapoor & Associates, Chartered Accountants our Company have already deployed Rs. 1089.16 Lacs as on February 15, 2006 for the expansion project being term loans from banks of Rs. 519.58 Lacs, unsecured bridge loans from MPL and Abhishek Industries Ltd aggregating Rs. 569.58 Lacs. The details of the amount deployed are as follows:

Rs. in Lacs		
Sr. No.	Particulars	Amount
1	Building and Civil Work	296.31
2	Plant and Machinery	685.57
3	Pre-operative Expenses	97.84
4	Share Issue Expenses	9.44
	<b>Total</b>	<b>1089.16</b>

### Interim use of funds

Pending use of funds as described above, we intend to invest the proceeds of the Issue in high quality, interest/dividend bearing short term/long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorised by our Board or a duly authorised committee thereof. We may also use the same to fund our existing working capital requirement on a temporary basis.

### Monitoring of utilisation of Funds

Our Board will monitor the utilisation of the proceeds of the Issue. We will disclose the utilisation of the proceeds of the Issue under a separate head in our Balance Sheet for the FY 2006-07 clearly specifying the purpose for which such proceeds have been utilised. We will also, in our Balance Sheet for the FY 2007-08, provide details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue.

No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, Key Management Personnel or companies promoted by our Promoters except in the course of normal business.



## BASIC TERMS OF ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of the Draft Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, ROC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

Public Issue of [●] Equity Shares of face value Rs. 10/- each at a price of Rs. [●] for cash at a premium of Rs. [●] per Equity Share aggregating Rs. 3000 Lacs. (hereinafter referred to as the “Issue”), and the Issue would constitute [●] % of the post Issue paid-up capital of our Company. The Issue is being made through the Book Building Process:

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	At Least [●] Equity shares	At Least [●] Equity shares	At least [●] Equity shares
Percentage of Issue Size available for allocation	At Least 50%, (of which 5% shall be reserved for Mutual Funds) of the Issue	At Least 15% of The Issue*	At least 35% of The Issue. *
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000/- and in multiples of [●] Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000/- and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Share thereafter
Maximum Bid	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 100,000/-
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development financial institutions, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts.	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.



Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
	companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 Lacs. And pension funds with minimum corpus of Rs. 2500 Lacs. In accordance with applicable law.		
Terms of Payment	Margin Amount applicable to QIB Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate
Margin Amount	10% of the Bid Amount in respect of bids placed by QIB Bidder	Full Bid Amount on bidding	Full Bid Amount on bidding

\* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in Non-Institutional and Retail Individual categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of our Company, BRLM and subject to applicable provisions of SEBI Guidelines.

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



## **BASIS FOR ISSUE PRICE**

The Issue Price will be determined by us in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares by way of book building.

## **QUALITATIVE FACTORS**

### **Professional Management:**

Our Company is managed by qualified management team with several years of relevant experience in their domain. The management team is supported by Board of Directors who are qualified and have a vast experience in the Chemical and Pharmaceuticals industry.

### **Raw material sourcing capabilities:**

Sourcing Alcohol is an important element in the organic chemical industry. The focus has been to develop competencies in this area and source directly from the market. Our agents are aware of the sources of supply, giving us information on the market conditions to help us plan the procurement strategy. Our international relationships provide us opportunities to source instantly from global markets, if required.

### **Utilities**

Power is one of the key inputs in the chemical industry. Presently we are meeting our entire power requirements through PSEB grid. The Company proposes to install captive power generation units.

### **Operations & Maintenance**

Our Company has well equipped machinery and monitoring equipment. Our Company has trained personnel who maintain and run the machines. Also all the key equipment suppliers have their service at our disposal and thereby the Company is assured of spares and after sale service, if required.

### **Strong customer relationships**

Our Company follows stringent norms and guidelines prescribed by the customers to adhere with their quality standards. Our consistent quality has earned us significant goodwill in the markets in which we operate, giving us an advantage against competition. We have been able to retain customers and further strengthen the relationship.

### **Quality Standards**

Our Company adheres to all the quality standards as prescribed by customers/purchasers for products and processes.

### **Technology:**

Our emphasis has been on Process Reliability and Backup, to deliver high quality product without compromising on any technology. We operate on the most up to date technology for product manufacturing. Our entire plant design is as per ASME, TEMA codes and GMP standards, which plant operates on DCS that makes the parameter controlling and recording more reliable and simple. Our plant is continuous in nature and best measures are adopted to ensure that the production is not hampered due to failure of resources at any level. To further ensure this and meet the production targets with best quality and quantity norms, the backup is maintained for all the major equipments and utilities.

We are associated with all leading and reputed suppliers of Plant and Machinery. The supplier list comprising of renowned names like, M/s Alfa Laval, Thermax, ABB, Triveni Engineering, Kirloskar, KSB, Atlas Copco, Ingersol Rand, Crompton, Fischer Rosemount, GMM Pfadler, Swiss Glasscoat, HRS Process Systems Pvt.Ltd, Siemens, Caterpillar, IDMC etc.

We have been focusing on adopting best technology to ensure energy efficient means of production. The same is supported with the fact that we have been awarded National Award for Energy Conservation (2<sup>nd</sup> Prize) in Chemical Sector by Ministry of Power, Government of India.

### **Research and Development:**

We support our manufacturing capabilities with a highly equipped Research and Development Department to ensure best quality products in the most efficient and cost effective manner.



## Quantitative Factors

### (i) Adjusted Earning Per Equity Share (EPS) of face value of Rs.10/-

Year	EPS** (Rs.)	Weight
For FY 2002-03	(7.63)	1
For FY 2003-04	0.31	2
For FY 2004-05	6.93	3
<b>Weighted Average</b>	<b>2.30</b>	

### (ii) Price/Earning Ratio (P/E)\* in relation to Issue Price of Rs. [●] per share

Particulars	
Based on March 31, 2005 EPS	[●]
Based on weighted average EPS	[●]

### (iii) Industry Composite P/E

- a) Chemical Industry 23.10
- b) Pharmaceuticals Indian Bulk Drugs 23.50

Source: Capital Markets volume March 13 – 26, 2006 XXI/01

### (iv) Return on Net Worth (RONW)

Financial Year Ended	RONW (%)	Weight
March 31, 2003	-	1
March 31, 2004	-	2
March 31, 2005	117.56	3
<b>Weighted Average</b>	<b>58.78%</b>	<b>6</b>

“Net worth” means aggregate of value of the paid up equity capital and free reserves (excluding reserves created out of revaluation) reduced by the aggregate value of accumulate losses and deferred expenditure not written off (including miscellaneous expenses not written off) as per the audited balance sheet.)

**Note:** During the financial year ended March 31, 2003 and March 31, 2004 the net worth of our Company was negative.

5. Minimum return on total net worth after the Issue required to maintain pre-Issue EPS of Rs. 6.93 is [●] %

6. Net Asset Value (NAV) per share, post-Issue and comparison with the Issue Price

a	As at March 31, 2005	Rs. 5.89
b	NAV after the issue	Rs. [●]
c	Issue Price*	Rs. [●]

\* would be compared after discovery of the Issue Price through Book Building

The Issue Price of Rs. [●] has been determined on the basis of the demand from investors through the book building process and is justified based on the above accounting ratios.

7. Comparison of the accounting ratios of our Company with the industry average and accounting ratios of peer group for the FY2005

Name of the Company	Face value per share	EPS (Rs.)	PE Ratio	RONW (%)	NAV (Rs.)
Jubilant Organosys Limited	5	36.8	25.7	32.30%	249.7
Shasun Chemicals & Drugs Limited	2	6.3	13	24.70%	28.6

Source: Capital Markets volume March 13 – 26, 2006 XXI/01



8. The face value of the equity shares is Rs. 10/- each. The issue price is [●] times the face value at the lower end of the price band and [●] times the face value at the higher end of the price band. The Issue Price of Rs. [●] has been determined by us in consultation with the BRLM on the basis of assessment of market demand for the Equity shares by way of Book Building and is justified on the basis of the above factors.

9. The BRLM believe the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. Please see section titled 'Risk Factors' on page no. (x) of this Draft Red Herring prospectus and the financials of our Company including profitability and return ratios, as set out in the section titled "Management Discussion and Analysis" on restated financial statements on page no. 100 of this Draft Red Herring Prospectus to have more informed view.



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## STATEMENT OF TAX BENEFITS

To,  
The Board of Directors,  
Industrial Organics Limited  
85, Industrial Area 'A'  
Ludhiana, Punjab

Dear Sirs,

### **Statement of Possible Tax benefits available to the company and its shareholders**

We hereby report that the enclosed statement states the possible tax benefits available to the company and to the shareholders of the company presently in force in India. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence the ability of the company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions. Which based on business imperatives the company faces in the future, the company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participant in the issue.

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

1. the company or its shareholders will continue to obtain these benefits in future, or
2. the conditions prescribed for availing the benefits have been/ would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the company and on the basis of our understanding of the business activities and operations of the company.

For **K K Kapoor & Associates**  
Chartered Accountants

Kiran K Kapoor  
Partner  
Membership No. 80315  
Date: January 14, 2006



## **STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO INDUSTRIAL ORGANICS LIMITED (THE COMPANY) AND ITS SHAREHOLDERS**

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill.

The following tax benefits shall be available to the Company and the prospective shareholders under Direct Tax.

### **1. To the Company**

#### **1.1 Under the Income-tax Act, 1961 (“the Act”)**

- a. The Company is eligible under Section 35D of the Income Tax Act, 1961 to a deduction equal to one-fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the extension of the industrial undertaking, for a period of five successive years subject to the limits provided and conditions specified under the said section.
- b. The Company would be eligible for depreciation at the prescribed rates on the cost of assets as per the provisions of Income Tax Act, 1961. Further the Company would be entitled to depreciation @ 80% of the cost of Plant & Machinery in the nature of energy saving devices and would also be entitled to depreciation on its other assets as per Rule 5 of the Income Tax Rules, 1962.
- c. As per provisions of Section 32(1)(iia) of the Income Tax Act, 1961 the Company would be entitled to additional depreciation @ 20% of the actual cost of new Plant & Machinery during previous year ending on or after 31.3.2005 subject to the fulfillment of other conditions specified under the said section.
- d. Under Section 115 JAA (1A) of the Income Tax Act, 1961 tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Income-tax Act. Such MAT credit shall not be available for set-off beyond five years succeeding the year in which the MAT credit initially arose.

#### **1.2. Under Punjab General Sales Tax Act, 1948 (“the Act”)**

Under the Punjab General Sales Tax Act, 1948, the Company is exempted from payment of sales tax on its purchases and sales. The said benefit is by virtue of exemption granted under the Punjab General Sales Tax ( Deferment and Exemption ) Rules , 1991 vide Exemption Certificate no. LUD/III/103 dated 09.12.1999. The said exemption is upto the period ending June 11, 2009 subject to a limit of Rs. 34.37 crores.

#### **1.3. Benefits available under Central Excise Tariff**

In respect of the Capital goods and allied machinery being purchased for ongoing projects, the benefit of Cenvat credit is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

#### **1.4. Benefits available under Finance Act 1994 -Service Tax**

In respect of services availed for ongoing projects, the benefit of Cenvat-Service Tax is available under Rule 4 of the Cenvat Credit Rules, 2004 subject to fulfillment of the conditions specified.

#### **1.5. Benefits available under Export Import Policy**

Import of Capital Goods under Export Promotion Capital Goods scheme (EPCG scheme) at concessional rate of duty subject to fulfillment of obligations.

### **2. To the Members of the Company – Under the Act**

#### **2.1 Resident Members**

- a) Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income-tax in the hands of the shareholders.



b) Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company or unit of an equity oriented mutual fund (i.e. capital asset held for the period of twelve months or more) entered into in a recognized stock exchange in India and being such a transaction, which is chargeable to Securities Transaction Tax, shall be exempt from tax.

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

d) As per the provisions of Section 10(23D) of the Act, all mutual funds set up by public sector banks, public financial institutions or mutual funds registered under the Securities and Exchange Board of India (SEBI) or authorized by the Reserve Bank of India are eligible for exemption from income-tax, subject to the conditions specified therein, on their entire income including income from investment in the shares of the company.

e) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets (other than those exempt under section 10(38)) shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –

(i) National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

(ii) National Highways Authority of India constituted under Section 3 of National Highways Authority of India Act, 1988;

(iii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;

(iv) National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and

(v) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989.

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

f) Under Section 54ED of the Act, capital gain arising from transfer of long term capital assets, being listed securities or units (other than those exempt u/s 10(38)), shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested in public issue of equity shares issue of an Indian public company within a period of six months from the date of such transfer. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

g) Under Section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets (other than a residential house and those exempt u/s 10(38)) then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

h) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company or unit of an equity oriented mutual fund, which is subject to securities transaction tax will be taxable under the Act at the rate of 10% (plus applicable surcharge and educational cess).

i) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation



as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders.

## **2.2 Non Resident Indians/Members other than Foreign Institutional Investors and Foreign Venture Capital Investors**

a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from a domestic company referred to in Section 115-O of the Act, is exempt from tax in the hands of the recipients.

### **b) Taxation of Income from investment and Long Term Capital Gains on its transfer**

(i) A non-resident Indian, i.e. an individual being a citizen of India or person of Indian origin has an option to be governed by the special provisions contained in Chapter XIIA of the Act, i.e. “Special Provisions Relating to certain incomes of Non-Residents”.

(ii) Under Section 115E of the Act, where shares in the company are subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under Section 10(38) of the Act) be concessional tax at a flat rate of 10% (plus applicable surcharge and educational cess on Income-tax) without indexation benefit but with protection against foreign exchange fluctuation under the first proviso to Section 48 of the Act.

(iii) Under provisions of section 115F of the Act, long term capital gains (not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

## **2.3 Return of Income not to be filed in certain cases**

Under provisions of Section 115-G of the Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

## **2.4 Other Provisions of the Act**

a) Under Section 115-I of the Act, a non resident Indian may elect not to be governed by the provisions of Chapter XII-A of the Act for any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this Chapter shall not apply to him. In such a case the tax on investment income and long term capital gains would be computed as per normal provisions of the Act.

b) Under the first proviso to section 48 of the Act, in case of a non resident, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

c) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38)] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested within a period of six months from the date of transfer in the bonds issued by –

(i) National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

(ii) National Highways Authority of India constituted under Section 3 of National Highways Authority of India Act, 1988;

(iii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;

(iv) National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and



(v) Small Industries Development Bank of India established under Section 3(1) of the Small Industries Development Bank of India Act, 1989.

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

d) Under Section 54ED of the Act, capital gain arising from transfer of long term capital assets, being listed securities or units (other than those exempt under section 10(38)), shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested in public issue of equity shares issue by of an Indian Public Company within a period of six months from the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

e) Under Section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets (other than a residential house and those exempt under section 10(38)) then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

f) Under Section 111A of the Act, capital gains arising from transfer of short term capital assets, being an equity share in a company or unit of an equity oriented mutual fund, which is subject to securities transaction tax will be taxable under the Act at the rate of 10% (plus applicable surcharge and educational cess).

g) Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months, shall be taxed at a rate of 20% (plus applicable surcharge and educational cess on income-tax) after indexation as provided in the second proviso to Section 48 or at 10% (plus applicable surcharge and educational cess on income-tax) (without indexation), at the option of the Shareholders..

## **2.5 Foreign Institutional Investors (FIIs)**

a) By virtue of Section 10(34) of the Act, income earned by way of dividend income from another domestic company referred to in Section 115-O of the Act, are exempt from tax in the hands of the institutional investor.

b) Under section 115AD capital gain arising on transfer of short capital assets, being shares and debentures in a company, are taxed as follows:

(i) Short term capital gain on transfer of shares/debentures entered in a recognized stock exchange which is subject to securities transaction tax shall be taxed at the rate of 10% (plus applicable surcharge and educational cess); and

(ii) Short term capital gains on transfer of shares/debentures other than those mentioned above would be taxable at the rate of 30% (plus applicable surcharge and educational cess).

c) Under section 115AD capital gain arising on transfer of long term capital assets, being shares and debentures in a company, are taxed at the rate of 10% (plus applicable surcharge and educational cess) such capital gains would be computed without giving effect to the first and second proviso to section 48. In other words, the benefit of indexation, direct or indirect, as mentioned under the two provisos would not be allowed while computing the capital gains.

d) Under Section 54EC of the Act, capital gain arising from transfer of long term capital assets [other than those exempt u/s 10(38)] shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain are invested within a period of six months from the date of transfer in the bonds issued by –

(i) National Bank for Agriculture and Rural Development established Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;



(ii) National Highways Authority of India constituted under Section National Bank for Agriculture and Rural Development established under of National Highways Authority of India Act, 1988;

(iii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;

(iv) National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987; and

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If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new bonds are transferred or converted into money within three years from the date of their acquisition.

e) Under Section 54ED of the Act, capital gain arising from transfer of long term capital assets, being listed securities or units (other than those exempt u/s 10(38)), shall be exempt from tax, subject to the conditions and to the extent specified therein, if the capital gain is invested in public issue of equity shares issue by of an Indian Public Company within a period of six months from the date of such transfer. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, the amount so exempted shall be chargeable to tax subsequently, if the new equity shares are transferred or converted into money within one year from the date of their acquisition.

## **2.6 Venture Capital Companies/Funds**

As per the provisions of section 10(23FB) of the Act, income of

- Venture Capital Company which has been granted a certificate of registration under the Securities and exchange Board of India Act, 1992 and notified as such in the Official Gazette; and

- Venture Capital Fund, operating under a registered trust deed or a venture capital scheme made by Unit trust of India, which has been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992 and notified as such in the Official Gazette set up for raising funds for investment in a Venture Capital Undertaking is exempt from income tax.

## **2.7 Infrastructure Capital Companies/Funds or Co-operative Bank**

As per the provisions of section 10(23G) of the Act, income by way of dividends, interest or long term capital gains of

- Infrastructure Capital Company;
- Infrastructure Capital Fund; and
- Co-operative Bank

From investment made in share or long term finance in undertakings specified therein shall be exempt from tax. However, such income earned by an Infrastructure Capital Company shall not be exempt for the purpose of computing tax on book profits u/s 115JB of the Act.

## **3. Wealth Tax Act, 1957**

Shares in a company held by a shareholder will not be treated as an asset within the meaning of Section (ea) of Wealth-tax Act, 1957; hence, wealth tax is not leviable on shares held in a company.

## **4. The Gift Tax Act, 1957**

Gift of shares of the company made on or after October 1, 1998 are not liable to tax.

### **Notes**

- a) All the above benefits are as per the current tax law and will be available only to the sole/ first named older in case the shares are held by joint holders.
- b) In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.
- c) In view of the individual nature of tax consequence, each investor is advised to consult his/ her own tax adviser with respect to specific tax consequences of his/ her participation in the scheme.



## SECTION IV

### ABOUT THE ISSUER COMPANY

#### Industry Overview

The Chemical industry comprising organic, inorganic, petrochemical and drugs/ pharmaceuticals plays an important role in the overall economic development of the country. It is one of the oldest and knowledge/technology-based industry requiring huge capital and power for production. It is also one of the most diversified of all industrial sectors covering a large number of commercial products. The Indian Chemical Industry ranks 12th by volume in the world for production of chemicals. The chemical industry accounts for about 14% in the general index of Industrial Production (IIP) and 17.6% in the manufacturing sector. It also accounts for about 13-14% of total exports and 8-9% of total imports of the country. Its contribution to the national revenue by way of custom and excise duties is about 20%. It contributes about 3% to the GDP.

Till the end of the nineties, the trade balance in chemicals i.e. basic chemicals, petrochemicals and drugs & pharmaceuticals used to be negative. However, from 2001 onwards, there has been positive trade balance in the range of Rs. 2600 crore to Rs. 7500 crore. At present, the share of chemicals in total exports is about 14%, which increased from 11.2% in 1998-99. On the other hand, its share in total imports declined from 11.0% in 1998-99 to 9.5% in 2003-04. The organic and inorganic chemicals, plastic and plastic products, man-made fibres and pharmaceuticals constitute the main items of exports having a growth rate of about 18-20%. During the year 2003-04, the export of chemicals was worth Rs. 41568 crore as against Rs. 15598 crore in 1998-99. On the other hand, inorganic chemicals, man made filaments; drugs and pharmaceuticals constitute the main items of imports. During the year 2003-04, import of chemicals was of the order of Rs. 34273 crore as against Rs. 19679 crore in 1998-99.

The trade balance in basic chemicals, petrochemicals and drugs & pharmaceuticals is given in the following table given below:

#### India's Trade in Chemicals, Petrochemicals & Pharmaceuticals

	(Rs. in Crores)						
<b>EXPORTS</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2001-02</b>	<b>2000-01</b>	<b>1999-00</b>	<b>1998-99</b>	<b>CARG</b>
Inorganic Chemicals	1949	1946	1259	1076	691	665	24
Organic Chemicals	12975	10190	7674	7902	5931	4803	22
Dyeing, Tanning and Colouring Matter	3112	2943	2436	2364	1924	1627	13.8
Miscellaneous Chemicals Products	2643	2318	2061	2038	1680	1356	41.3
Total Chemicals	20679	17397	13430	13380	10226	8451	19.6
Plastics and Articles thereof	6137	4850	3691	3202	1840	1364	35.1
Man Made Filaments	3995	3396	2614	2344	1600	1291	25.3
Man Made Staple Fibres	3312	2940	2116	2205	1641	1422	18.4
Total Petrochemicals	13444	11186	8421	7751	5081	4077	27
Drugs/ Pharmaceuticals	7445	6779	5035	4318	3709	3070	19.4
<b>Total exports of Chemicals Petrochemicals &amp; Pharmaceuticals</b>	<b>41568</b>	<b>35362</b>	<b>26886</b>	<b>25449</b>	<b>19016</b>	<b>15598</b>	<b>21.7</b>
<b>IMPORTS</b>							
Inorganic Chemicals	5916	5579	5730	4962	5799	5415	1.8
Organic Chemicals	14363	10695	8795	7308	7564	6840	16
Dyeing, Tanning and Colouring Matter	1617	1344	1138	879	845	785	15.5
Miscellaneous Chemicals Products	3362	2572	2442	1798	2067	2052	10.4
Total Chemicals	25258	20190	18105	14947	16275	15092	10.8
Plastics and Articles thereof	5685	4387	3726	3003	3423	3078	13.1
Man Made Filaments	1547	1615	1219	867	826	498	25.4
Man Made Staple Fibres	633	672	442	416	326	441	7.5
Total Petrochemicals	7865	6674	5387	4286	4575	4017	14.4
Drugs/ Pharmaceuticals	1150	1152	794	688	601	570	15.1
<b>Total imports of Chemicals, Petrochemicals &amp; Pharmaceuticals</b>	<b>34273</b>	<b>28016</b>	<b>24286</b>	<b>19921</b>	<b>21451</b>	<b>19679</b>	<b>11.7</b>

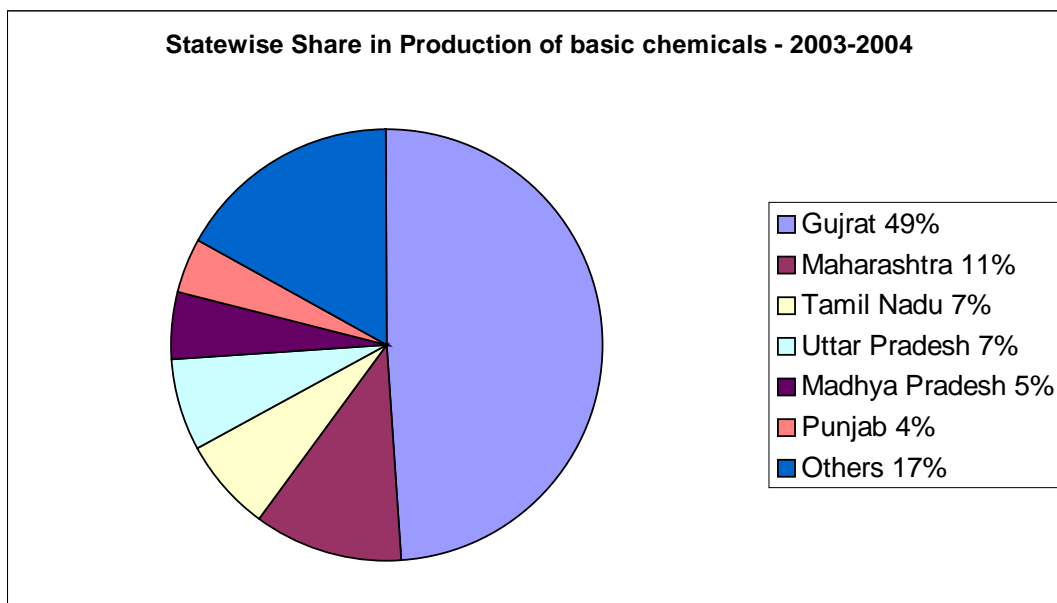


## (i) Chemical Industry

Chemical industry is one of the oldest industries in India. It not only plays a crucial role in meeting the daily needs of the common man, but also contributes significantly towards industrial and economic growth of the nation.

The Indian chemical industry ranks 12<sup>th</sup> by volume in the world production of chemicals. The industry's current turnover is about USD 30 billion. The growth in the industrial sector in 2003-04 continued to be healthy. The index of general industrial production grew by 6.9 per cent. The growth of basic chemicals and chemical products except products of petroleum & coal products during the year 2003-04 was 8.2%.

The annual growth in production in India of basic chemicals such as caustic soda/lye, sulphuric acid, acetic acid, acetic anhydride, hydro chloride acid etc during 2003-04 over 1999-2000 was 6.67% and consumption was 7.22%.



The export of chemicals (inorganic/organic, pesticides and dyes etc.) during the year 2003-04 was Rs.20679 crores against Rs.17397 crores in the year 2002-03. Substantial proportion of exports from this sector goes to the USA, Europe and other developed nations. The imports, (in quantity) increased by 19% and export by 19.7%.

The Indian chemical industry comprises both small and large-scale units. The fiscal concessions granted to the small sector in mid-eighties led to establishment of a large number of units in the Small Scale Industries (SSI) sector. Currently, the Indian chemical industry is in the midst of a major restructuring and consolidation phase. With the shift in emphasis on product innovation, branch building and environmental friendliness, this industry is increasingly moving towards greater customer orientation.

Even though India enjoys an abundant supply of basic raw materials, it will have to build upon technical services and marketing capabilities to face global competition and increase its share of exports.

In terms of consumption, the chemical industry is its own largest customer and accounts for approximately 33 per cent of the consumption. In most cases, basic chemicals undergo several processing stages to be converted into downstream chemicals. These in turn are used for industrial applications, agriculture, or directly for consumer markets. Industrial and agriculture uses of chemicals include auxiliary materials such as adhesives; unprocessed plastics, dyes and fertilizers, while uses within the consumer sector include pharmaceuticals, cosmetics, household products, paints etc.

India also produces a large number of fine and specialty chemicals, which have very specific uses and are essential for increasing industrial production. These find wide usage as food additives and pigments, polymer additives, anti-oxidants in the rubber industry, etc.



Manufacture of most chemical products, inter-alia, organic /inorganic, dyestuffs & pesticides, is delicensed and manufacturers are required to submit only the IEMs with the Department of Industrial Policy & Promotion, provided no locational restriction is applicable. However, only the following items are covered in the compulsory licensing list because of their hazardous nature: -

- Hydrocyanic acid & its derivatives
- Phosgene & its derivatives
- Isocyanates & di-isocyanates of hydrocarbons.

The dyestuff sector is one of the important segments of the chemicals industry in India, having forward and backward linkages with a variety of sectors like textiles, leather, paper, plastics, printing inks and foodstuffs. The textile industry accounts for the largest consumption of dyestuffs. From being importers and distributors in the 1950's, it has now emerged as a very strong industry and a major foreign exchange earner. India with approximately 6% of the world production has emerged as a global supplier of dyestuffs and dye intermediates, particularly for reactive, acid and direct dyes..

Chemical fertilizers and pesticides played an important role in the “Green Revolution” during the 1960s and 1970s. Indian exports of agrochemicals have shown an impressive growth over the last five years. The key export destination markets are USA, U.K., France, Netherlands, Belgium, Spain, South Africa, Bangladesh, Malaysia and Singapore.

India is one of the most dynamic generic pesticide manufacturers in the world with more than 60 technical grade pesticides being manufactured indigenously by 125 producers consisting of large and medium scale enterprises (including about 10 multinational companies) and more than 500 pesticide formulators spread all over the country.

## **(ii) Pharmaceutical Industry**

The Indian pharmaceutical industry, now a \$ 4 billion industry in addition to over \$ 3.1 billion exports, has shown tremendous progress in terms of infrastructure development, technology base and wide range of products. The industry produces bulk drugs belonging to all major therapeutic groups requiring complicated manufacturing processes and has also developed excellent GMP compliant facilities for the production of different dosage forms. The strength of the industry lies in developing cost effective technologies in the shortest possible time for drug intermediates and bulk actives without compromising on quality. This is realized through the country's strengths in organic synthesis and process engineering. The country's fame as a low cost producer of anti-retrovirals and supplying the same to international organizations and more importantly to the needy African market is now well established.

Many Indian companies maintain highest standards in purity, stability and international ‘SHE’ requirements, viz. safety, health and environmental protection, in production and supply of bulk drugs to even innovator companies. This speaks of the high quality standards maintained by large number of Indian companies as these bulk actives are used by the buyer companies in the dosage forms which are again subject to stringent assessment by various regulatory authorities in the importing countries. Several Indian companies are now seeking regulatory approvals in USA in specialized segments like anti-infectives, cardiovasculars and CNS group.

Along with Brazil and China, India has carved a niche for itself by being a top generic pharma player.

The Indian pharmaceutical industry is an industry involving sophisticated technology and stringent GMP requirements. Major share of Indian pharma exports going to highly developed western countries indicate not only the quality of Indian pharmaceuticals is acceptable, but also the reasonableness of the prices is enabling the penetration of the Indian drug manufacturers in international market. Several Indian companies, in addition to having WHO GMP, have also been getting plant approvals from international regulatory agencies like US FDA, MCA UK, TGA Australia, MCC South Africa.



### **Production**

Following the delicensing of the pharmaceutical industry, application in the form of Industrial Entrepreneurial Memoranda (IEMs) for manufacture of various bulk drugs/drug intermediates /formulations is required to be made. The major items covered by the IEMs include a wide range of bulk drugs, intravenous fluids and formulations etc. There has been no report of shortages in recent years. The country is almost self-sufficient in case of formulations required by the consumers. Industrial licensing for most of the drugs and pharmaceutical products have been done away with. The manufacturers are free to produce any drug duly approved by the Drug Control authorities.

*Source: Annual Report 2004-2005, Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Government of India.*

### **FUTURE OUTLOOK:**

The Indian chemical industry has the potential to grow around 100 billion by 2010 according to KPMG's analysis based on survey of the industry. This would imply an annual growth rate of 15.5%. For the industry to achieve this size specialty and knowledge chemical segments would need to grow at 16.4 percent (current growth rate is 7.9%) and 27% (current growth rate is 12.3%) respectively, while the basic chemicals segment would need to sustain its current growth rate of 7.7%. This would mean that the Indian industry's composition would change to match the profile of the chemical industry in global market.

Indian chemical industry is an integral component of the economy contributing around 6.7% of the Indian GDP. It touches our lives in many ways. The Indian economy is firmly on the path of steady growth. Even during the last decade when other countries were in the grip of a massive slowdown, India continues to enjoy a comfortable economic position. The liberalisation of the Indian economy has opened new windows of opportunity for chemical companies. The entry of private firms into new sectors, motivated by changes in drug regulations, has resulted in a greater level of competitiveness. In a significant move a large number of foreign companies have entered segments such as pharmaceuticals, petrochemicals and agrochemicals.

The production of alcohol based chemicals especially the production of acetic acid has been a measure index of the development of organic chemical industry of the country. Acetic acid finds application in a wide spectrum of end users, but it is mainly required in acetic anhydride, VAM, PTA etc. The production of acetic acid has increased from 46700 tonnes in 1986-87 to 270000 tonnes in 2003-04. The major factors influencing future demand would be developments in PTA industry. The overall demand for acetic acid is expected to grow at 5-7% per annum.

The demand for polyester fibre and PET (polyethylene terephthalate) is currently increasing in Asia and Pacific regions and its raw material, terephthalic Acid of high purity, is also urgently needed. Many suppliers are now active in constructing terephthalic acid plants in those regions. India is no exception, and the increase in capacity of acetic acid, the raw material for much needed terephthalic acid is badly demanded.

In India, most prolific consumer of acetic acid is the PTA industry. This is a commodity product with high volume & low margins. Almost 40% of the output is routed to the captive utilization as large producers have integrated forward in the manufacturing anhydride & other value added products.



## **BUSINESS OVERVIEW**

### **INTRODUCTION**

We are a fully integrated medium size organic chemical and bulk drug company focussed on manufacturing and marketing of acetic acid, ethyl acetate, acetic anhydride and bulk drug ibuprofen. Our manufacturing facilities are located in village Fatehgarh Chhana, near Barnala in the state of Punjab.

### **OVERVIEW**

We started our operations in 1991, with a small facility to manufacture 4500 TPA of acetic acid and gradually diversified into a multi product -manufacturing unit. Today we are among the leading producer of organic chemicals and bulk pharmaceutical drug. We operate in the chemical and bulk drugs pharmaceutical industry, which is one of the largest organized sector in the country. In the financial year 2004-05, we achieved turnover of Rs. 9653 Lacs as against turnover of Rs. 6125 Lacs in financial year 2003-04 thus an increase of 57%. During the nine months period ended December 31, 2005 we have achieved turnover of Rs. 11764 Lacs. Our adjusted profit after tax which was Rs 25 Lacs in financial year 2003-04 increased to Rs. 558 Lacs in financial year 2004-05 and for the nine months period ended December 31, 2005 our profit after tax is Rs. 531 Lacs.

### **OUR PRODUCTS**

#### **Acetic Acid**

Acetic acid, also known as ethanoic acid, is an organic chemical compound best recognized for giving vinegar its sour taste and pungent smell. Acetic acid is one of the simplest carboxylic acids. It is an important chemical reagent and industrial chemical that is used in the production of polyethylene terephthalate mainly in soft drink bottles; cellulose acetate, mainly for photographic film; and polyvinyl acetate for wood glue, as well as many synthetic fibres and fabrics. In households diluted acetic acid is often used in descaling agents. In the food industry acetic acid is used as food additive to regulate acidity.

Acetic acid is a chemical reagent for the production of many chemical compounds. The largest single use of acetic acid is in the production of vinyl acetate monomer, closely followed by acetic anhydride and ester production.

We started manufacturing acetic acid with an installed capacity of 4500 TPA and now we operate with installed capacity of 30000 TPA. Out of the total production of acetic acid, about 60% is captively consumed in the production of ethyl acetate and acetic anhydride.

#### **Ethyl Acetate**

Ethyl acetate is an active solvent that is available in three grades 85% to 88%, 99% and 99.5%. The most popular is 99%, which is chiefly used, in industrial lacquers and enamels. Ethyl acetate has many uses, such as artificial fruit essences and aroma enhancers, artificial flavours for confectionery, ice cream and cakes, as a solvent in many applications (including decaffeinating tea and coffee, nitrocellulose, lacquers, photographic films and plates as a flavour in pharmaceuticals) for varnishes and paints (nail varnish remover), and for the manufacture of printing inks and perfumes. It is also used for flexible packaging and also as a co-extractant of camphor, fats, oils, and antibiotics. We are currently operating with an installed capacity of 18000 TPA. .

#### **Acetic Anhydride**

Acetic Anhydride is used chiefly as an acetylating and dehydrating agent. It is a clear, colourless liquid with a very pungent, penetrating, vinegar-like odour. It is soluble in ether, chloroform and benzene. Acetic anhydride is used in the manufacture of cellulose acetate having the application as a base for magnetic tape and in the manufacture of textile fibres. Also, it is heated with salicylic acid to produce acetylsalicylic acid (aspirin). It is also used in the manufacture of pigments, dyes, cellulose and pesticides etc.

We are currently operating with an installed capacity of 7500 TPA.

#### **Ibuprofen**

Since its introduction in 1969, ibuprofen has become one of the most common painkillers in the world. ibuprofen is an NSAID (non-steroidal anti-inflammatory drug) and, like other drugs of its class, it possesses analgesic, antipyretic and anti-inflammatory properties and it is a high versatile and a popular off patent drug having global market. Ibuprofen is sought as a safer, more- effective alternative to either corticoids or aspirin for use with rheumatoid arthritis patients. And 30 years after its initial use as a prescription drug, it is marketed over-the-counter under many names and continues to be a leader amongst painkillers



We ventured into this area during the year 2000 and currently operating with an installed capacity of 720 TPA.

## OUR STRENGTHS

**Operational Efficiency:** We use the machines and equipment that scientifically monitor our productivity parameters and we have adopted a policy of constant improvement. We provide adequate attention to many other related areas, like logistics, spare parts sourcing and financial planning to increase our overall efficiency.

In addition, we use DCS software tools developed by ABB Limited, for operating at optimal efficiency to make parameters controlling easy in chemical division. DCS ensures better control of process parameters, complete automation of process, computerized parameter recording and operation on single mouse click.

**Constant innovation:** We have identified modern technology as a key to further growth and have installed ChemCAD a product of ChemStations, Germany which is a simulation software that helps in designing and selection of equipments as a part of complete process. ChemCAD finds its usage in Research and Development, project and process design, redesign and optimisation, operating and maintenance, environmental study and analysis. It thus helps to leverage the knowledge, experience and expertise into productivity.

**Integrated facility:** We are a fully integrated player in the alcohol based industrial chemical industry. Through the production of acetic acid from the basic raw material industrial alcohol, we manufacture two value added products viz. ethyl acetate and acetic anhydride.

**Strategic Sourcing:** Sourcing quality industrial alcohol is the single most important element in the organic chemical industry. Our focus has been to develop competencies in this area and we source in bulk directly from the market from the sugar factories located mainly in Uttar Pradesh, and have created long-standing relationship with our suppliers. Our international relationships give us the leeway to source from global markets.

**Proximity to Markets:** Our plant is located at Barnala, which is close to the industrial belts of Ludhiana, Chandigarh in the state of Punjab and upcoming industrial area in and around Baddi in the state of Himachal Pradesh. Our Company has an added advantage in terms of logistics and cost benefit because of absence of large facilities of alcohol based industrial chemicals in the State of Punjab.

**Experienced Management Team:** We have an experienced management team with hands on experience in critical areas of operations. Key members of the team have served as executives of excellent organizations, giving us access to pool of knowledge in areas of marketing, operations, strategy etc.

**Good Labour Relations:** We follow a proactive labour policy with primary motive of labour safety, labour welfare, their training and development. These are some of the measures to retain and develop our workforce that identifies themselves as a part of a larger family rather than as mere employees. Our Company has enjoyed the distinction of never having suffered any labour unrest from the inception of our Company. During the years 2001 and 2002 we received the Punjab State Safety Award for Nil Accident in Chemical Industry.

## HUMAN RESOURCES

Being in the chemical and pharmaceuticals manufacturing field, our success depends to a great extent on our ability to recruit, train and retain high quality professionals. Accordingly, we place special emphasis on the human resources function in our organisation. We believe that continuous growth opportunities and focus on long-term professional development give us significant advantages in attracting and retaining highly skilled employees. As on December 31, 2005 we have 276 employees out of which about 50% of our employees are graduates and above and less than 10% are pre - matriculation.



#### Qualification & department wise detail of employees:

Department/ Qualification	Pre - Matriculation	Under Graduate	Graduate	Post Graduate	Professional	Diploma & ITI	Total
Finance & Accounts			8	3	5	4	20
Purchase		1	4		3		8
Marketing		1	4		4	3	12
Process	16	87	19	2	15	49	188
R&D		5	4	2	1	1	13
HRM	8	20	4	1	1	1	35
Total	24	114	43	8	29	58	276

#### Employee Training

We encourage our employees to develop management and technology skills through internal & external programs, and industry affiliations. We maintain development and assessment centres, comprehensive feedback systems and a number of learning initiatives.

#### MARKETING

We have our marketing headquarter at Ludhiana with marketing offices at Delhi and Mumbai manned by a committed team of 12 professionals; we sell our products in the market either through dealers or directly to industrial consumers. We believe in marketing our products directly to corporate and industrial buyers to capture a larger market share.

As the products manufactured by us have varied uses in the pharmaceuticals, textile, paint, food industry we sell majority of our products to companies, further dealing with corporate and industrial buyers has several benefits like assured and timely off-take of our products, scope to fix prices in advance and reduce price risk, reduced working capital cost due to increased comfort for working capital lenders; some of the corporate companies to whom we directly supply our products are Ranbaxy Laboratories Limited, Surya Pharmaceuticals Limited, Mahavir Spinning Mills Limited, Nector Life Science Limited, Nahar Spinning Mills Limited, DSM Anti Infectives, Meghmani Organics Limited.

During the last three years our major thrust has been in the lucrative export market that serves the purpose of better margins, import duty free industrial alcohol against advance licenses, tap the huge global market, helps building relationship with large potential customers and suppliers, mitigate risk against over dependence in the domestic market some of the countries where we exports out products are Bangladesh, Dubai, Libya, Lebanon, Thailand, Syria & Singapore, we plan to explore the possibility of selling our products to European & US market.

#### OUR BUSINESS STRATEGY

Our strategy is primarily focussed on leadership through rationalization of cost structure, increasing our operational efficiency, to develop global strategic alliances with quality leaders and to enter a wider domestic and international market.

Our strong dedicated team of professional and qualified personnel serve as front line entrepreneurs for our organization and this has helped us to meet challenges time to time.

The main emphasis is laid on process reliability and backup. The major concern is to deliver high quality product without compromising on any technology and we strive to adopt and adapt up to date technology for product manufacturing and can be adjudged from following:

1. Entire Plant design is as per ASME, TEMA codes and GMP standards.
2. Plant operation is on DCS that makes the parameter controlling and recording more reliable and easy.
3. Process Simulation is done with the help of ChemCAD, simulation software licensed by Chemstations, Germany.
4. Highly equipped Research and Development Department to ensure best quality products in the most efficient and cost effective manner.
5. Independent and well resourced departments for Production, Maintenance, Electrical, Utility, etc.
6. Quality checks at each and every stage to ensure best quality products.



The plant is continuous in nature and best measures are adopted to ensure that the production is not hampered due to failure of resources at any level. To further ensure this and to meet the production targets with best quality and quantity norms, the backup are maintained for all the major equipments and utilities, which can be listed as follows:

1. To support the entire power system, there is an arrangement of 3 DG Sets with combined 2.6 MW capacity,
2. For generation and supply of Chilled Water at temperature of 5 deg C, there are three independent resources.
3. For generation and supply of Brine Water at temperature of – 15 deg C, there are three independent resources.
4. For generation and supply of Cooling Water at temperature of 32 deg C, there are four independent resources.
5. For Steam Generation there are two independent sources with total combined capacity of 24 TPH, while consumption being on 17 TPH. This would be further supported after installation 32 TPH Power Boiler, with 24 TPH steam backup.

IOL has been focusing on adopting best technology to ensure energy efficient means of production and have been awarded with 2<sup>nd</sup> prize for National Award for Energy Conservation for the year 2005 in chemical sector by Ministry of Power, Government of India



## OUR PRODUCTION FACILITIES

Our existing production facilities are located at Village Fatehgarh Chhana, Mansa Road, Barnala-148 101, Punjab

## OUR CAPACITIES

**Our Existing production capacities:**

Figures in TPA

	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003
<b>ACETIC ACID</b>				
Licenced Capacity	54000	36000	15000	15000
Installed Capacity	30000**	22500	13500	13500
Actual Production**	20865	16737	16067	14146
Capacity Utilisation %	92.73	74.39	119.01	104.79
<b>ETHYL ACETATE</b>				
Licenced Capacity	36000	14500	6300	6300
Installed Capacity	18000**	12000	6300	5100
Actual Production	10175	9112	7582	5321
Capacity Utilisation %	75.37	75.93	120.35	104.33
<b>ACETIC ANHYDRIDE</b>				
Licenced Capacity	22000	10000	6000	6000
Installed Capacity	7500	7500	4500	4500
Actual Production	3751	4224	4497	4842
Capacity Utilisation %	66.68	56.32	99.93	107.60
<b>IBUPROFEN</b>				
Licenced Capacity	2000	1500	1500	1500
Installed Capacity	720	720*	600	600
Actual Production	446	350	129	359
Capacity Utilisation %	82.59	57.37	21.50	59.83

\*Note: Installed capacity of Ibuprofen increased from 600TPA to 720 during the month of March 2005.

\*\*Note: Installed capacity of Acetic Acid and Ethyl Acetate increased during the month of July 2005.

### Proposed Capacity and capacity utilisation:

	March 31, 2006	March 31, 2007	March 31, 2008
Acetic Acid	85%	85%	90%
Ethyl Acetate	85%	85%	90%
Acetic Anhydride	85%	90%	95%
Ibuprofen	90%	90%	90%

### Capacity utilisation of ibuprofen

During the year-ended March 31, 2004 the production of ibuprofen was 129 MT resulting in capacity utilisation of 21.50%, Under utilisation of installed capacity was due to stoppage of plant for seven months due to modifications and up gradation of the plant.

For the year ended March 31, 2005 the production increased to 350 MT resulting in to capacity utilization of 57% and for the period nine month ended December 31, 2005 the production increased to 446 MT achieving 82% capacity utilization. We expect that the proposed capacity utilization will be within our means through operational rationalization.

### Land & Building:

We are having land admeasuring approximately 13 acres for carrying out manufacturing activity at Village Fatehgarh Chhana, Barnala (Dist: Sangrur), which is sufficient for carrying out the existing as well as proposed manufacturing activity.



## Export Obligation

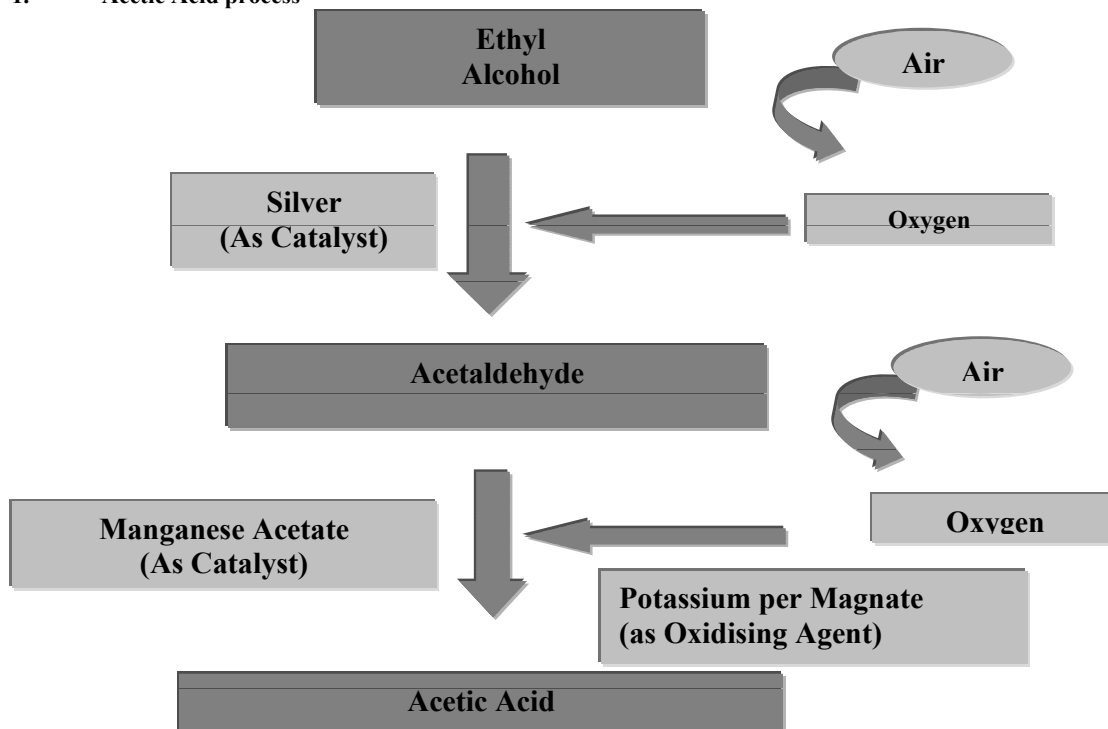
Our Company has to fulfill the export obligation under advance license scheme amounting to Rs. 1456.80 Lacs This Obligation has to be fulfilled by the year 2007.

						Rs. in Lacs
Sr. No.	Advance License Number	Date	Details of goods purchased	Nature of Export Requirement	Amount of Export Obligation	Export Obligation Expiry Date
1	3010040312	February 09, 2005	Industrial Alcohol	Export of ethyl acetate	26.40	February 08, 2007
2	3010042122	May 27, 2005	Industrial Alcohol	Export of acetic acid and ethyl acetate	338.80	May 26, 2007
3	3010043806	September 07, 2005	Industrial Alcohol	Export of acetic acid	237.60	September 06, 2007
4	3010044015	September 20, 2005	Industrial Alcohol	Export of acetic acid	237.60	September 19, 2007
5	3010044717	November 17, 2005	Industrial Alcohol	Export of acetic acid and ethyl acetate	308.20	November 16, 2007
6	3010045080	December 09, 2005	Industrial Alcohol	Export of acetic acid and ethyl acetate	308.20	December 08, 2007
<b>Total</b>					<b>1456.80</b>	



## OUR PRODUCTION PROCESSES

### 1. Acetic Acid process



Entire process for manufacture of acetic acid consists of two stages:

- (a) Acetaldehyde process
- (b) Acetic acid process

#### (a) Acetaldehyde process:

The basic raw material for the production of Acetaldehyde is Ethyl Alcohol, with 94% purity, also known as Specially Denatured Spirit (SDS). Ethyl Alcohol reacts with Oxygen (taken from Air) to form Acetaldehyde.

Feed Ethyl Alcohol is pumped to top of Alcohol Recovery Column where it is converted to vapor form. Then it goes to the Carburettor, where air is added to it. Steam heating is provided. A uniform mixture of ethyl alcohol vapors and the atmospheric air is then fed to the Reactors, which have Silver catalyst mesh inside it. The product gases that contains the acetaldehyde, the water vapor, the un-reacted oxygen, ethyl alcohol and inert nitrogen gas come out of the reactors from its bottom, exchanging heat at the reactor bottom head with a stream coming from the bottom of acetaldehyde column and gets lowered to 250<sup>0</sup> C. The product gas from Reactors goes to Coolers where they are cooled to 40<sup>0</sup> C temperature with the help of cooling water. Then it is fed to Acetaldehyde Column for scrubbing. Further, in Distillation Column, the acetaldehyde is separated as the top product and the rest part of the feed as the bottom product. The Acetaldehyde vapors are then condensed and taken for storage.

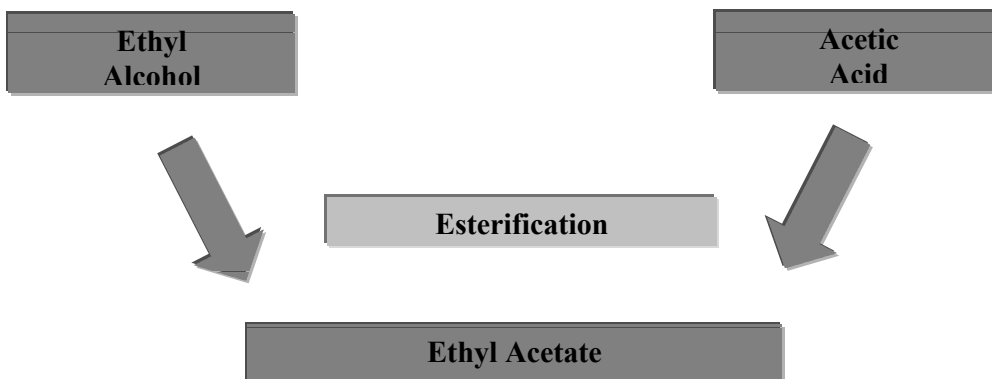
#### (b) Acetic Acid process:

Acetaldehyde produced in the acetaldehyde plant is the basic raw material for the acetic acid plant. Acetic acid is produced by reacting acetaldehyde with oxygen from the atmospheric air. acetaldehyde is sent to the chiller with the help of nitrogen pressure, for cooling up to 20 deg C. The acetaldehyde feed is sent to reactors where air is added.

Acetaldehyde scrubbing column, on the top of the reactor, is meant for the recovery of the acetaldehyde from other gases. The reactors are provided with the coolers to maintain the temperature in it. Then reaction mixture is taken to preheater to vaporize the unreacted acetaldehyde in the reaction mixture by heating it from 55-60<sup>0</sup> C to 85<sup>0</sup> C to break up the acetic acid that has formed during the reaction. The acetaldehyde vapors then escapes from the top of the separator & then goes to the condenser. After this, it is then send to the acetaldehyde recovery column. The stream after passing through number of coolers finally goes to column, where acetic acid vapors are collected from the top, condensed, and then taken for final storage.



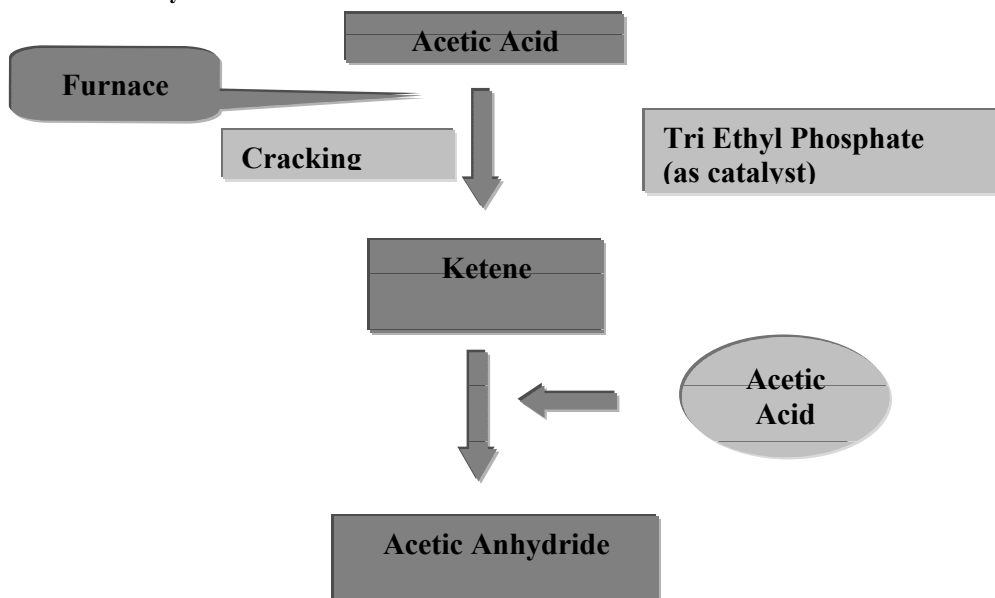
## 2. Ethyl Acetate



Ethyl Alcohol is firstly passed through a shell and tube heat exchanger and through a distillation column, to separate smell-causing molasses from alcohol. The distilled alcohol vapors are sent to the reaction kettle where acetic acid is also added. They are mixed in the reaction kettle in the presence of the sulphuric acid, a catalyst. Reboilers are attached to the reaction kettle to provide the required heat of vaporisation. The vapours from the top of the Reaction Kettle are sent to Ethyl Column for water washing. The vapors coming from the top of the column are condensed in condenser with the help of cooling water and then passed through another cooler. The condensed material is then sent to the Decanter. Here two layers are formed in which the top layer is of Crude ethyl acetate and the bottom layer is of Alcohol, Water & Ester. A portion of the top layer is recycled back to the Reaction column and the rest is fed to the Ethyl Column where again same procedure is repeated. Now, the top layer of decanter is sent to Distillation Column, which has an inbuilt Reboiler to provide proper heat for distillation. In the Distillation Column ethyl acetate vapors are generated which are condensed and diverted for the storage.



### 3. Acetic Anhydride



Acetic Anhydride plant uses the acetic acid being produced by the acetic acid plant. The process involves cracking of acetic acid and then absorption of the cracked gas with acetic acid leads to formation of acetic anhydride.

Acetic acid is fed to the vaporizer. The vapours after heating are fed to the Furnace. In the furnace acetic acid, vapors are decomposed to ketene gas. In order to separate the unconverted acetic acid & the carbon that has formed, the mixture is cooled down. For this the mixture is passed through different gas coolers. After cooling, gas and liquid phases are separated. The cooled ketene gas is taken to the scrubbers, acetic acid is added and reaction takes place between the ketene gas & the acetic acid to form acetic anhydride. Diluted acetic acid is also obtained in the process, which is again used for the absorption of the Ketene gas, thus forming acetic anhydride. The acetic anhydride product is taken for final storage.

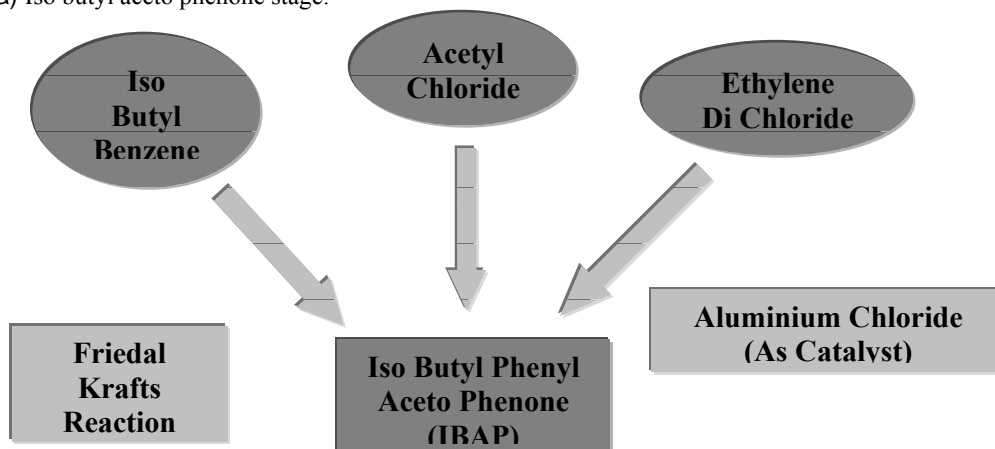


#### 4. Ibuprofen

The entire process for manufacturing of ibuprofen is divided into three stages namely

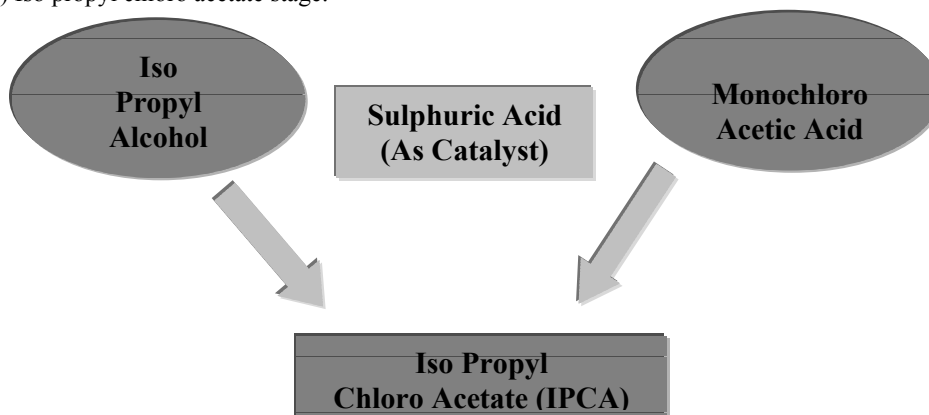
- 1(a) Iso butyl aceto phenone stage (IBAP)
- 1(b) Iso propyl chloro acetate stage (IPCA)
- 2 Aldehyde Stage
- 3 Ibuprofen Stage

1 (a) Iso butyl aceto phenone stage:



IBAP (Iso butyl aceto phenone) is formed by the chemical reaction between iso butyl benzene & acetyl chloride in presence of EDC (ethylene di chloride) and aluminium chloride as solvent and catalyst respectively. The Reaction is based on the Friedel Crafts acylation. Hydrogen chloride is generated as the by product in the vapour form which is scrubbed with water to form hydrochloric acid. Finally, water washing of the reaction products is done to remove the water soluble impurities and to recover the organic part, which contains the IBAP.

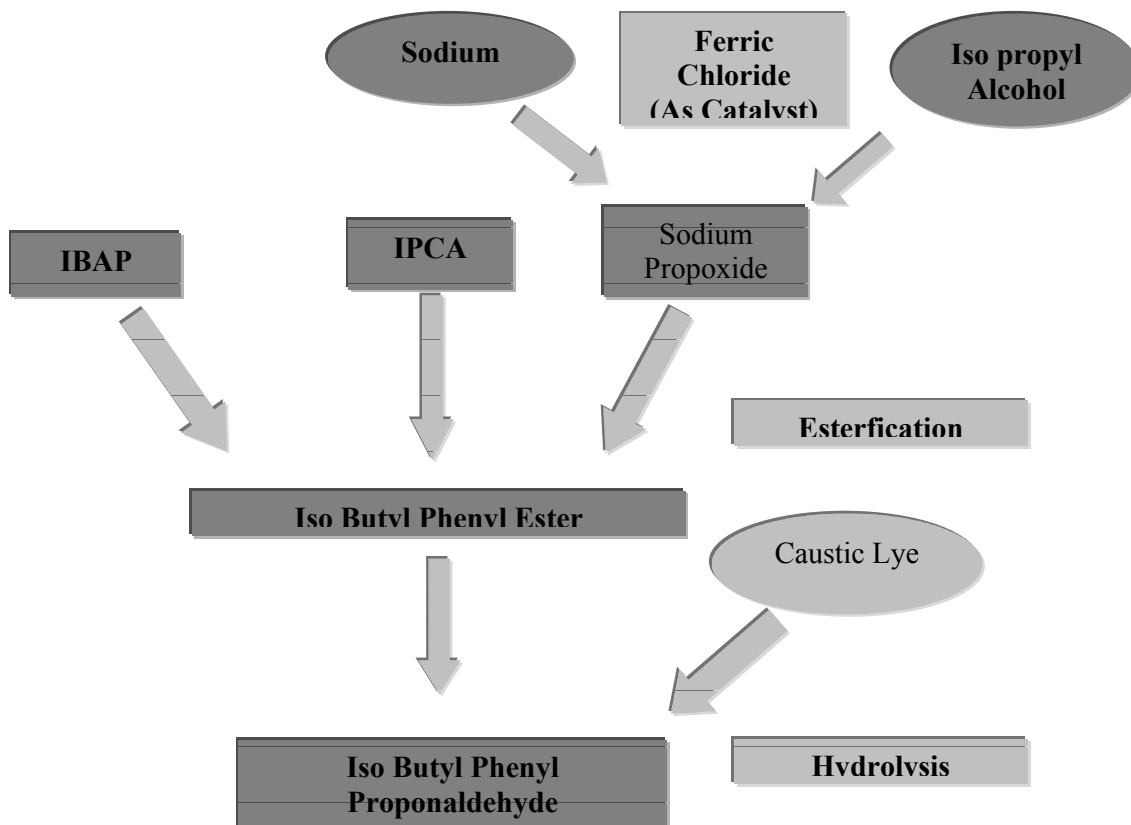
1(b) Iso propyl chloro acetate stage.



IPA (Iso Propyl Alcohol) & MCA (Monochloro Acetic Acid) are the Reactants and IPCA (Iso Propyl Chloro Acetate) is the Reaction Product whereas the Water formed during the Reaction is the Side Product. IPA is the Excess reactant and MCA charged is always completely reacted.

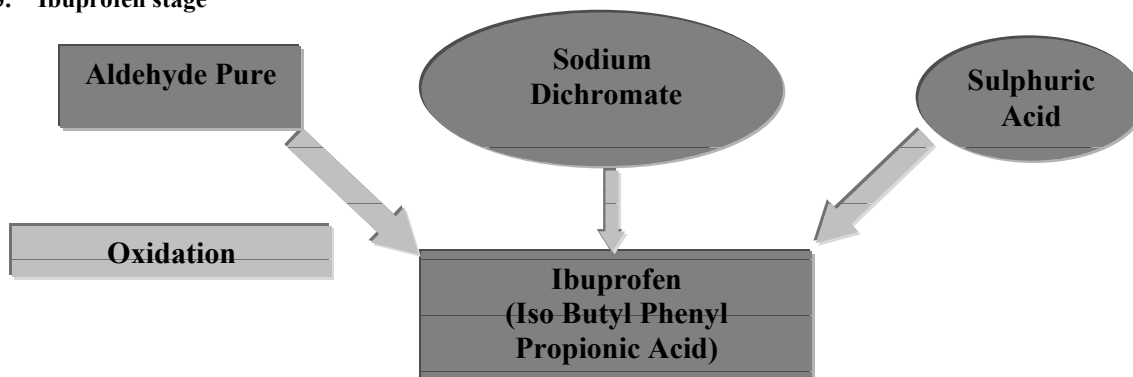


## 2 Aldehyde stage



SPO (Sodium Propoxide), is prepared by the reaction of iso propyl alcohol & sodium metal. During the reaction, the hydrogen gas is generated as the side product. The reaction is highly exothermic in nature and is controlled by the supply of the cooling tower water in the jacket of the reactor. With the help of IBAP, IPCA & SPO, the aldehyde is produced which is also known as 2,4- Iso butyl acetophenone propanaldehyde.

## 3. Ibuprofen stage



The aldehyde is oxidized with sodium di chromate to get the required product i.e. ibuprofen salt which is 2, 4 – iso butyl phenyl propionic acid. The chromic acid & water are by products and sulphuric acid is the excess reactant. After the reaction is over, the formed ibu – profen salt is then extracted from the reaction mass by hexane solvent extraction. Rest of the reaction mass that contains chromic acid, water & sulphuric acid is called as green acid. Crystallization is done to get the product in the solid stage and that is later on separated from the n – Hexane by centrifugation.



## **Infrastructure Facilities for Raw Materials and Utilities like Water, Electricity, etc.**

### **Raw Material**

Ethyl alcohol is a major raw material required for manufacture of the acetic acid and acetic acid is basic raw material for manufacture of acetic anhydride and ethyl acetate. The availability of industrial alcohol depends upon the performance of the sugar industry, which in turn depends upon the availability of sugarcane crop depends on natural vagaries, and the crop of one season may vary from that of another. As in the past due to the diversion of industrial alcohol in the gasohol (blending of ethanol with petrol) project of Government of India and due to less sugarcane production, sugar mills & distilleries in India could not produce the alcohol up to the level of Industry's demand. Thus to meet the growing demand of ethyl alcohol, we had to import alcohol mainly from Brazil.

Other raw materials are furnace oil, tri ethyl phosphate, isobutyl benzene, acetyl chloride, aluminium chloride, ethylene dichloride, isopropyl alcohol, sodium metal, monochloro acetic acid, sulphuric acid, sodium dichromate, acetone, N-Hexane, caustic lye, sodium bicarbonate. We import sodium metal & TEP from China. The other raw materials are procured from the domestic Indian market

### **POWER & FUEL**

The total requirement of the power is projected as 4 MW for the existing as well as proposed expansion project. Our Company is having connected load of 3.9 MW from PSEB through 66 KVA grid of Abhishek Industries Limited. Our Company is also having following DG Sets for stand by arrangement of power

- 2 DG Set of 1000 KVA
- 1 DG Set of 600 KVA

### **Steam**

The present requirement of the steam is met by two boilers having capacity of 9 MT/hr owned by our Company and 15 MT/hr owned by Abhishek Industries Ltd.

### **WATER**

The entire requirement of water is met through our own tube-wells. Our Company has two tube-wells having capacity of 1800 LPM (litres per minute).

### **COOLING TOWER**

Presently we are having 3300m<sup>3</sup>/hr capacity of cooling tower, to fulfil our requirement.

### **CHILLED WATER**

Presently we are having 440 TR of chilled water system to meet our chilled water requirement.

### **BRINE WATER**

Presently we are having 280 TR of brine plant to meet out of brine requirement

### **EFFLUENTS**

We are engaged in the manufacturing of acetic acid, ethyl acetate, acetic anhydride and ibuprofen products. We have installed ETP for the effluent generated from various units to treat the effluent as per PCB norms..

### **INSURANCE**

We operate in chemical and bulk drug segment the processes involved right from the stage of manufacture of our products to their final disposal we are susceptible to risk of hazards, breakdown, fire, injury to public etc., we cover all possible risk associated with our manufacturing processes through various fire, marine, machine breakdown, loss caused due to natural disaster, loss caused due to loss of profit due to fire, machine breakdown, public liability insurance policies, vehicle insurance, employees insurance etc, our insurance policies are maintained with The New India Assurance Company Limited and Oriental Insurance Company Limited, two of the leading Indian insurers. As on December 31, 2005 the total insurance coverage was for around Rs. 19592 Lacs and insurance premium has been paid and the same were valid and subsisting.



## **KEY INDUSTRY REGULATION AND POLICIES**

### ***Drugs and Cosmetics Act, 1940***

In order to sell drugs in India, we are required to comply with the Drugs and Cosmetics Act, 1940 that regulates the import, manufacture, distribution and sale of drugs in India. The legislation provides the procedures for testing and licensing new drugs. These procedures involves obtaining a series of approvals for the different stages at which the drugs are tested, before the Drug Controller General of India grants the final licence to allow the drug to be manufactured and marketed. At the first instance, an application is made to the Drug Controller General of India, an authority established under the Drugs and Cosmetics Act, 1940. The Drug Controller General of India issues a no objection certificate after looking into the medical data, the chemical data and the toxicity of the drug. This allows the drug to move on to the next stage of testing at the Central Drug Laboratories. At the Central Drug Laboratories the drug is subjected to a series of tests for its chemical integrity and analytical purity and if it meets the standards required by the authority, the authority issues a certificate in that regard.

In the case of active pharmaceutical ingredients, the Drug Controller General of India issues a manufacturing and marketing Licence. These manufacturing and marketing licences are submitted by the company seeking to produce the drug, to the state level authority, the Drug Control Administration which clears the drug for manufacturing and marketing. The Drug Control Administration also provides the approval for the technical staff as per the Drugs and Cosmetics Act, 1940 and rules framed under the legislation abiding by the WHO and CGMP inspection norms. Approvals for licensing are also to be acquired from the Drug Control Administration.

### ***Drugs (Prices Control) Order 1995***

The Drugs (Prices Control) Order 1995 or DPCO was promulgated under the Essential Commodities Act, 1955 and is to be read with the Drugs and Cosmetics Act, 1940. The DPCO fixes the ceiling price of some active pharmaceuticals and formulations. The active pharmaceuticals and formulations that fall within the purview of the legislation are called scheduled drugs and scheduled formulations, respectively.

The authority set up under the legislation is the National Pharmaceutical Pricing Authority, or NPPA, it is responsible for the collection of data and the study of the pricing structure of active pharmaceuticals and formulations. Upon the recommendation of the NPPA, the Ministry of Chemicals and Fertilizers fixes the ceiling prices of the active pharmaceuticals and formulations and issues notifications on drugs that are scheduled drugs and scheduled formulations.

The NPPA arrives at the recommended prices for the scheduled drugs and formulations after collection and analysis of data on costing which includes data on raw material composition, packing materials, process losses, overhead allocation and apportionment, capacity utilization, technical data on manufacturing work orders and packing work orders.

The government of India has the power under the DPCO to recover the charges charged in excess of the notified price from the company. There are also penal provisions for the violation of any rules and regulations under the Essential Commodities Act. Presently, there are 76 scheduled drugs and formulations under the DPCO.

### ***Indian Patent Regulation***

Historically, India granted patent protection only to process, not to products (i.e., only the process to manufacture a drug is protected and not the drug itself). This meant that if a drug company could find an alternative process to produce the same formulation as a competitor, they could sell it in India without fear of patent infringement suits.

In 1995, under the General Agreement on Tariffs and Trade, India became a signatory to the Trade Related Agreement on Intellectual Property Rights. This agreement requires India to recognize product patents as well as process patents, which is all that were granted under the Indian Patent Act, 1970. The new regime provides for:

- Recognition of product patents.
- Patent protection period of twenty (20) years as opposed to the current seven years protection for process.
- Patent protections to be allowed on imported products, which is not the case at present.
- Under certain circumstances the burden of proof in case of infringement of process patents may be transferred to the alleged infringer.



As a developing country, India was granted a ten-year grace period to comply with product patent laws under the WTO agreement. This means the actual product patent regime has come into force from 2005. During the transition period, drugs patents India in were granted a pipeline protection and an exclusive marketing right for a period of five years. The validity period of patent for these products is calculated from the date of applying for the patent, so once the provisions of product patents are implemented, the patent will be granted for the balance of the 20-year patent term from the date of filing of the application for pipeline protection. However, in terms Patents (Amendment) Bill, 2005 introduced in Parliament on March 17, 2005, every application for the grant of exclusive marketing rights filed before January 1, 2005, in respect of a claim for a patent shall be deemed to be treated as a request for examination for grant of patent. Drugs patented prior to 1995 are not covered by the new patent laws.

The Patents (Amendment) Act, 2005 passed by Parliament on March 17, 2005, has made certain changes to the Patents Act, 1970 ("Patents Act"). The definition of inventive step in the Patents Act has been amended to exclude incremental improvements or ever greening of patents. Under the amended Patents Act, an inventive step must involve a technical advance as compared to the existing knowledge or must have economic significance or both. Further, the invention must be non-obvious to a person skilled in the art.

Another amendment, with a view to reducing ever greening of patents, is the expansion of the section 3 which determines what are not patents. Section 3(d) has been amended such that the following are not patents:

- the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance, or
- the mere discovery of any new property or new use for a known substance or of the mere use of a known process, machine or apparatus unless such known process results in a new product or employs at least one new reactant.

The explanation to Section 3(d) clarifies that salts, esters, ethers, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations and other derivatives of known substance shall be considered to be the same substance, unless they differ significantly in properties with regard to efficacy. Hence this explanation will ensure that derivatives, isomers, metabolites of known substances are not easily patentable without the establishment of significant improvements in properties.

The proviso to Section 11A(7) has been introduced in the Patents Act to provide protection to those Indian enterprises which have made significant investment and have been producing and marketing a product prior to January 1, 2005 for which a patent has been granted through an application made under Section 5(2) of the Patents Act and have continued to manufacture the product covered by the patent on the date of grant of the patent. In such a case, the patent-holder shall only be entitled to receive reasonable royalty from such enterprises and cannot institute infringement proceedings against such enterprises.

### ***Indian Environmental Regulation***

The three major statutes in India that seek to regulate and protect the environment against pollution related activities in India are the Water (Prevention and Control of Pollution) Act 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986. The basic purpose of these statutes is to control, abate and prevent pollution. In order to achieve these objectives, Pollution Control Boards (PCBs), which are vested with diverse powers to deal with water and air pollution, have been set up in each state. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution control devices in industries and undertaking investigations to ensure that industries are functioning in compliance with the standards prescribed. These authorities also have the power of search, seizure and investigation if the authorities are aware of or suspect pollution. All industries and factories are required to obtain consent orders from the PCBs, which are indicative of the fact that the factory or industry in question is functioning in compliance with the pollution control norms laid down. These are required to be renewed annually.

The issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act. Under these rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility. A similar regulatory framework is also established with respect to bio-medical waste under the Bio-Medical Waste (Management and Handling) Rules, 1998.

In addition, the Ministry of Environment and Forests looks into Environment Impact Assessment (EIA). The Ministry receives proposals for expansion, modernization and setting up of projects and the impact that such projects would have on the environment is assessed by the Ministry before granting clearances for the proposed projects.



### **United States Regulations**

In the United States, the USFDA, established under the Department of Health and Human Services, regulates medicines through its Center for Drug Evaluation and Research. For biological products, the Center for Biologics Evaluation and Research, also under the USFDA, is responsible for ensuring the safety and efficacy of such products.

The USFDA has issued guidelines relating to good clinical practice and clinical trials that are to be followed even by manufacturers of APIs outside the US. The USFDA mandates drugs to be manufactured in conformity with the CGMP. The facilities, within or outside US, in which the APIs or drugs are manufactured, require USFDA approval. USFDA approval is also required for the manufacture and marketing of new drug compounds, new formulations for existing drug compounds and generic drugs. To obtain USFDA approval for a new drug to be used in a clinical investigation, an Investigational New Drug Application, or IND, has to be filed along with data and information relating to pre-clinical laboratory and animal toxicology tests, methods of manufacture of the product, quality control testing, etc. Thereafter, for the sale and marketing of a new pharmaceutical product or new formulations for existing drug compounds in the US, a New Drug Application, or NDA, has to be made.

As regards a generic drug manufacturer, the relevant application for approval is the Abbreviated New Drug Application, or ANDA. This application has its basis in the Hatch-Waxman Act, 1984, which permits generic versions of previously, approved innovator drugs to be approved by submission of bioequivalency data without the need for complete reports of pre-clinical and clinical studies.

An ANDA is required to include certifications of invalidity or non-infringement of any patents relating to certain listed drugs, by the generic drug applied for (paragraph IV certification). The Hatch-Waxman Act provides an incentive of 180 days of market exclusivity to the first generic applicant who challenges a patented drug by filing a paragraph IV certification.

For a bulk supplier of APIs to a US Company, the Drug Master Files, or DMF, assumes importance. The DMF contains confidential, detailed information about facilities, processes, or articles used in the manufacturing, processing, packaging, and storing of the APIs. This DMF supports the IND, NDA or ANDA, as the case may be, and is submitted by the supplier of the API. Upon submission of an IND, NDA or ANDA by the US Company for the finished product, the USFDA examines the DMF in the course of reviewing the IND, NDA or ANDA. Increasingly, the USFDA is adopting the format contained in the Common Technical Document for submission of technical data to regulatory authorities.

### **Narcotic Drugs and Psychotropic Substances Act, 1985.**

In order to sell the acetic anhydride in India, we have to comply with the provisions of Narcotic Drugs and Psychotropic Substances Act, 1985. The Act empowers the Central Government for regulating or prohibiting the production, manufacture, supply and distribution of controlled substances having regard to its use of in the production of Narcotic Drugs and psychotropic Substances. The Central Government has declared vide Notification No. 198 (E) (Hindi and English versions) published in Gazette of India dated the 24th March, 1993, issued under sub- clause (viia) of section 2 of the Narcotic Drugs and psychotropic Substances Act, 1985. Acetic Anhydride as a controlled substance. The Central Government has promulgated Narcotic Drugs and psychotropic Substances (Regulation of Controlled Substances) Order, 1993. These orders provide the procedure for manufacture, distribution, sale, import, export and consumption, transport and filing of various returns with the government authorities.

### **Punjab Excise Act, 1914**

The Punjab Excise Act, 1914 contains the law relating to the liquors and intoxicating drugs and levy of excise duty thereon as applicable to the State of Punjab. Punjab Liquor Import , Export , Transport and Possession Order, 1932 and Punjab Liquor Permit and Pass Rules 1932 made under the Act provides the procedure for the import , Export , Transport and Possession of liquors. These Order and Rules also provides for the granting of exemption permits for the possession of denatured spirit by any person engaged in the business who requires large quantities of denatured spirit for the purpose of his business.



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## **GOVERNMENT INITIATIVES ON EXPORTS, RESEARCH AND DEVELOPMENT AND PRICING**

### **EXPORT PROMOTION CELL**

An Export Promotion Cell in the Pharmaceutical Division has been functioning with the objective of boosting pharmaceutical exports and to act as a nodal center for all queries/issues regarding pharmaceutical exports. The Cell also undertakes promotional activities for acceleration of pharmaceutical exports and considers suggestions for modifications in EXIM POLICY (now known as Foreign Trade Policy) from the industry.

The Cell has also been entrusted with the organization of seminars and workshops on standards, quality control requirements of important countries so as to prepare the domestic companies for exporting their products. During the year, meetings of India-Tunisia Joint Working Group on Pharmaceuticals and Indo- Russian Joint Working Group on Pharmaceuticals were held in this department and discussions were held on various aspects of pharma industry and the ways and means of boosting exports to these countries. Database on the status of pharmaceutical industry in many countries is available in the cell for the benefit of Indian exporters.

### **RESEARCH AND DEVELOPMENT**

To be globally viable in R&D, a high-level of expertise and adequate human resources as also modern facilities in specified areas of drug development are required.

Under the aegis of Department of Science and Technology Government has taken several policy initiatives for strengthening Research & Development in pharma sector. Due to measures such as fiscal incentives to R&D units in pharma sector and steps to streamline procedures concerning development of new drug molecules, clinical research and new drug delivery systems, this activity is witnessing progress. New R&D set-ups with excellent infrastructure are coming up in the field of original drug discovery and leading drug companies have licensed their New Chemical Entities (NCEs) to MNCs. It is gathered that a few products are expected to go for clinical trials in the next few years in the anti-infective, anticancer and lifestyle segments. Compared to the reported average R&D spending of 2% of turnover in the sector, a few leading Indian pharma companies have increased their R&D spending to over 5% of their turnover.

The Department of Science and Technology has also established a Pharmaceutical Research and Development Promotion Fund of Rs.150 crores for this purpose.

### **NATIONAL PHARMACEUTICAL PRICING AUTHORITY (NPPA)**

National Pharmaceutical Pricing Authority (NPPA), an independent body of experts, was established on August 29, 1997 as an attached office of the Department of Chemicals and Petrochemicals. The Authority is entrusted with the task of price fixation/ revision and other related matters such as monitoring the prices of decontrolled drugs and formulations and enforcing and implementation of the provisions of the Drugs (Prices Control) Order (DPCO), 1995.

The chief functions of the National Pharmaceutical Pricing Authority are:

- To implement and enforce the provisions of the Drugs (Prices Control) Order, 1995 in accordance with the powers delegated to it.
- To undertake and/ or sponsor relevant studies in respect of pricing of drugs/ formulations.
- To monitor the availability of drugs, identify shortages, if any, and to take remedial steps.
- To collect/maintain data on production, exports and imports, market share of individual companies, profitability of companies etc. for bulk drugs and formulations.
- To deal with all legal matters arising out of the decisions of the Authority.
- To render advice to the Central Government on changes/revisions in the drug policy.
- To render assistance to the Central Government in parliamentary matters relating to drug pricing.



## OUR HISTORY AND CORPORATE STRUCTURE

### Our Company

Our Company was incorporated on September 29, 1986 in the State of Punjab under the name Industrial Organics Limited, which was later changed to Trident Alco-Chem Limited with effect from June 29, 1994, the name of the Company was further changed to Industrial Organics Limited with effect from December 05, 2002. The Registered Office of the Company was originally situated at 85, Industrial Area 'A' Ludhiana-141 003, Punjab. w.e.f. September 27, 1993 the registered office was shifted to the present office at Trident Complex, Raikot Road, Barnala 148 101, Punjab.

Our Company was originally promoted by Mr. Rajinder Gupta jointly with PSIDC, a industrial development corporation and state level financial institution as financial collaborator,. In 1996 Mr. Rajinder Gupta and his Nominees bought back the equity stake from PSIDC. Thereafter, in 1998 pursuant to financial collaboration agreement dated August 7, 1998 PSIDC and Nominees of Mr. Rajinder Gupta subscribed to certain equity shares of to part finance the expansion plans undertaken by our Company.

On June 8, 2002 in terms of family settlement between Mr. Varinder Gupta and Mr. Rajinder Gupta, MPL and Mr. Varinder Gupta acquired entire shareholding of Nominees of Mr. Rajinder Gupta. Consequently MPL and Mr. Varinder Gupta, acquired 49,88,800 equity shares representing 61.97% of shareholding. This arrangement does not have the approval of PSIDC. MPL requested PSIDC for buying back the shareholding of PSIDC in our Company under OTS which was not agreed upon by PSIDC as MPL was not the Collaborator of our Company, thereafter MPL had filed a suit against PSIDC and our Company for declaration as Promoter/ Collaborator of our Company. For further details please refer to section titled "Outstanding Litigation" on page no 105 of this Draft Red Herring Prospectus.

We started our operations in 1991, with a small project to manufacture 4500 TPA of acetic acid and gradually have diversified into a multi product-manufacturing unit. We are manufacturer, exporter and supplier of industrial organic chemicals like acetic acid, ethyl acetate, acetic anhydride & bulk drug ibuprofen. Today we are among the leading producers of organic chemicals and bulk pharmaceutical drug ibuprofen.

Our production facilities are located at Village Fatehgarh Channa, Barnala, District Sangrur, Punjab. The raw materials required for manufacturing our products are procured from the domestic markets in India, and also from overseas market like Brazil, China etc.

Currently, we have an operating capacity of 30000 TPA of acetic acid, majority of the production of which is captively consumed in the production of ethyl acetate and acetic anhydride. We plan to increase the capacity of acetic acid to 50000 TPA.

In case of ethyl acetate, acetic anhydride and ibuprofen, we are currently operating with an installed capacity of 18000 TPA, 7500 TPA & 720 TPA respectively, which we plan to increase to 33000 TPA, 12000 TPA & 1500 TPA respectively. We also plan to set up a 4 MW co-generation project to meet our total requirements of power & steam. We have a strong marketing and distribution network with our marketing headquarters at Ludhiana and marketing offices at Delhi and Mumbai.

Our major buyers for our products includes various companies such as Surya Pharmaceuticals Limited, Dishman Pharmaceuticals Limited, , Abhishek Industries Limited, United Phosphorus Limited, Rallis India Limited, Ranbaxy Laboratories Limited, Nector Life Science Limited, Meghmani Organics Limited . We also export our products to countries such as Bangladesh, Dubai, Libya, Lebanon, Thailand, Syria & Singapore.

The equity shares of our Company were first listed on the Ludhiana, Delhi and Bombay Stock Exchange in 1991. On account of infrequent trading the securities of our Company was delisted from the Delhi and Ludhiana Stock Exchanges with effect from March 22, 2004 and March 26, 2004 respectively. Equity shares of our Company continue to be listed on the BSE.

### Our Business

Our Company commenced operations with manufacturing facilities for 4500 TPA of acetic acid at project cost of Rs. 650 Lacs. The commercial production of acetic acid commenced in June 1991.

In November 1996, our Company went for forward integration and commenced the production of ethyl acetate with an initial capacity of 3000 TPA . In April 1997, our Company increased the capacity of acetic acid from 4500 TPA



to 7500 TPA entirely from internal accruals.

In February 1998, our Company further envisaged project expansion at a cost of Rs. 1963 Lacs at Village Fatehgarh Chhana (about 14 KM from Village Sanghera, near Barnala) by increasing the capacity of acetic acid from 7500 TPA to 13500 TPA; diversification into new manufacturing facilities viz. acetic anhydride with an installed capacity of 4500 TPA and Para Amino Phenol of 2100 TPA; setting up sodium sulphate recovery plant, back pressure turbine. Subsequently our plant at Village Sanghera was shifted to Village Fatehgarh Chhana and commercial production of acetic acid, ethyl acetate and acetic anhydride commenced with effect from March 1999.

In the year 2000, due to technical unfeasibility of the Para Amino Phenol Project (PAP) we expanded the capacity of ethyl acetate to 5100 TPA by utilising the unused plant and machinery of PAP. The rest of the plant and machinery of PAP was transformed for setting up facilities for the manufacture of ibuprofen, with a capacity of 600 TPA. This provided an opportunity to enter into pharma sector. The additional capital investment of Rs. 183 Lacs, financed by way of additional term loan of Rs.108 Lacs from IDBI and Rs.75 Lacs as unsecured loans from promoters.

In year 2000 due to steep increase in prices of furnace oil we were unable to operate our boiler and turbine and had to source our steam and power requirement from Abhishek Industries Limited. Further recession in the chemical market led to heavy losses as a result of which we had to make a reference to the BIFR on June 10, 2002.

Subsequently we approached an independent technical organization “The North India Technical Consultancy Organisation” (“NITCON”) to conduct the techno-economic feasibility study. After making the study, NITCON presented technical feasible project that would improve the Company’s long-term economic and financial viability. The Company negotiated with IDBI to restructure the term loan. In 2003-04, the company reached for a settlement with supplier of steam & power for waiving the liabilities of Rs. 750 Lacs, and for conversion of their unsecured loan into 7% Non-Cumulative Preference Shares to the tune of Rs. 500 Lacs. All these efforts resulted into a turn around of our Company and we were deregistered from the BIFR with effect from June 18, 2004 on our own without any operating agency and rehabilitation package.

Our Company decided to further expand the capacities of its products and to set up the power project for captive consumption to make the plant economically viable on long-term basis.

As a part of restructuring exercise we undertook capital expenditure of Rs. 941 Lacs for implementation of “De-bottlenecking cum Capacity Enhancement Project with a term loan of Rs 415 Lacs from Punjab National Bank to part finance the project. The Bank also enhanced the working capital limits from Rs 735 Lacs to Rs 1010 Lacs. On implementation of this project the manufacturing capacities for acetic acid were enhanced from 13500 TPA to 22500 TPA, ethyl acetate from 6300 TPA to 12000 TPA and acetic anhydride from 4500 TPA to 7500 TPA during October 2004 and ibuprofen from 600 TPA to 720 TPA during March 2005. Resultantly we earned net a profit of Rs 267 Lacs on a turnover of Rs 9700 Lacs for the year ended March 31, 2005. Further in June 2005, we installed balancing equipments out of our internal accruals which increased our capacity of acetic acid plant from 22500 TPA to 30000 TPA and of ethyl acetate from 12000 TPA to 18000 TPA to further achieve the economies of scale.

Punjab National Bank in consortium with Oriental Bank of Commerce enhanced its the working capital limits from Rs. 1010 Lacs to Rs 2710 Lacs to meet the increased working capital requirement.

**Key events in the business of our Company are as follows:**

Year	Milestones Achieved
1990	Maiden Public issue of 14,70,000 Equity Shares of Rs. 10/-each at par.
1991	Acetic Acid plant of 4500 TPA commissioned. During the 1 <sup>st</sup> year of full production i.e. 1992-93 the company earned a net profit of Rs. 112 Lacs and produced 4837 MT of acetic acid leading to 107% capacity utilisation.
1996	Ethyl Acetate plant with a capacity of 3000 TPA commissioned.
1997	The Company expanded the capacity of acetic acid from 4500 TPA to 7500 TPA.
1999	Expanded the capacity of acetic acid from 7500 TPA to 13500 TPA
1999	Our Company has started the production of another value added product; acetic anhydride with capacity of 4500 TPA
2000	1. Our Company expanded the capacity of ethyl acetate to 5100 TPA 2. Our Company set up the facilities for the manufacture of ibuprofen with capacity of 600



	TPA
2002	<ol style="list-style-type: none"> <li>1. Reference was made by our Company to the BIFR</li> <li>2. Pursuant to family settlement between Mr. Varinder Gupta and Mr. Rajinder Gupta, MPL and Mr. Varinder Gupta acquired entire shareholding of Nominees of Mr. Rajinder Gupta.</li> </ol>
2004	<ol style="list-style-type: none"> <li>1. The capacity of acetic acid was expanded from 13500 TPA to 22500 TPA and of ethyl acetate from 5100 TPA to 12000 TPA and acetic anhydride from 4500 TPA to 7500 TPA</li> <li>2. Punjab National Bank enhanced the limits from Rs 735 Lacs to Rs 1010 Lacs.</li> <li>3. The Company got de-registered from BIFR on its own</li> </ol>
2005	<ol style="list-style-type: none"> <li>1. Expanded capacity of ibuprofen from 600 TPA to 720 TPA.</li> <li>2. The capacities of acetic acid and ethyl acetate were further expanded from 22500 TPA to 30000 TPA and from 12000 TPA to 18000 TPA.</li> <li>3. Our Company has undertaken the expansion schemes to expand the capacity of acetic acid from 30000 TPA to 50000 TPA, ethyl acetate from 18000 TPA to 33000 TPA, acetic anhydride from 7500 TPA to 12000 TPA and ibuprofen from 720 TPA to 1500 TPA and setting cogeneration project with a capacity of 4 MW.</li> <li>4. Punjab National Bank in consortium with Oriental Bank of Commerce has enhanced the working capital limits from Rs 1010 Lacs to Rs 2710 Lacs and sanctioned Term Loan of Rs 2532 Lacs to part finance the expansion schemes. In Addition Allahabad Bank has sanctioned working capital limits of Rs. 175 Lacs and term loan of Rs. 632 Lacs.</li> <li>5. Received the 2<sup>nd</sup> Prize for National Energy Conservation Award for the year 2005 from the Government of India, in Chemical Sector</li> </ol>

### Main Objects of our Company

Our objects as contained in our Memorandum of Association includes:

1. To carry on all or any of the business of manufacturers, importers, exporters, stockists, distributors and otherwise dealers in organic chemicals including acetic acid, ethyl acetate, acetic anhydride, industrial alcohol, acetaldehyde, monochloro acetic acid, carboxyle methyl cellulose, ethyl ether, vinyle acetate monomor, and other organic salts and by-products thereof.
2. To manufacture acids, alkalies, corrosives and anti corrosive substances.
3. To buy, sell, import, export and deal in any kind of chemicals, petrochemicals and any raw materials required for the manufacturing of any chemicals or other things, which the Company is authorised, to manufacture.
4. To manufacture various organic compounds by all possible methods now prevalent or as they may be devised in future.
5. To design, erect and provide consultancy and management service for organic chemicals in India or abroad.
6. To carry on the business of manufacturers, sellers, buyers, importers, exporters, stockiest, distributors, agents of and dealers in pharmaceuticals, medical, chemical preparations and compounds, drugs and formulations, all kinds of plant and machinery, equipments and accessories for the pharmaceutical industry as well as all types of raw materials, chemicals, stores and spares, and all other allied chemicals required for the manufacture of pharmaceutical products, drugs and enzymes.

### Changes in Memorandum of Association of the company:

Date of Change	Particulars of Change
March 30, 1990	Increase of Authorised Capital from Rs 200 Lacs to Rs 400 Lacs divided into 40,00,000 Lacs Equity Shares of Rs 10/- each.
August 24, 1991	Increase of Authorised Capital from Rs. 400 Lacs to Rs. 1500 Lacs divided in to 1,50,00,000 Equity Shares of Rs. 10/- each
September 27, 1993	Change of Registered office of the company from 85,Industrial Area 'A', Ludhiana 141 003 Punjab to Trident Complex, Raikot Road, Barnala 148 101 Punjab
June 26, 1994	Change of name from Industrial Organics Limited to Trident Alco-Chem Limited



April 22, 2000	Insertion of following clause: - To carry on the business of manufacturers, sellers, buyers, importers, exporters, stockiest, distributors, agents of and dealers in pharmaceuticals, medical, chemical preparations and compounds, drugs and formulations, all kinds of plant and machinery, equipments and accessories for the pharmaceutical industry as well as all types of raw materials, chemicals, stores and spares, and all other allied chemicals required for the manufacture of pharmaceutical products, drugs and enzymes.
December 04, 2002	Change of name from Trident Alco-Chem Limited to Industrial Organics Limited
September 06, 2003	Reclassification of Authorised Share Capital consisting of 1,50,00,000 Equity Shares of Rs. 10/- each in to 90,00,000 Equity Shares of Rs. 10/- each and 60,00,000 Preference Shares of Rs. 10/- each.
December 12, 2003	Increase of Authorised Capital from Rs. 1500 Lacs to 2000 Lacs divided into 1,00,00,000 Equity Shares of Rs. 10/- each and 1,00,00,000 Preference Shares of Rs. 10/- each.
September 20, 2005	Reclassification of Authorised Share Capital consisting of 1,00,00,000 Equity Shares of Rs. 10/- each and 1,00,00,000 Preference Shares of Rs. 10/- each in to 1,50,00,000 Equity Shares of Rs. 10/- each and 50,00,000 Preference Shares of Rs. 10/- each.

### Reschedulement of loan with IDBI

IDBI has on three occasions rescheduled certain loans extended to our Company and details of which are as under:

On March 31, 2003	<ol style="list-style-type: none"> <li>1. Outstanding rupee loans in respect of three loan accounts aggregating Rs. 1398 lacs rescheduled in 32 quarterly instalments commencing from April 1, 2004;</li> <li>2. Overdue interest and other dues alongwith the interest falling due up to January 1, 2004 deferred and repayable in 12 monthly instalment of Rs. 5.00 Lacs each with effect from April 1, 2003 and 28 quarterly instalments commencing from April 1, 2004 carry interest of 6% p.a.</li> <li>3. Interest rate on all the outstanding loans to be reduced to 13% p.a. w.e.f. April 1, 2003, subject to Company agreeing to pay 50% of the net present value of interest differential being Rs. 166.44 Lacs as upfront.</li> <li>4. The Company to make upfront payment of Rs. 10.00 Lacs toward restructuring fee.</li> </ol>
August 8, 2003	<ol style="list-style-type: none"> <li>1. Outstanding rupee loans in respect of three loan aggregating Rs. 1340.00 Lacs as on June 30, 2003 rescheduled and made repayable in 32 quarterly instalments commencing from April 1, 2004.</li> <li>2. Overdue interest and other dues alongwith the interest falling due up to January 1, 2004 deferred and payable in 24 monthly instalment of Rs. 5.00 Lacs each with effect from April 1, 2004 and 63 monthly instalment of Rs. 7.50 Lacs each commencing from April 1, 2006 and last instalment of Rs. 10.50 Lacs or the actual amount payable on July 1, 2011. The deferred interest shall carry interest @ 5% p.a. with the condition that the defaulted amount would carry further interest @ 13% and liquidated damages at applicable rates.</li> <li>3. Interest rate on all the outstanding loans to the extent of Rs. 1340 Lacs to be reduced to 13% p.a. w.e.f. April 1, 2003, subject to company agreeing to pay 50% of the net present value of interest differential – Rs. 94.61 Lacs in monthly instalment of Rs. 5.00 Lacs each commencing from July 1, 2003 alongwith interest @ 12.50 % p.a. w.e.f. April 1, 2003. The defaults, if any, in the payment of Principal and /or interest and other charges shall carry further interest @ 13% p.a and liquidated damages at the applicable rates. However, the overdue instalments fallen due on July 1, 2002 would carry interest, further interest, liquidated damages and other charges at the earlier applicable document rates.</li> </ol>



	<p>4. Part of the interest sacrifice amounting to Rs. 41.00 Lacs would be converted into Zero Coupon Loan and shall be recovered in 4 equal quarterly instalments commencing from April 1, 2009. The defaults, if any, in the said payments shall carry further interest @ 13% p.a. and liquidated damages at the applicable rates.</p> <p>5. Waiver of condition regarding deposit of PDCs in respect of amount falling due during the current year.</p>
April 15, 2004	<p>1. Reschedulement of Outstanding Rupee Loans in respect of three Loan Accounts aggregating Rs. 1340.00 Lacs as on June 30, 2003 would be made repayable in 26 quarterly instalments commencing from January 1, 2005.</p> <p>2. Deferment of Interest fallen/falling due up to June 30, 2004. This alongwith existing deferred interest of Rs. 684.68 Lacs to be paid in 17 quarterly instalment commencing from January 1, 2005 carrying interest @ 5% p.a.</p> <p>3. Waiver of Zero Coupon Loan of amounting of Rs. 41.00 Lacs.</p>

### **Subsidiaries of the Company**

Our Company does not have any subsidiary/ies.

### **Shareholders Agreements**

Mr. Rajinder Gupta, the erstwhile promoter of the company (Collaborator in respect of Financial Collaboration Agreement), entered into an agreement with Punjab State Industrial Development Corporation Limited on August 07, 1998 for the purpose of expansion and diversification of the existing unit. Vide this agreement PSIDC and Collaborator had invested Rs 98 Lacs and Rs 362 Lacs respectively in the equity share capital of the company.

The shares invested by PSIDC were to be bought back by the Collaborator at a price to be determined as per Financial Collaboration Agreement in two equal instalments before the expiry of 3<sup>rd</sup> and 4<sup>th</sup> years after commencement of commercial production. Meanwhile the nominees of the Collaborator (Rajinder Gupta) transferred the shares to MPL and Mr. Varinder Gupta on 8<sup>th</sup> June 2002, whereby Mayadevi Polycot Limited (MPL) became the promoter. However, this arrangement does not have the approval of PSIDC. The Government of Punjab came with One Time Settlement Scheme (OTS) in April 2003 that was extended upto 31<sup>st</sup> July 2003 and further extended upto 30<sup>th</sup> June 2004 for buyback of shares in assisted undertakings, MPL requested under OTS to PSIDC for purchase of shares of our Company. PSIDC rejected its request under OTS as MPL was not the Collaborator and the request not being as per the terms of OTS. For details see section titled “Outstanding Litigation” on page 105 of this Draft Red Herring Prospectus

### **Other Agreements**

Our Company has not entered into any other agreement/s.

### **Strategic Partners**

At present, our Company does not have any strategic partners.

### **Financial Partners**

At present, our Company does not have any financial partners.



## OUR MANAGEMENT

### Board of Directors:

At present our Company have seven Directors out of which two directors are Nominees of PSIDC and IDBI Limited. Mr. Varinder Gupta, Chairman & Managing Director manages the day-to- day affairs of the company. The Board of Directors of the Company comprises of the following members

Sr. No	Name, Designation, Father's / Husband's Name, Address, Occupation and term	Date of appointment and term	Age (Years)	Other directorships in Indian Companies
1	<b>Mr. Varinder Gupta</b> Designation: Chairman & Managing Director Father's Name: Mr. N C Gupta Address: 84, Industrial Area, "A", Ludhiana Occupation: Industrialist	September 01, 2002 5 years	43	G Drugs and Pharmaceuticals Ltd. Mayadevi Polycot Limited
2	<b>Dr M A Zahir</b> Designation: Director Father's Name: Mr. Abdul Satter Address: 95, New Rajguru Nagar, Ludhiana Occupation: Management Consultant	July 30, 1998  Liable to retire by rotation	63	Hero Cycle Ltd. Hero Honda Finlease Ltd. Trident Infotech Corporation Ltd. Ralson India Ltd. Rockman Industries Ltd. Highway Industries Ltd. Sohrab Spinning Ltd. LSE Securities Ltd.
3	<b>Mr. Yogesh Goel</b> Designation: Nominee Director, PSIDC Father's Name: Mr. B S Goel Address: 863, Sector 2, Panchkula Occupation: Service	October 27, 1998  Liable to retire by rotation	50	Nahar Industrial Infrastructure Corporation Ltd. Kissan Dudh Udyog Ltd. B.K. Duplex Board Ltd. Diamond Agro Industries Ltd Yogindera Worsted Ltd. Milk Specialities Ltd Capsugel India Ltd Harman Milkfoods Ltd
4	<b>Dr (Ms.) H K Bal</b> Designation: Director Husband's Name: Mr. H S Bal Address: 2322, Phase XI, Sector 65, Mohali Occupation: Management Consultant	March 27, 2002  Liable to retire by rotation	66	Nahar Spinning Mills Ltd. Nahar Exports Ltd. Shreyans Industries Ltd. Nahar Industrial Enterprises Ltd.
5	<b>Ms Lalita Kapur</b> Designation: Nominee Director, IDBI Husband's Name: Mr. Harish Kapur Address: H No. 138, Sector 16-A, Chandigarh Occupation: Service	May 04, 2005 Not liable to retire by rotation	51	NIL
6	<b>Mr. Chandra Mohan</b> Designation: Director Father's Name: Mr. Seth Ram Gupta Address: 202, Sector 36A, Chandigarh Occupation: Industrialist	October 27, 2005  Liable to retire by rotation	73	Rico Auto Ltd. Sandhar Locking Devices Ltd. Winsome Yarns Ltd. DCM Precision Engineering Ltd. Reva Electric Car Co. Ltd. Kamla Dials & Devices Ltd. ITIDA CAD Systems (Pvt.) Ltd. Meera Explorations (Pvt.) Ltd.
7	<b>Ms Dimple Gupta</b> Designation: Director Husband's Name Mr. Varinder Gupta Address: 84, Industrial Area, "A", Ludhiana Occupation: Industrialist	March 13, 2006 Appointed as additional director & hold office upto the next AGM	38	Mayadevi Polycot Limited



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### **Brief Profile of our Directors**

#### **Mr. Varinder Gupta**

Mr. Varinder Gupta, Promoter Director aged 43 years is presently Chairman and Managing Director of our Company. He is an industrialist and having wide and rich experience of more than 19 years in chemical and fertilizer industry. Mr. Varinder Gupta has been instrumental in the turn around of the Company and successfully de-registered our Company from the BIFR without appointment of any Operating Agency. He was also Joint Managing Director of Varinder Agro Chemicals Ltd, later merged with Abhishek Industries Ltd.

#### **Dr M A Zahir**

Dr M A Zahir, Ex- Professor, aged 63 years is Director of our Company since 1998. He holds a Masters' Degree in Commerce and Ph.D. He has more than 25 years of experience in business management education and served in many universities as Professor and presently visiting professor at Punjab Agriculture University.

#### **Mr. Chandra Mohan**

Mr. Chandra Mohan, aged 73 years, has a rich and varied experience of more than five decades in Indian industry. He holds a Bachelors' in Mechanical Engineer, distinguished himself throughout his academic and professional career. He was Vice Chairman and Managing Director of Punjab Tractors Limited for 28 years longest Chief Executive Officer in the Indian corporate world. He has been decorated with numerous awards including Padmashree in 1985 for his contribution to the industry and society as well. He has been associated with UNIDO and UNCTC international agencies. He has also written extensively on Farm Machinery, R & D, Manufacturing Technology, Productivity and TQM.

#### **Mr. Yogesh Goel**

Mr. Yogesh Goel, General Manager, PSIDC, aged 50 years is Nominee Director of our Company since 1998. He holds an engineering degree in Chemicals from Punjab University, Chandigarh.

#### **Dr (Ms) H K Bal**

Dr (Ms) H K Bal, Ex- Professor, aged 66 years is Director of our Company since, 2002. She holds a Masters' in Arts (Mathematics) and Doctorate in Statistics. She had served many colleges and was head of Department of Business Management of Punjab Agriculture University, Ludhiana.

#### **Ms. Lalita Kapur**

Ms. Lalita Kapur aged 51 is Nominee Director on the Board, for IDBI. She holds a masters degree in Arts and is currently working as an Assistant General Manager with IDBI.

#### **Mrs Dimple Gupta**

Mrs Dimple Gupta, aged 38 years, is Additional Director of the company w.e.f. March 13, 2006. She is also a director in MPL.



## DETAILS OF BORROWING POWERS

Shareholders at their Annual General Meeting held on September 30, 1992 have passed a resolution authorising the Board of Directors to borrow money upto Rs. 100 crores, apart from the temporary loans obtained from the Company's bankers in the ordinary course of business For details regarding powers of our Board in this regard please refer to the section titled 'Main Provisions of the Articles of Association' on page no. 152 of the Draft Red Herring Prospectus.

## COMPENSATION OF MANAGING DIRECTOR

### Mr. Varinder Gupta

Mr. Varinder Gupta is presently Chairman and Managing Director of our Company. He was appointed as Managing Director of the Company since 1993. In the Fifteenth Annual General Meeting of the Company held on July 20, 2002 the shareholders of our Company reappointed him as Managing Director for a period of 5 years w.e.f. September 01, 2002 on the following terms and condition:

1. Basic Salary: Rs 39,000/- (Rupees thirty nine thousands only) per month

2. Perquisites and allowances: Perquisites and allowances shall be in addition to salary as follows:

a.	House Rent Allowance	50% of salary
b.	Conveyance Allowance	20% of salary
c.	Telephone Allowance	10% of salary
d.	Leave Travel Concession	8.33% of salary
e.	Newspaper and Periodicals Allowance	5% of salary
f.	Uniform Allowance	8% of salary
g.	Provident Fund Contribution	12% of salary
h.	Bonus	10% of salary
i.	Gratuity	4.17% of salary
j.	Superannuation Scheme	5% of salary
k.	Medical Allowance	8.33% of salary
l.	Medical CL/GIS	4.17% of salary
m.	Children Education Allowance	5% of salary

3 Other Terms:

The Executive Director shall also be entitled to the benefits under other benefits, schemes, privileges and amenities, amended salary structure as are granted to the senior executives of the Company in accordance with the Company's practice, rules and regulations in force from time to time.

## Corporate Governance

### Company's Philosophy on Corporate Governance

It has been the continuous endeavor of our Company to exceed and excel through better Corporate Governance and fair & transparent governance practices, many of which were in place before they were mandated by SEBI. For creation and maximization of wealth of shareholders on a sustainable and long-term basis, it is imperative for the Management to institutionalise a "Framework of Corporate Governance and Code of Practices" as an enabling methodology to further strengthen management and decision-making process. We believe in leveraging the resources to translate dreams into opportunities and opportunities into reality; to infuse people with a vision that sparks dynamism and entrepreneurship; to create a system of succession that combines stability with flexibility and continuity with change.

The Board comprises of One executive and six non-executive directors including two nominee directors. We have majority of non-executive independent directors on the Board.

There are three Board Level Committees in our Company, which have been constituted and function in accordance with the relevant provisions of the Companies Act, 1956 and the Listing Agreement. These are the (i) Audit Committee, (ii) Remuneration Committee and (iii) Shareholders'/ Investors' Grievance Committee. A brief on each Committee, its scope, composition and meetings for the current year is given below:



## Committees of the Board:

### a) Audit Committee:

The Audit Committee consists of three directors, all being non-executive and independent Director:

- Dr M A Zahir-Chairman
- Dr (Mrs) H K Bal
- Mr. Yogesh Goel.

Mr. Krishan Singla, Senior Company Secretary of the Company acts as Secretary to the Committee.

The terms of reference of Audit Committee are as contained in the Section 292A of the Companies Act, 1956 and as contained in the clause 49 of the Listing Agreement. The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures, transparency, integrity and quality of financial reporting. The Board of Directors has delegated the authority to consider the quarterly results to the Audit Committee.

### b) Remuneration Committee:

The Remuneration Committee consists of four members; all are non-executive and Independent Directors.

- Dr M A Zahir-Chairman
- Dr (Mrs) H K Bal
- Mr. Yogesh Goel
- Ms Lalita Kapur,

The terms of reference of Remuneration Committee include the determination of remuneration packages of the executive directors including remuneration policy, pension rights and any compensation payment of stock options.

### c) Shareholders'/Investors' Grievance Committee:

The three member's Shareholders'/Investors' Grievance Committee consisting of:

- Mr Varinder Gupta -Chairman
- Dr M A Zahir
- Dr (Mrs) H K Bal.

The committee was constituted in terms of the mandatory requirement of Clause 49 of the Listing Agreement to look into the redressal of grievances of investors

We believe in adopting the best corporate governance practices, followed by principle of transparency, accountability & ethics. The 'Combined Code of Corporate Governance and Conduct' being adopted by the Board of Directors in its meeting dated October 10, 2003. The Company has also adopted Code of Conduct for Preventing Insider Trading w.e.f May 01, 2005.

## Directors' Shareholding

Name of Director	No. of Equity shares (Pre-issue)	No. of Equity shares (Post-issue)
Mr. Varinder Gupta	1156630	1156630
Dr. M A Zahir	300	[•]

## Changes in our Board of Directors during the last three years

Name	Date of Appointment	Date of Cessation	Reason
Mr.R K Thukral	August 31, 2002	February 07, 2006	Appointed & Resigned
Mr. C S Dhawan	November 16, 1991	January 28, 2004	Resigned
Mr. N C Gupta	October 01, 1996	January 28, 2004	Resigned
Ms. Dimple Gupta	October 01, 1996 March 13, 2006	January 28, 2004	Resigned Appointed
Mr.B Dasgupta	March 05, 2004	May 04, 2005	Appointed & Resigned
Ms Lalita Kapur	May 04, 2005	--	Appointed
Mr.Chandra Mohan	October 27, 2005	--	Appointed
Mr.K L Dalal	August 27, 1992	January 14, 2006	Resigned
Dr. Daljit Singh	February 7, 2006	March 13, 2006	Appointed & Resigned



### **Shareholding of the Directors in our Company**

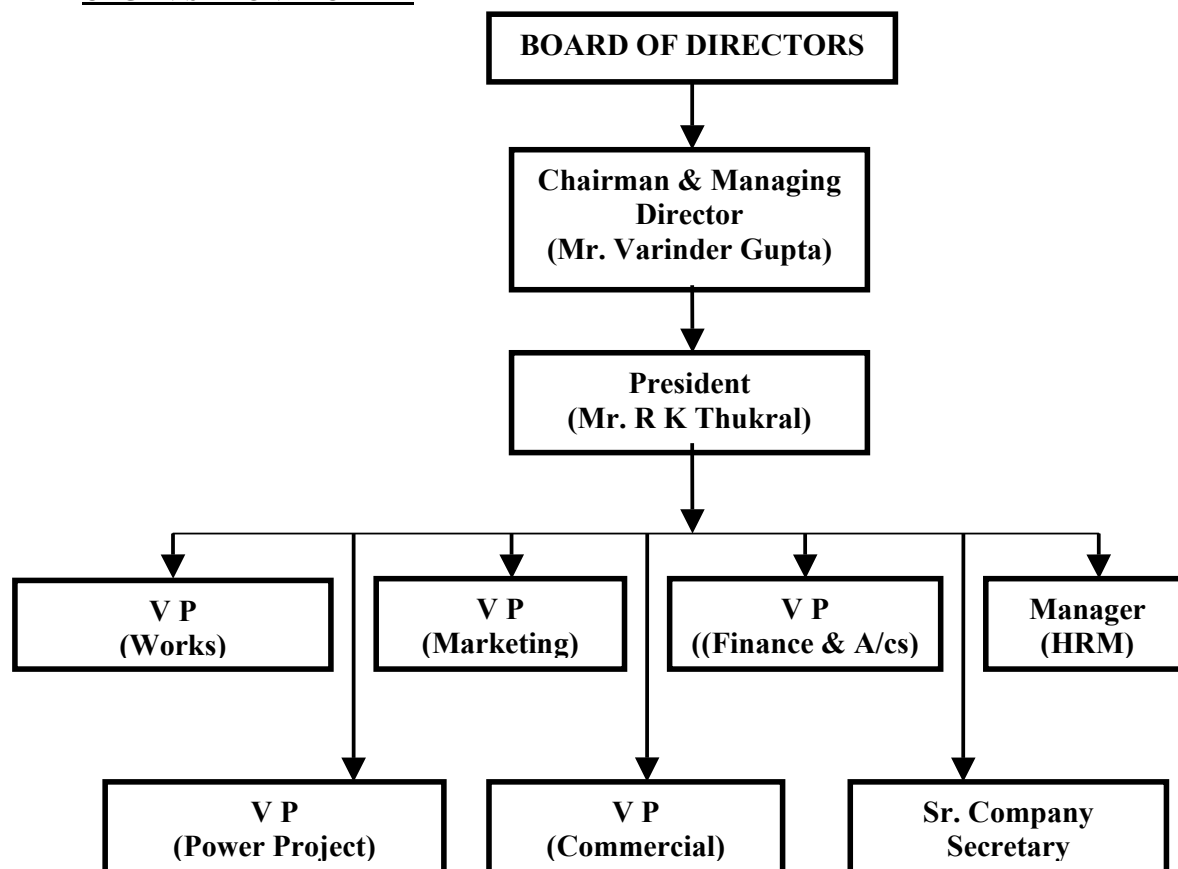
None of the Directors holds any Equity Shares of the Company, except Mr. Varinder Gupta & Dr. M A Zahir holding 300 equity shares and the Promoters as stated in the section titled “Introduction - Capital Structure of the Company” on the page no. 11 of Draft Red Herring Prospectus.

### **Interest of the Promoters and/or Directors**

All the directors of the Company may deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of reimbursement of travelling and other incidental expenses, if any, for such attendance payable to them under the Articles of Association of the Company. Mr. Varinder Gupta, Chairman and Managing Director) is interested to the extent of the remuneration paid to him, for services rendered by him as executive of the Company.

The Directors viz. Mr. Varinder Gupta and Dr. M A Zahir shall be deemed to be interested to the extent of Equity Shares held by them, as stated in the section titled “Introduction - Capital Structure of the Company” on page no. 11 and Directors’ Shareholding page no. 69 of this Draft Red Herring Prospectus.

### **ORGANISATIONAL CHART**





## KEY MANAGERIAL PERSONNEL

As on December 31, 2005, the Company has a total strength of 276 employees who are the permanent employees of the Company.

### Brief details of the Key Managerial Personnel

1. **Mr R K Thukral**, 54 years is the President and joined our Company in August 2002 as Executive Director of the company, he resigned from the board w.e.f. February 07, 2006 thereafter he was appointed as President from February 8, 2006. He holds Bachelors Degree in Science. He has an experience of over 30 years in the chemical and fertilizer industry. He has also worked with Varinder Agro- Chemicals Limited (Now Merged with Abhishek Industries Limited) as President (works). He has played critical role in the planning and implementation of de-bottlenecking and capacity expansions exercise of our Company. His gross remuneration is Rs. 10.20 Lacs
2. **Mr. Damandeep Singh**, 32 years, is the Vice President, Works and joined our Company as Trainee in October 1997. He has done BE (Chemical) and has an experience of 8 years to his credit in Chemical Industry. He is responsible for operations of the chemical division of the company. He has played critical role in the de-bottlenecking and capacity expansions of our Company. His gross remuneration is Rs. 7.80 Lacs
3. **Mr. Narinder Kumar Pundir**, 43 years, is the Vice President Marketing and joined our Company in August 2002. He holds masters degree in Science and Post Graduate Diploma in Business Management. He has an experience of 19 years in marketing of the chemical products and has an international exposure in the industry. He heads the marketing department and is responsible for domestic as well as the international market. He has also worked with Abhishek Industries Limited. His gross remuneration is Rs. 13.80 Lacs
4. **Mr. Rakesh Mahajan**, 40 years, is the Vice President – Finance and Accounts and joined our Company in March 2000. He is a qualified Chartered Accountant and also holds Post Graduate Diploma in Export Marketing Management from the Indian Institute of Export, associate member of Indian Institute of Foreign Trade, New Delhi. He has over 17 years of experience. He is currently heads the finance and accounts department and is involved in the business and financial strategic planning, implementation of financial and management controls, financial structuring, financial resource management and project evaluations. He has also worked with Abhishek Industries Limited. His gross remuneration is Rs. 10.80 Lacs.
5. **Mr. Shirror Dayananda Shetty**, 39 years, is the Vice President – Power Project and joined our Company in April 2005. He holds the degree of Mechanical Engineering and has more than 17 years of experience to his credit. He is heading the Power Project department and responsible for the overall implementation and operation of the power project of the Company. He has also worked with Century Textiles and Industries Limited. His gross remuneration is Rs. 7.80 Lacs.
6. **Mr. Vijay Garg**, 36 years, is the Vice President – Commercial and joined the company in December 2000.. He holds the bachelor degree in Science and Master of Business Administration specialising in Personnel administration He has experience of more than 12 years in various fields of the industry including HRM, production and commercial. Earlier he was working with Malwa Cotton and Spinning Mills Limited as Manager Personnel. His gross remuneration is Rs. 9.60 Lacs.
7. **Mr. Krishan Singla**, 45 years, is the Senior Company Secretary and joined our Company in April, 1994. He has done LL.B. and is a qualified Certified Financial Analyst and is a member of Institute of Company Secretaries of India. He has 19 years experience in corporate secretarial and legal affairs. He heads secretarial department of the company and is responsible for the legal and secretarial matters of the company. He has also worked with Mahavir Spinning Mills Limited as Company Secretary. His gross remuneration is Rs. 7.80 Lacs.
8. **Mr. Anil Kumar Kathuria**, 37 years, is the Manager (HRM) and joined the company in March 2005. He holds a degree in Master of Business Administration. Specialization in Human.Resource Management. He has 16 years rich experience in various aspects of human resource development, personnel and employee welfare and general administration. Earlier he was working with Vardhaman Polytex Limited as Manger (Personnel). His gross remuneration is Rs. 3.24 Lacs.

All the key management personnel are permanent employees of the Company. None of the aforementioned key managerial personnel are related to the promoters of the Company.



### Shareholding of the Key Managerial personnel

None of the Key Managerial Personnel of the Company hold any Equity Shares in the Company except the following

Sr. No.	Name	Designation	Shareholding
1	Mr. Rakesh Mahajan	Vice President - Finance & Accounts	986
2	Mr. Vijay Garg	Vice President - Commercial	100
3	Mr. Krishan Singla	Sr. Company Secretary	100

### Bonus or Profit Sharing Plan for the Key Managerial Personnel

Other than 10% of basic salary payable as part of remuneration, there is no other Bonus or Profit Sharing Plan for the Key Managerial Personnel of the Company.

### Changes in Key Managerial Personnel

Following have been the changes in the key managerial personnel during the last three years:

Sr. No.	Name of the Key Managerial Personnel	Designation	Date of Joining	Date of Leaving	Reason
1	Mr. S.D.Shetty	V.P.	April 01, 2005	NA	Appointment
2.	Mr. Anil Kathuria	Manager	March 16, 2005	NA	Appointment
3	Mr. R K Thukral	President	February 08, 2006	NA	Appointment
4	Mr. Punit Tukanait	Executive HRM	March 15, 1997	June 17, 2004	Resigned

### Employee Stock Option Scheme

The Company does not have any Employee Stock Option Scheme.

### Payment or benefit to officers of the company (non salary related)

Except as stated in section titled "Management" on page no. 66 of this Draft Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of the officers of the Company except the normal remuneration or sitting fees for services rendered as Directors, officers or employees.

There has been no such payment or benefit to give to the officers of the Company



## OUR PROMOTERS

Mr. Rajinder Gupta jointly with Punjab State Industrial Development Corporation Limited (PSIDC), an industrial development corporation and state level financial institution as financial collaborator, promoted our Company. Pursuant to family arrangement between Mr. Rajinder Gupta and Mr. Varinder Gupta, Nominees of Mr. Rajinder Gupta, transferred their entire shareholding in the Company to Mr. Varinder Gupta and Mayadevi Polycot Limited on June 8<sup>th</sup>, 2002. This arrangement does not have the approval of PSIDC.

The Promoters of our Company are Mr. Varinder Gupta, M/s Mayadevi Polycot Limited & Punjab State Industrial Development Corporation Limited (PSIDC). The brief profile of our Promoters is as follows:

### Mr. Varinder Gupta



Mr. Varinder Gupta, aged 43 years is Chairman and Managing Director of the Company. He is an industrialist and having wide and rich experience of more than 19 years in chemical and fertilizer industry. His leadership and direction has been instrumental in the growth our Company. Under his leadership, the Company has received the Punjab State Safety Award for Nil Accident in the chemical industry during the year 2001 and 2002 and The National Award for Energy Conservation (2<sup>nd</sup> prize) in the chemical sector for the year 2005 from the Ministry of Power, Government of India.

PAN No.	<b>ADDPG0214G</b>
Driving Licence No.	<b>037032/ REN dated February 07, 2005</b>
Passport No.	<b>E2848029</b>
Bank Account No.	<b>PNB/4451000400000262</b>
Residential Address:	84, Industrial Area, "A", Ludhiana

We confirm that the Permanent Account Number, Passport Number and Bank Account Number of the above individual promoter have been submitted to BSE at the time of filing this Draft Red Herring Prospectus with them.

### Mayadevi Polycot Limited

Mayadevi Polycot Limited was incorporated on March 18, 1997 in the State of Punjab with the Registrar of Companies, Punjab, Himachal Pradesh & Union Territory of Chandigarh situated at Jalandhar. The Registered Office of the Company is 85, Industrial Area - A, Ludhiana in the State of Punjab. The Company is not listed on any stock exchange(s) and neither it has any subsidiary/ies.

### **Other information**

Company Registration Number: **16-19602**  
Permanent Account Number: **AACCM4345D**  
Bank Account Number: Citibank 0010251168  
Address of the Registrar of Companies: 285- 286, Defence Colony, Jalandhar – 144 003.

### **List of Directors**

1. Mr. Varinder Gupta
2. Mr. N.C. Gupta
3. Ms. Dimple Gupta

### **List of Shareholders**

Name	No. of Shares Held	Percentage of Shareholding %
Mr. Varinder Gupta	100100	49
Ms. Dimple Gupta	100000	49
Others	3600	2
Total	203700	100.00

*During the financial year 2005-06 150000-equity shares of Rs. 10/- each were allotted to Mr. Varinder Gupta (75000) and Ms. Dimple Gupta (75000)*



## Financial Performance

Rs in Lacs			
Particulars	2002-03	2003-04	2004-05
Sales & Other Income	0.56	0.31	0.41
PAT	(0.17)	(0.12)	(1.32)
Equity Capital	5.37	5.37	5.37
Reserves & Surplus Exclusive of revaluation reserve	--	--	--
Earning Per Share (Rs.)	--	--	--
Net Worth	4.92	2.57	0.87
Book Value /Share (Rs.)	9.17	4.79	1.62

*[Net Worth\* = Paid-up Share Capital + Reserves & Surplus – Profit & Loss Account (Debit Balance) – Miscellaneous Expenditure]*

### **Punjab State Industrial Development Corporation Limited**

Punjab State Industrial Development Corporation Limited (PSIDC) was established in the year 1966 to promote planned industrial development in the organised sector and to speed up industrialisation in the state of Punjab. Today, PSIDC'S name is synonymous in the corporate world and it is engaged in the promotion of large and medium scale projects. PSIDC is responsible for making major projects happen in the new economic environment. PSIDC has been declared as a Public Financial Institution with in the meaning of section 4A of the Companies Act, 1956

PSIDC since inception has facilitated phenomenal growth in the industrial sector in the state. The objectives of PSIDC are :

- Promotion of industrial and infrastructure projects in the Assisted and Joint Sector.
- Extending of term loan assistance under IDBI Refinance Scheme to projects promoted by private sector.
- Providing of escort services to projects initiated through private sector.

### **Board of Directors of PSIDC**

The Board of Directors of PSIDC comprises of the following persons:

Mr. O. P. Soni	Chairman
Mr. Deepinder Singh Dhillon	Vice Chairman
Mr. S. C. Agrawal, IAS	Director
Mr. D S Kalha	Director
Mr. Suresh Kumar, IAS	Director
Mr. Sanjay Kumar, IAS	Director
Mr. Mandeep Singh Sandhu, IAS	Director
Captain R. S. Pathania	Director
Mr. Anand Sarup Singh Mohi	Director
Mr. Pawan Goel	Director
Mr. Daljit Singh Ahluwalia	Director
Mr. Devinder Singh Babbu	Director
Mr. Sanjeev Garg	Director
Mr. Joginder Singh Chhina	Director
Mrs. Ravneet Kaur, IAS	Managing Director

### **Shareholding Pattern**

The entire Share Capital of the PSIDC is held by Government of State of Punjab.

### **Financial Performance**

The financial statements of PSIDC for the FY 2003-04 and FY 2004-05 are not finalized till date and hence the financial performance of PSIDC for the latest available three years is as follows:



	Rs. in Lacs		
	<b>FY 2002-03</b>	<b>FY 2001-02</b>	<b>FY 2000-01</b>
Total Income	3019.21	3362.64	3773.41
Profit after tax	(7979.97)	(9214.66)	(11169.40)
Equity Share Capital	7821.50	7821.50	7821.50
Reserves and Surplus and accumulated losses	(31667.60)	(23687.63)	(14472.98)
Earnings per Share of Rs 1000/- each (Rs.)	(1020.00)	(1178.00)	(1428.00)
Book Value per share of Rs 1000/- each (Rs.)	(3089.79)	(2052.12)	(868.29)

#### **Other Information**

Company Registration Number: - **2629**

Permanent Account Number: - **AABCP1599F**

Bank Account Number: - **001305000414 (ICICI Bank Ltd, Sector -9D, Chandigarh)**

Address of Registrar of Companies: 285- 286, Defence Colony, Jalandhar – 144 003.

PSIDC is not listed on any stock exchange and has not made any public or rights issue in the past. PSIDC has not been detained as willful defaulter by the Reserve Bank of India or any other Government Authority and there are no violations of securities laws committed by PSIDC in the past or are pending against PSIDC.

PSIDC an industrial development corporation and state level financial institution has been promoting industrialization through public-private partnerships. Since emphasis of PSIDC had been on the formation of joint ventures in the state of Punjab for manufacturing a wide range of products, PSIDC holds in excess of 10% of the capital of many such companies. However, these companies are not under the control of PSIDC and as a prudent policy, PSIDC does not interfere in the day-to-day affairs of these companies. These investments are held in the capacity of a development organisation.

In the Extra-ordinary General Meeting of Industrial Organics Limited held on January 7, 2006 at Barnala, PSIDC has given its dissent to the proposed equity raising programme by way of public issue. The details regarding to PSIDC has been hence extracted from the website of PSIDC and from the latest available Annual Report of Financial Year 2002-03 and 2001-2002.

We confirm that the Permanent Account Number, Bank Account Number, the Company's registration number and the address of the ROC where the promoter companies are registered has been submitted to BSE at the time of filing this Draft Red Herring Prospectus with them.

#### **Relationship between the Promoters, Directors and Key Managerial Personnel**

There is no relation between any Promoters, Directors and Key Managerial Personnel of our Company.



## OUR GROUP COMPANIES

### G Drugs and Pharmaceuticals Limited

G- Drugs & Pharmaceuticals Limited was incorporated on October 09, 1997, vide registration no. – 16-20581 in the State of Punjab with the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh. Our Company obtained Certificate of Commencement of Business on October 14, 1997. The registered office of the company is situated at Trident Complex, Raikot Road, Barnala – 148 101, District Sangrur, Punjab.

The company was originally incorporated in the name of Vikas Chemdrugs Limited. The name of the company changed to G- Drugs & Pharmaceuticals Limited on August 06, 2004.

The company was promoted by Mr. Varinder Gupta for setting up manufacturing facilities for Paracetamol. The scope of the project was changed to setting up the manufacturing facilities for CMIC Chloride during the year 1999. The project was set up with the equity participation of Rs.24.50 Lacs and a term loan of Rs.287 Lacs from PSIDC.

As on December 31, 2005 a sum of Rs 147 Lacs is outstanding towards PSIDC on account of overdue interest and Rs 265 Lacs on the account of repayment of principle. The company has requested PSIDC for one time settlement of its principal and over due interest at par being a sick unit. The promoter of the company has also requested PSIDC to buy back its shareholding in the company at par.

The present manufacturing facilities has been installed to produce CMIC Chloride, DCMIC Chloride and FCMIC Chloride with total plant capacity of 216 TPA.

### List of directors of the company as on December 31, 2005

1. Mr. Varinder Gupta
2. Mr. R K Thukral
3. Mr. Ramesh Kumar
4. Mr. Arun Goyal

### List of shareholders of the company as on December 31, 2005

S. No.	Name	No. of Shares Held	Percentage of Shareholding
1.	Mr. Varinder Gupta	10100	0.20%
2.	Trident Infotech Corporation Ltd.	290000	5.80%
3.	ANG Securities Limited	360000	7.20%
4.	Punjab State Industrial Development Corporation Limited	245000	4.90%
5.	G Consultants & Fabricators Ltd.	2450000	49.00%
6.	Mayadevi Polycot Ltd.	975000	19.50%
7.	Rakesh Sharma	669300	13.39%
8.	Others	600	0.01%
<b>TOTAL</b>		<b>50,00,000</b>	<b>100%</b>



## Financial Information of the Company

Rs. in Lacs

Particulars	December 31, 2002	December 31, 2003	March 31, 2005
Turnover	882.58	1013.46	1060.37
Net Profit / (Loss) After Tax	(128.46)	(113.15)	(203.76)
Equity Capital (Authorised)	200.00	200.00	550.00
Subscribed and Paid up Capital	192.20	192.20	500.00
Reserves & Surplus Excl Revaluation	50.00	50.00	50.00
Profit & Loss Account (Debit Balance)	(261.20)	(374.35)	(578.11)
Miscellaneous Expenditure	6.16	4.05	1.74
Earning Per Share (Rs.)	-	-	-
Net Worth	(25.16)	(136.20)	(29.85)

*[Net Worth\* = Paid-up Share Capital + Reserves & Surplus – Profit & Loss Account (Debit Balance) – Miscellaneous Expenditure]*

The financial year of the company was changed from 'Year ending 31<sup>st</sup> December' to 'Year ending 31<sup>st</sup> March'. Consequently, the financial year ending December 31, 2004 was extended and closed on March, 31, 2005, consisting of 15 months.

Our Company made a reference to the Board for Industrial & Financial Reconstruction on June 06, 2003 and the reference has been registered as case No. 279/ 2003 under section 15 (1) of Sick Industrial Companies (Special Provisions) Act, 1985. However, the case is still pending for consideration.

### Disassociation of Promoters from companies during the past three years

During the last three years the promoter Mr. Varinder Gupta, has transferred his entire shareholding of 10000 Equity shares of Rs. 10 each held in G Consultants and Fabricators Limited on October 12, 2005. The Company was incorporated on March 03, 2004. The main objects of the company are to carry on the business of fabrication of jobs and project consultancy.



## RELATED PARTY TRANSACTIONS

The Details of Related Party Transaction as per the Auditor's Report dated January 14, 2006 are as follows:

### a) Related Parties

Name of related parties	Relationship
Mayadevi Polycot Limited	Promoter Company
G. Drugs and Pharmaceuticals Limited	Group Company
Mr. Varinder Gupta	Promoter / Managing Director (Key Management Personnel)
Mr. R K Thukral	Key Management Personnel

### b) Transactions with related parties

Rs. in Lacs

Nature of Transactions During the year	Period ended December 31, 2005	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
<b>Sale and Other Income</b> Related Group Company	96.84	131.30	117.59	144.24	114.07
<b>Purchase and other Services</b> Related Group Company	28.85	10.38	12.67	3.37	7.96
<b>Managerial Remuneration</b> Key Management Personnel	16.08	20.38	20.38	17.12	14.71
<b>Interest</b> Key Management Personnel	--	--	--	0.63	--
<b>Outstanding to the Company</b> Related Group Company	282.94	78.98	270.11	294.83	107.44
<b>Payable by the Company</b> Key Management Personnel	0.33	0.29	2.32	1.52	1.06

\* The related party relationship is as identified by the company and relied upon by the auditors



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## **DIVIDEND POLICY**

The declaration and payment of dividends will be recommended by the Board of Directors and the shareholders of the Company, in their discretion, and will depend on a number of factors, including but not limited to the profits, capital requirements and overall financial condition. The Company has declared and distributed dividend on Equity shares of the Company in the financial Years 1995-79 (9%) and 1996-97 (10%). There are certain restrictive covenants in loan agreement entered into by us with our lender, regarding declaration of dividend by our Company.



## FINANCIAL INFORMATION

### AUDITORS' REPORT

To  
The Board of Directors,  
Industrial Organics Limited,  
Trident Complex,  
Raikot Road,  
Barnala – 141 101  
District Sangrur (Punjab)

Dear Sirs,

- A. We have examined the financial information of Industrial Organics Limited annexed to this report, for the purpose of inclusion in Red Herring Prospectus, from financial year ended December 31, 2000 to financial year ended March 31, 2005, and for nine months ended December 31, 2005 being the last date on which accounts of the company have been made up and audited.

The preparation and presentation of financial statements is the responsibility of the company's management. Our responsibility is to express an opinion on these accounts based on our audit. The financial information has been prepared for the purpose of incorporation in offer document propose to be issued by the company in connection with the ensuing public issue of Equity shares of the company.

In accordance with the requirements of:

1. Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 ('the Act');
2. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India on January 19, 2002 in pursuance of Section 11 of Securities and Exchange Board of India Act, 1992 and related amendments and
3. Our terms of reference with the Company dated January 07, 2006 requesting us to carry out work in connection with the Offer Document as aforesaid.

We report that the restated assets and liabilities of the company as at December 31, 2000, March 31, 2002, 2003, 2004, 2005 and December 31, 2005 are set out in Annexure I to this report after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and notes to account as appearing in Annexure III.

We report that the restated profits/Losses of the Company for financial years ended December 31, 2000, March 31, 2002, 2003, 2004, 2005 and for nine months ended December 31, 2005 are as set out in Annexure II to this report. These profits/Losses have been arrived at after charging all expenses including depreciation and after making such adjustments/restatements and regrouping as in our opinion are appropriate in Annexure III to this report. The company has not paid any dividend on Equity Shares in any of the years mentioned above.

- B. We have examined the following financial information relating to the Company proposed to be included in the Red Herring Prospectus, as approved by you and annexed to this report:

1. Statement of Cash Flow as appearing in Annexure IV to this report;
2. Statement of Debtors enclosed as Annexure V to this report;
3. Details of Loans and Advances as appearing in Annexure VI to this report;
4. Statement of Secured Loans as appearing in Annexure VII to this report;
5. Statement of Unsecured Loans as appearing in Annexure VIII to this report;
6. Statement of Operational Income as appearing in Annexure IX to this report;
7. Statement of Other Income as appearing in Annexure X to this report;
8. Detail of Contingent Liabilities as appearing in Annexure XI to this report



9. Accounting Ratios as appearing in Annexure XII to this report;
10. capitalization Statement as at December 31, 2005 as appearing in Annexure XIII to this report;
11. Statement of Tax Shelters as appearing in Annexure XIV to this report;

C. In our opinion the financial information of the Company as stated above read with significant accounting policies and Notes to Accounts enclosed in Annexure III to this report, after making adjustments/restatements and regroupings as considered appropriate and has been prepared in accordance with Part II of schedule II of the Companies Act, 1956 and the SEBI Guidelines.

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

**For K. K. KAPOOR & ASSOCIATES**

Chartered Accountants

**[KIRAN K. KAPOOR]**

Partner

Membership No. 80315

Place: Ludhiana

Date: January 14, 2006



# **ANNEXURE I: STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

Rs. in Lacs

	<b>As At</b>					
	December 31 2005	March 31 2005	March 31 2004	March 31 2003	March 31 2002	December 31 2000
<b>Fixed Assets</b>						
Gross Block	4974.16	4302.76	3672.73	3654.10	3587.58	3512.99
Less: Depreciation	1455.44	1252.99	1039.92	888.73	715.08	499.90
Net Block	3518.72	3049.77	2632.81	2765.37	2872.50	3013.09
Capital Work in Progress	915.98	81.37	23.93	8.12	0.00	10.79
Total (A)	4434.70	3131.14	2656.74	2773.49	2872.50	3023.88
Investments (B)	0.00	0.00	0.00	0.00	6.20	0.00
<b>Current Assets, Loans and Advances:</b>						
Inventories	1576.81	1084.64	420.07	392.06	472.60	310.35
Sundry Debtors	1449.40	1092.64	781.70	652.66	719.14	619.54
Cash & bank Balances	290.88	105.00	59.11	59.48	57.46	125.49
Loans & Advances	246.60	222.51	186.55	163.99	152.77	128.62
Total (C)	3563.69	2504.79	1447.43	1268.19	1401.97	1184.00
<b>Liabilities and Provisions:</b>						
Secured Loans	3222.82	2867.12	2392.05	2177.12	2002.08	1892.70
Unsecured Loans	1537.28	837.54	613.14	852.48	752.39	717.76
Current Liabilities and Provisions	1851.71	1262.60	705.46	1676.05	1609.49	669.99
Deferred Tax (Assets)/Liabilities Net	(136.48)	(305.78)	0.00	0.00	0.00	0.00
Total (D)	6475.33	4661.48	3710.65	4705.65	4363.79	3280.45
<b>Net Worth (A+B+C-D)</b>	<b>1523.06</b>	<b>974.45</b>	<b>393.52</b>	<b>(663.97)</b>	<b>(83.29)</b>	<b>927.43</b>
<b>Represented by</b>						
1. Equity Share Capital	805.00	805.00	805.00	805.00	805.00	805.00
2. Preference Share Capital	500.00	500.00	500.00			
2. Reserves & Surplus	267.14	105.46	105.46	105.46	105.46	223.10
3. Accumulated Loss		(369.55)	(927.31)	(1540.74)	(926.60)	
4. Misc. Expenditure to the extent not written off	(49.08)	(66.46)	(89.63)	(33.69)	(67.15)	(100.67)
<b>Net Worth</b>	<b>1523.06</b>	<b>974.45</b>	<b>393.52</b>	<b>(663.97)</b>	<b>(83.29)</b>	<b>927.43</b>

## **Notes:**

1. The above statement should be read with Notes to Accounts and significant accounting policies as appearing in Annexure III
2. The Fixed Assets have not been revalued during the any year/period under reporting.



## ANNEXURE II: STATEMENT OF PROFIT AND LOSS, AS RESTATED

Rs. in Lacs

	Period ended	Year ended	Year ended	Year ended	Period ended	Year ended
	December 31 2005	March 31 2005	March 31 2004	March 31 2003	March 31 2002	December 31 2000
	9 Months	12 Months	12 Months	12 Months	15 Months	12 Months
<b>INCOME:</b>						
Gross Sales	11763.35	9653.24	6125.29	6221.18	5909.77	4276.82
Less: Excise Duty	1563.51	1243.21	759.40	771.17	772.17	559.47
Net Sales	10199.84	8410.03	5365.89	5450.17	5137.60	3717.35
Other Income	12.93	18.91	11.79	11.03	24.52	48.01
Total Income	10212.77	8428.94	5377.68	5461.20	5162.12	3765.36
<b>EXPENDITURE:</b>						
Raw Materials	7557.72	6070.01	3517.23	3849.61	3817.54	2258.81
(Increase)/Decrease in WIP/Finished Goods	(434.14)	(152.70)	(31.79)	66.13	(90.88)	46.40
Manufacturing Expenses	1230.16	1096.31	876.58	1094.87	1151.91	690.58
Personnel Expenses	216.90	249.56	173.14	174.05	265.83	172.44
Administrative Expenses	131.79	165.30	138.94	117.16	128.21	104.38
Selling & Distribution Expenses	177.73	138.77	106.38	95.00	164.85	53.15
Financial Expenses	396.23	349.98	331.08	467.40	507.01	381.16
Miscellaneous Expenditure Written Off	17.38	23.17	51.17	33.46	43.52	18.88
Depreciation	202.45	216.76	189.63	177.66	218.37	138.24
Total Expenditure	9496.39	8157.16	5352.36	6075.18	6206.36	3880.04
<b>Net Profit Before Tax And Extraordinary Items</b>	716.38	271.78	25.32	(614.14)	(1044.24)	(114.68)
Less: Provision for Taxation - Current	10.00	19.80	--	--	--	--
Fringe Benefit Tax	5.85	--	--	--	--	--
Less: Deferred Tax (Assets)/Liabilities Net	169.30	(305.78)	--	--	--	--
<b>Net Profit/(Loss) Before Extraordinary Items</b>	531.23	557.76	25.32	(614.14)	(1044.24)	(114.68)
Add: Waivment of Liabilities of Steam/Power of earlier years (as extraordinary item)	--	--	588.11	--	--	--
Profit/(Loss) after tax	531.23	557.76	613.43	(614.14)	(1044.24)	(114.68)
Profit/(Loss) Adjusted to the	--	--	--	--	225.00	--



extent General Reserve available						
Profit/(Loss) brought forward from previous year	(369.55)	(927.31)	(1540.74)	(926.60)	(107.36)	7.32
Balance carried to Balance Sheet	161.68	(369.55)	(927.31)	(1540.74)	(926.60)	(107.36)

Notes:

The above statement should be read with Notes to Accounts and significant accounting policies as appearing in Annexure III

### ANNEXURE III – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

#### I. Significant Accounting Policies

##### A Convention

The financial statements are prepared on accrual basis under the historical cost convention in accordance with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 and other relevant provisions of the said Act.

##### B Revenue Recognition

###### Sales

Sale of goods is recognised at the point of despatch to the customer. Sales include excise duty and excludes sales tax.

##### C Retirement benefits

###### i) Gratuity and Superannuation

The company has taken Gratuity policy through Industrial Organics Limited Employees Group Gratuity Trust under the Group Gratuity Scheme administered by Life Insurance Corporation of India for eligible employees. Liabilities with regard to Gratuity is actuarially determined by the LIC, based on which the company contributes to the fund.

The company has taken Superannuation policy up to October 31, 2005 through Industrial Organics Limited Superannuation Fund under the Group Superannuation Scheme administered by Life Insurance Corporation of India for eligible employees. Liabilities with regard to Superannuation is actuarially determined by the LIC, based on which the company contributes to the fund. Superannuation scheme and policy have been discontinued by the company w.e.f November 1, 2005.

###### ii) Provident Fund

Contribution to Provident Fund is made in accordance with the provisions of the Employees Provident Fund (Miscellaneous Provisions) Act, 1952 and is charged to revenue.

##### D Fixed Assets

Fixed assets are stated at cost which comprises the Purchase price, freight, duties (net of modvat / cenvat), taxes and any attributable cost of bringing the assets to its working conditions for its intended use and, in case of capital projects, interest and commitment charges on loans taken exclusively to finance such projects, up to the date of their commissioning.

##### E Depreciation

- The fixed assets are depreciated on the straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
- The fixed assets costing Rs. 5,000/- or less, acquired during the year, are depreciated at 100%. Depreciation has been provided on fixed assets on prorata basis for the year the assets are first put to use.
- The Depreciable amount of intangible asset (if any) is systematically allocated over its useful life.



**F Inventories**

Stores and Spares, raw material and work in process are valued at cost. Finished goods are valued at cost or net realisable value, whichever is lower. The basis of determining cost for different categories of inventory are as follows:-

Stores and Spares	Monthly Weighted Average Method plus direct expenses
Raw Material	First in First Out Method plus direct expenses
Work-in-process	Cost of material plus appropriate share of overheads thereon at different stage of completion on First in First Out Method.
Finished Goods	Cost of material plus conversion cost, packing cost, excise duty and other overheads incurred to bring the goods to their present conditions & location.

**G Foreign Exchange Fluctuations**

Transactions in foreign currency are recorded at the exchange rates prevailing at the time of the transactions. Current assets and current liabilities (other than those relating to fixed assets) are restated at the rates prevailing at the year end, and the difference between the year end rate and the exchange rate at the date of the transaction is recognised as income or expense in the Profit and Loss Account.

**H Cenvat**

Cenvat credit on excise duty paid goods is accounted for on the receipt of the related goods by reducing the cost price.

**I Expenditure incurred during construction period**

In respect new/major expansion, the indirect expenses incurred during construction period up to the date of commencement of commercial production is capitalized on various categories of fixed assets on proportionate basis.

**J Borrowing Costs**

Borrowing costs that are attributable to acquisition or construction of a qualifying asset are capitalised as part of cost of such assets. Qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing cost is recognised as an expense in the period in which they are incurred.

**K. Accounting for Taxes on Income**

Provision for taxation for the year comprises of current tax and deferred tax. Current tax is the amount of income tax determined to be payable in respect of taxable income for the year under 'MAT' u/s 115JB of the Income Tax Act 1961.

**L. Miscellaneous Expenditure**

Miscellaneous expenditure are amortised over period of time as under:

- i) Preliminary Expenses and Share issue expenses are amortized over period of 10 years
- ii) Deferred Revenue Expenses are amortized over period of 5 years
- iii) Interest Differential Charges charged by IDBI on account of reduction in interest rates and Restructuring Fee charged by IDBI for deferment of interest and refixation of Principal has been amortised over a period of five years

**M. Intangible Assets**

Intangible assets if any are recognized at cost.

**N Insurance and other claims**

Insurance and other claims are recognized when there exists no significant uncertainty with regard to the amount to be realized and the ultimate collection thereof.



**O Leases**

The proportionate premium on acquisition of leasehold land has been amortised over the period of 58 years, being the life of building constructed thereon computed as per the rate of depreciation on straight line method.

**P. Impairment of Assets**

At each Balance Sheet an assessment is made whether any indication exists that an asset has been impaired. In case of the company no indication exists in regard to impairment, hence no impairment loss has been provided in the books.

**II. NOTES ON ACCOUNTS**

1. There is no change in accounting policy in the reporting years.
2. The company had extended its financial year for 15 months i.e. from January 1, 2001 to March 31, 2002. The financial information has been prepared accordingly for the period as under:

Particulars	Period ended December 31 2005	Year ended March 31 2005	Year ended March 31 2004	Year ended March 31 2003	Period ended March 31 2002	Year ended December 31 2000
Months	9	12	12	12	15	12

3. The company is entitled to benefit under DEPB and DFRC Scheme on export sales made during the year. The benefit can be availed as import duty credit or can be transferred in the open market. DEPB amount & DFRC amount being the value of the entitlement held as at the close of the year and yet to be sold has been accounted as a part of sales as there exists no uncertainty regarding the amount of consideration realisable or its ultimate collection. This treatment is in accordance with the opinion of the Expert Advisory Committee of ICAI as published in January 2001 issue of its Journal.
4. In the opinion of the Board of Directors and to the best of their knowledge and belief, the value on realisation of Current Assets, Loans and Advances in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet.
5. On the basis of information available with the company, there were no amount payable to small scale and ancillary undertakings, as defined by "The interest on delayed payment to Small Scale and Ancillary Industrial Undertakings Act 1993 which were overdue and outstanding at the close of the period.
6. Name of the Company has been changed from "Trident Alco-Chem Limited" to "Industrial Organics Limited" with the approval of members in Extra Ordinary General Meeting held on 04/12/2002 and the Central Government with effect from 05/12/2002. And upon change of name the Registrar of Companies has issued fresh certificate of Incorporation.
7. In term of Accounting Standard on "Accounting for Taxes on Income" (AS-22) the Company has recognised deferred taxes as under:

**Deferred Tax Assets/(Liabilities)**

Particulars	December 31, 2005	March 31, 2005
Deferred Tax Liability on account of Depreciation	630.60	589.83
Less: Deferred Tax Asset arising on account of Unabsorbed Depreciation and carried forward losses for tax purpose	767.08	895.61
<b>Net Deferred Tax Assets</b>	<b>136.48</b>	<b>305.78</b>

In view of the fact that the company is expected to make taxable profits in near future which shall absorb the brought forward unabsorbed depreciation and carried forward business losses for tax purpose, the deferred tax assets has been recognised in the books of account of the company as on 31-03-2005 & 31-12-2005. The deferred tax liabilities/assets were earlier not provided for on account of uncertainty about the sufficient future taxable income of the company, as per accounting standard (AS-22) issued by the ICAI.



8. The disclosure of transactions with the related parties as described in the Accounting Standard – 18 issued by ICAI are given below:

a) Related Parties

Name of related parties	Relationship
Mayadevi Polycot Limited	Promoter Company
G. Drugs and Pharmaceuticals Limited	Group Company
Mr. Varinder Gupta	Promoter / Managing Director (Key Management Personnel)
Mr. R K Thukral	Key Management Personnel

b) Transactions with related parties

Rs. in Lacs

Nature of Transactions During the year	Period ended December 31, 2005	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
<b>Sale and Other Income Related</b> Group Company	96.84	131.30	117.59	144.24	114.07
<b>Purchase and other Services Related</b> Group Company	28.85	10.38	12.67	3.37	7.96
<b>Managerial Remuneration</b> Key Management Personnel	16.08	20.38	20.38	17.12	14.71
<b>Interest</b> Key Management Personnel	--	--	--	0.63	--
<b>Outstanding to the Company</b> Related Group Company	282.94	78.98	270.11	294.83	107.44

\* The related party relationship is as identified by the company and relied upon by the auditors

9. The basic earning per share is computed by dividing the net profit excluding extra ordinary items, net of tax expense/asset for the year by the weighted average number of equity shares outstanding during the year. The EPS has been computed in accordance with the accounting standard (AS-20) issued by the ICAI.



# 10. Segment wise Revenue, Results and Capital Employed

					Rs. in Lacs
Particulars	Period ended December 31 2005 (9 Months)	Year ended March 31 2005 (12 Months)	Year ended March 31 2004 (12 Months)	Year ended March 31 2003 (12 Months)	Period ended March 31 2002 (15 Months)
<b>1. Segment Revenue</b>					
Chemicals	8676.78	7148.76	4842.90	4132.14	3695.18
Drugs	1505.14	1175.35	400.07	1232.83	1422.64
Others	17.91	85.92	102.92	85.20	19.78
Total revenue	10199.83	8410.03	5365.89	5450.17	5137.60
<b>2. Segment Results</b>					
Profit/(Loss) before tax and interest from each segment					
Chemicals	1026.80	727.38	250.18	33.90	(299.46)
Drugs	62.22	(77.37)	(93.18)	(177.89)	(169.85)
Total Profit/(Loss)	1089.02	650.01	157.16	(143.99)	(469.31)
Less : Interest	396.23	349.98	330.99	466.37	506.43
Less: Other un-allocable expenditure net off un-allocable income	(23.59)	28.25	(199.15)	3.78	68.50
Total Profit/(Loss) before tax & Extra Ordinary Income	716.38	271.78	25.32	(614.14)	(1044.24)
Extra Ordinary Income	--	--	588.11	--	--
Total Profit/(Loss) before tax & after Extra Ordinary Income	716.38	271.78	613.43	(614.14)	(1044.24)
<b>3. Capital employed (Segment Assets – Segment Liabilities)</b>					
Chemicals	4319.89	3021.19	1890.87	1336.29	1433.05
Drugs	744.48	578.98	233.44	140.08	580.88
Total Capital employed	5064.37	3600.17	2124.31	1476.37	2013.93



#### ANNEXURE IV: STATEMENT OF CASH FLOW, AS RESTATED

Rs. in Lacs

	Period ended	Year ended	Year ended	Year ended	Period ended	Year ended
	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	December 31, 2000
	9 Months	12 Months	12 Months	12 Months	15 Months	12 Months
<b>A. Cash Flow from Operating Activities:</b>						
<b>Net Profit/(Loss) Before Tax and Extraordinary Items</b>	<b>716.38</b>	<b>271.78</b>	<b>25.32</b>	<b>(614.14)</b>	<b>(1044.24)</b>	<b>(114.68)</b>
Adjustments For:						
Depreciation	202.45	216.76	189.63	177.66	218.37	138.24
Misc. Expenses Written Off	17.38	23.17	51.17	33.46	43.52	18.88
(Profit)/Loss on Sale of Assets	--	4.60	2.13	0.10	2.54	--
(Profit)/Loss on Sale of Investments	--	--	--	(0.25)	--	--
Interest Received	(11.15)	(9.84)	(3.09)	(4.72)	(7.94)	(22.59)
Interest	295.07	282.14	293.17	421.46	460.44	347.91
<b>Operating Profit Before Working Capital Changes</b>	<b>1220.13</b>	<b>788.61</b>	<b>558.33</b>	<b>13.57</b>	<b>(327.31)</b>	<b>383.76</b>
Adjustments For:						
Trade and Other Receivables	(380.86)	(346.90)	(151.60)	55.26	(123.75)	(121.58)
Inventories	(492.17)	(664.57)	(28.01)	80.54	(162.25)	(40.05)
Trade Payables (Net of waiver of Liabilities of Steam/Power related to earlier years, in the year ended 31st March 2004)	583.82	566.46	(205.48)	53.86	939.51	17.25
<b>Cash Generated from Operations</b>	<b>930.92</b>	<b>343.60</b>	<b>173.24</b>	<b>203.23</b>	<b>326.20</b>	<b>239.38</b>
<b>Cash Flow Before Extraordinary Items</b>	<b>930.92</b>	<b>343.60</b>	<b>173.24</b>	<b>203.23</b>	<b>326.20</b>	<b>239.38</b>
<b>Extraordinary Items</b>						
Loan Processing Fee	--	--	(10.00)	--	(10.00)	--
Interest Differential Charges	--	--	(94.61)	--	--	--
Preliminary Expenses	--	--	(2.51)	--	--	--
Tax	(15.85)	(19.80)	--	--	--	--
<b>Net Cash from Operating Activities</b>	<b>915.07</b>	<b>323.80</b>	<b>66.12</b>	<b>203.23</b>	<b>316.20</b>	<b>239.38</b>
<b>B. Cash Flow from Investing Activities</b>						
Purchase of Fixed Assets	(1506.00)	(697.89)	(150.14)	(78.86)	(72.61)	(281.39)
Sale of Fixed Assets	--	2.13	75.13	0.32	3.07	--



	Sale/(Purchase) of Investments	--	--	--	6.45	(6.20)	--
	Interest Received	11.15	9.84	3.09	4.72	7.94	22.59
	<b>Net Cash Used in Investing Activities</b>	<b>(1494.85)</b>	<b>(685.92)</b>	<b>(71.92)</b>	<b>(67.37)</b>	<b>(67.80)</b>	<b>(258.80)</b>
<b>C.</b>	<b>Cash Flow from Financing Activities</b>						
	Proceeds from Issue of Share Capital	--	--	500.00	--	--	362.02
	Proceeds from Long Term Borrowing (Net)	872.60	526.32	(429.79)	93.53	260.42	21.45
	Proceeds from Short Term Borrowing (Net)	182.85	72.92	14.74	(30.59)	(116.41)	88.38
	Payment of Interest	(289.79)	(191.23)	(79.52)	(196.78)	(460.44)	(347.92)
	<b>Net Cash from Financing Activities</b>	<b>765.66</b>	<b>408.01</b>	<b>5.43</b>	<b>(133.84)</b>	<b>(316.43)</b>	<b>123.93</b>
	<b>Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>185.88</b>	<b>45.89</b>	<b>(0.37)</b>	<b>2.02</b>	<b>(68.03)</b>	<b>104.51</b>
	Cash and Cash Equivalents (Opening Balance)	105.00	59.11	59.48	57.46	125.49	20.98
	Cash and Cash Equivalents (Closing Balance)	290.88	105.00	59.11	59.48	57.46	125.49

**ANNEXURE V: STATEMENT OF DEBTORS**

Rs. in Lacs

	As At					
	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	December 31, 2000
<b>Unsecured</b>						
Debtors outstanding for more than six months						
- Considered Good	186.92	173.64	160.81	162.61	166.42	93.43
Other Debtors	1262.48	919.00	620.89	490.05	552.72	526.11
<b>Total Debtors</b>	<b>1449.40</b>	<b>1092.64</b>	<b>781.70</b>	<b>652.66</b>	<b>719.14</b>	<b>619.54</b>

**ANNEXURE VI: STATEMENT OF LOANS & ADVANCES**

Rs. in Lacs

	As At					
	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	December 31, 2000
<b>Unsecured &amp; Considered Good</b>						
Advances recoverable in cash or in kind or value to be received	67.15	35.56	71.78	71.06	66.61	66.04
Balances with government authorities on current account	179.45	186.95	114.77	92.93	86.16	62.58
<b>Total Loans &amp; Advances</b>	<b>246.60</b>	<b>222.51</b>	<b>186.55</b>	<b>163.99</b>	<b>152.77</b>	<b>128.62</b>

Note: None of the above mentioned Loans & Advances are related to directors/Promoters of the company.

**ANNEXURE VII: STATEMENT OF SECURED LOANS OUTSTANDING**

Rs. in Lacs

	As At					
	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	December 31, 2000
<b>Term Loans</b>						
From Financial Institution	1871.99	2061.00	2077.20	1832.40	1635.33	1489.64
From Banks	758.43	415.00	0.00	0.00	0.00	0.00
<b>Working Capital Facilities</b>						
From Banks	552.33	369.48	296.57	334.84	365.43	395.05
<b>Vehicle Loans</b>						
From Banks	40.06	21.64	18.28	9.88	1.32	8.01
<b>Total Secured Loans</b>	<b>3222.81</b>	<b>2867.12</b>	<b>2392.05</b>	<b>2177.12</b>	<b>2002.08</b>	<b>1892.70</b>



# **TERM LOANS**

Rs. in Lacs

Particulars of Loans	Bank/Financial Institution	Nature of Loan	Sanctioned Amount	Amount Outstanding as on 31-Dec-05	Rate of Interest %	Repayment Terms	Securities offered
Term Loans from Financial Institutions	Industrial Development Bank of India Ltd.	Term Loan	1398.00	1187.75	13%	26 Quarterly instalments commencing from January, 2005	First Pari-Passu Charge on Fixed Assets and Second Charge of Current Assets
Term Loans from Financial Institutions	Industrial Development Bank of India Ltd.	Deferred Interest	789.24	684.24	5%	17 Quarterly instalments commencing from January, 2005	First Pari-Passu Charge on Fixed Assets and Second Charge of Current Assets
Term Loan from Bank	Punjab National Bank	Term Loan	415.00	397.70	BPLR plus 1.50% plus TL Premium, with monthly rests (at present worked out at 14%)	24 Quarterly instalments commencing from December, 2005	First Pari-Passu Charge on Fixed Assets and Second Charge of Current Assets
Term Loan from Bank	Punjab National Bank	Term Loan	1900.00	352.81	BPLR plus TL premium minus 0.25% with monthly rests (at present worked out at 11%)	24 Quarterly instalments commencing from July, 2007	First Pari-Passu Charge on Fixed Assets and Second Charge of Current Assets
Term Loan from Bank	Oriental Bank of Commerce	Term Loan	632.00	7.92	At PLR with monthly rests (at present PLR of the bank is 11%)	24 Quarterly instalments commencing from July, 2007	First Pari-Passu Charge on Fixed Assets and Second Charge of Current Assets
<b>Total Term Loans</b>				<b>2630.42</b>			



# **FUND BASED WORKING CAPITAL CREDIT FACILITIES**

Rs. in Lacs

Particulars of Loans	Bank/ Financial Institution	Nature of Loan	Sanctioned Amount	Amount Outstanding as on December 31, 2005	Rate of Interest %	Security Offered
Working Capital Facilities from Bank	Punjab National Bank	CC	750.00	552.33	2.75% over BPLR with monthly rests (at present worked out at 13.50%)	First charge on Finished Goods, Work in Process, Raw Material, Stores & Spares and Book Debts of the Company and second charge on Fixed Assets of the company and Further secured by Personal Guarantee of Chairman cum Managing Director
Working Capital Facilities from Bank	Oriental Bank of Commerce	CC	50.00	--	2.50% over PLR with monthly rests (at present worked out at 13.50%)	First charge on Finished Goods, Work in Process, Raw Material, Stores & Spares and Book Debts of the Company and second charge on Fixed Assets of the company and Further secured by Personal Guarantee of Chairman cum Managing Director
Total			800.00	552.33		

# **NON FUND BASED WORKING CAPITAL CREDIT FACILITIES**

Rs. in Lacs

Particulars of Loans	Bank/ Financial Institution	Nature of Loan	Sanctioned Amount	Amount Outstanding as on 31-Dec-05	Margin	Security Offered
Working Capital Facilities from Bank	Punjab National Bank	ILC/FLC	1775.00	1734.05	10% Margin	First charge on Finished Goods, Work in Process, Raw Material, Stores & Spares and Book Debts of the Company and second charge on Fixed Assets of the company and Further secured by Personal Guarantee of Chairman cum Managing Director
Working Capital Facilities from Bank	Oriental Bank of Commerce	ILC/FLC	125.00	42.37	10% Margin	First charge on Finished Goods, Work in Process, Raw Material, Stores & Spares and Book Debts of the Company and second charge on Fixed Assets of the company and Further secured by Personal Guarantee of Chairman cum Managing Director



Working Capital Facilities from Bank	Punjab National Bank	Bank Guarantee	10.00	NIL	10% Margin	First charge on Finished Goods, Work in Process, Raw Material, Stores & Spares and Book Debts of the Company and second charge on Fixed Assets of the company and Further secured by Personal Guarantee of Chairman cum Managing Director
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#### VEHICLE LOANS

Rs. in Lacs

Particulars of Loans	Bank/Financial Institution	Nature of Loan	Sanctioned Amount	Amount Outstanding as on 31-Dec-05	Rate of Interest %	Repayment Terms	Securities offered
Vehicle Loan from Bank	ICICI Bank Ltd.	Hire Purchase	7.00	2.06	5.80%	36 Monthly instalments and interest	Secured by Specific Asset (Vehicle)
Vehicle Loan from Bank	ICICI Bank Ltd.	Hire Purchase	10.20	0.63	8.63%	36 Monthly instalments and interest	Secured by Specific Asset (Vehicle)
Vehicle Loan from Bank	ICICI Bank Ltd.	Hire Purchase	3.00	1.79	5.27%	36 Monthly instalments and interest	Secured by Specific Asset (Vehicle)
Vehicle Loan from Bank	ICICI Bank Ltd.	Hire Purchase	3.00	1.79	5.27%	36 Monthly instalments and interest	Secured by Specific Asset (Vehicle)
Vehicle Loan from Bank	ICICI Bank Ltd.	Hire Purchase	20.00	18.89	5.20%	36 Monthly instalments and interest	Secured by Specific Asset (Vehicle)
Vehicle Loan from Bank	Standard Chartered Bank	Hire Purchase	5.64	2.09	5.69%	36 Monthly instalments and interest	Secured by Specific Asset (Vehicle)
Vehicle Loan from Bank	Centurion Bank	Hire Purchase	9.00	8.32	8.10%	36 Monthly instalments and interest	Secured by Specific Asset (Vehicle)
Vehicle Loan from Bank	Centurion Bank	Hire Purchase	6.00	4.49	9.00%	36 Monthly instalments and interest	Secured by Specific Asset (Vehicle)
<b>Total Other Loans</b>			<b>63.84</b>	<b>40.06</b>			



ANNEXURE VIII: STATEMENT OF UNSECURED LOANS							
As At						Rs. in Lacs	
Particulars	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	December 31, 2000	Repayment Terms
Unsecured Loans from Promoters (*)	551.77	2.77	114.88	2.77	12.89	12.89	On Demand
Unsecured Loans from other than Promoters (*)	985.51	834.77	498.26	849.71	739.5	704.87	On Demand
<b>Total</b>	<b>1537.28</b>	<b>837.54</b>	<b>613.14</b>	<b>852.48</b>	<b>752.39</b>	<b>717.76</b>	

\*Interest Free

ANNEXURE IX: STATEMENT OF OPERATIONAL INCOME						
						Rs. in Lacs
	Period ended	Year ended	Year ended	Year ended	Period ended	Year ended
	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	December 31, 2000
	9 Months	12 Months	12 Months	12 Months	15 Months	12 Months
Domestic Sales	11202.95	9421.09	5994.89	6200.33	5909.77	4276.82
Export Sales	560.40	232.15	130.39	21.01	0.00	0.00
<b>Total Sales</b>	<b>11763.35</b>	<b>9653.24</b>	<b>6125.28</b>	<b>6221.18</b>	<b>5909.77</b>	<b>4276.82</b>



# **ANNEXURE X: STATEMENT OF OTHER INCOME**

Rs. in Lacs

	Period ended	Year ended	Year ended	Year ended	Period ended	Year ended	Remark
	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	December 31, 2000	
	9 Months	12 Months	12 Months	12 Months	15 Months	12 Months	
Interest received	11.15	9.84	3.09	4.73	7.94	22.59	
Miscellaneous Income	0.43	11.87	4.91	4.35	5.03	23.32	
Profit/(Loss) on sale of Fixed Assets	--	(4.60)	(2.13)	(0.10)	(2.54)	--	
Rent received	1.35	1.80	1.80	1.80	2.25	2.10	Recurring
Insurance claim received	--	--	4.12	--	11.84	--	
Profit on sale of Investment	--	--	--	0.25	--	--	
Total of Other Income	12.93	18.91	11.79	11.03	24.52	48.01	

# **ANNEXURE XI: STATEMENT OF CONTINGENT LIABILITIES**

Rs. in Lacs

	As At					
	December 31, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	December 31, 2000
Bank Guarantee	Nil	Nil	Nil	Nil	0.10	0.10
Bills discounted with bankers against irrevocable letter of credit	152.64	142.21	84.32	81.03	26.50	75.22
Estimated amount of contracts remaining to be executed on capital account	1803.13	120.02	Nil	Nil	Nil	Nil
Corporate Guarantee	200.00	200.00	200.00	200.00	200.00	--
Total Contingent Liabilities	2155.77	462.23	284.32	281.03	226.60	75.32



## ANNEXURE XII: STATEMENT OF ACCOUNTING RATIOS

Particulars		Period ended	Year ended	Year ended	Year ended	Period ended	Year ended
		December 31,	March 31,	March 31,	March 31,	March 31,	December 31,
		2005	2005	2004	2003	2002	2000
		9 Months	12 Months	12 Months	12 Months	15 Months	12 Months
Net Profit after tax available to equity shareholders as per Annexure –II (Rs. In Lacs)	(A)	531.23	557.76	25.32	-614.14	-1044.24	-114.68
Weighted average number of equity shares outstanding during the year/ period	(B)	8050000	8050000	8050000	8050000	8050000	8050000
Number of equity shares outstanding at the end of the year/period	(C)	8050000	8050000	8050000	8050000	8050000	8050000
Equity Net Worth as per Annexure I (Rs. In Lacs)	(D)	1023.06	474.45	-106.48	-663.97	-83.29	927.43
Basic and Diluted Earning Per Share (EPS) Rs. (Annualised)	(A)/(B)	8.80*	6.93	0.31	-7.63	-12.97	-1.42
Return on Net Worth (%)	(A)/(D)	51.93%	117.56%	-	-	-	-
Net Asset Value Per Share (Rs.)	(D)/(C)	12.71	5.89	-1.32	-8.25	-1.03	11.52

(\*) Profit for 6 months have been annualised

Formula

Earning Per Share (Basic and diluted)

= Net Profit after tax available for equity shareholders

Weighted average number of equity shares outstanding during the year

Return on Net Worth

= Net Profit after tax available for equity shareholders

Net Worth

Net Asset Value per Share

= Net Worth

Number of equity shares outstanding at the end of the year



ANNEXURE XIII: CAPITALISATION STATEMENT		
Rs. in Lacs		
	Pre Issue as at December 31, 2005	Adjusted for Present Issue
<b>Debt</b>		
Secured Loans	3222.82	
Unsecured Loans	1537.28	
Less : Short Term Debt	552.33	
Total Long Term Debt (A)	4207.77	
<b>Shareholders' Funds</b>		
Equity Share Capital	805.00	**
Preference Share Capital	500.00	**
Reserves & Surplus	267.14	**
Misc. Expenditure to the extent not written off	(49.08)	**
Total Shareholders' Funds (B)	1523.06	**
Long Term Debt/Total Shareholders' Funds (A/B)	2.76	**

\* As informed by management, short term debts are debts for Working Capital Facilities

\*\* Share capital & Reserves (Post Issue) can be calculated only on conclusion of the Book Building Process.



ANNEXURE XIV: STATEMENT OF TAX SHELTERS					
	Rs. in Lacs				
Particulars	AY 2005-06	AY 2004-05	AY 2003-04	AY 2002-03	AY 2001-02
	FY 2004-05	FY 2003-04	FY 2002-03	FY 2001-02	FY 2000-01
Profit/(Loss) before tax as per books (A)	271.78	613.43	(614.14)	(732.67)	(245.84)
Tax Rate	36.59%	35.88%	36.75%	35.70%	39.55%
Tax at actual rates on Book Profit	99.45	220.07	--	--	--
<b>Adjustments:</b>					
Permanent Difference					
Add back Expenses	30.80	54.84	40.79	45.11	37.60
Less Deductions claimed	311.15	285.42	316.72	18.86	35.14
Net Permanent Difference (B)	280.35	230.58	275.93	(10.25)	(2.46)
<b>Timing Difference</b>					
Depreciation as per Books	216.76	189.63	177.66	159.27	157.98
Depreciation as per Income Tax Act	369.52	240.65	287.37	356.87	414.99
Net Timing difference (C)	152.76	51.02	109.71	197.60	257.01
<b>Net Adjustment (B+C)</b>	433.11	281.60	385.64	187.35	254.55
Tax Savings thereon	158.49	101.02	141.72	66.88	100.67
Profit as per Income tax Return (D) = (A-B-C)	(161.33)	331.83	(999.78)	(920.02)	(500.39)
Taxable Income as per MAT	238.06	NIL	NIL	NIL	NIL
Tax as per Income Tax Return	18.67	NIL	NIL	NIL	NIL
<b>Note:</b>					
Due to difference of Financial year as per Companies Act and Income Tax Act there is					
difference in Profits before tax shown in Financial Statement during the Financial Year 2001-02					
and 2000-01					



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## **MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS**

You should read the following discussions of our financial condition in conjunction with the section titled 'Financial Statements' beginning on page no. 80 of this Draft Red Herring Prospectus. You should also read the section titled 'Risk Factors' on page no. (x) of this Draft Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations.

The financial statements have been prepared in accordance with the Indian GAAP, the Companies Act, and the SEBI Guidelines and restated as described in the report of our statutory auditor M/s. K K Kapoor & Associates, Chartered Accountants dated January 14, 2006 in the section titled 'Financial Statements' on page 80 of this Draft Red Herring Prospectus.

Except for the financial year ended December 31, 2000, our financial year-ends on March 31 of each year, therefore except for the financial year March 31, 20002 where the reference is for 15 month period all references to a particular financial year are to 12-month period ended March 31 of that year. Our historical financial performance may not be considered as indicative of future financial performance.

### **Overview of the business**

We started our operations in 1986, with a small project to manufacture 4500 TPA of acetic acid and gradually over the period of time, have diversified into a multi product-manufacturing unit. Today we are among the leading producers of organic chemicals and bulk pharmaceutical drug ibuprofen.

Our Company operates in the Chemical and Pharmaceutical Industry, which is one of the largest organized sectors in the country forming substantial part of the economy. We are manufacturers, exporters and suppliers of Industrial Organic Chemicals like acetic acid, ethyl acetate, acetic anhydride & bulk drug like ibuprofen.

Our production facilities are located at Village Fatehgarh Channa, Barnala, District Sangrur, Punjab. The raw materials required for manufacturing our products are procured from the domestic markets in India, Brazil, People Republic of China etc.

Presently, we have an operating capacity of 30000 TPA of acetic acid, majority of the production is self consumed in the production of ethyl acetate and acetic anhydride process, we plan to increase the capacity to 50000 TPA. In case of ethyl acetate, acetic anhydride and ibuprofen we are currently operating with an installed capacity of 18000, 7500 & 720 TPA respectively, we plan to increase these capacities to 33000, 12000 & 1500 TPA respectively. We also plan to set up a 4 MW co-generation project to meet our total requirements of power & steam.

### **Significant developments subsequent to the last financial year**

In our opinion, there are no such significant developments that have taken place from the date of the last financial statements that have an adverse material impact on our financials.

### **Factors that may affect results of the operations**

- Changes in government policies relating to chemical industry.
- Increase in raw material cost, power tariff and fuel charges.
- Significant Depreciation of the Indian rupee in relation to US dollar, Euro or other currencies



## Discussion on Results of Operations

Particulars	Rs. in Lacs				
	Period ended 31-Dec 2005 9 Months	Year ended 31-Mar 2005 12 Months	Year ended 31-Mar 2004 12 Months	Year ended 31-Mar 2003 12 Months	Year ended 31-Mar 2002 15 Months
<b>INCOME:</b>					
Gross Sales	11763.35	9653.24	6125.29	6221.18	5909.77
Less: Excise Duty	1563.51	1243.21	759.4	771.17	772.17
Net Sales	10199.84	8410.03	5365.89	5450.17	5137.6
Other Income	12.93	18.91	11.79	11.03	24.52
<b>Total Income (A)</b>	<b>10212.77</b>	<b>8428.94</b>	<b>5377.68</b>	<b>5461.2</b>	<b>5162.12</b>
<b>EXPENDITURE:</b>					
Raw Materials	7557.72	6070.01	3517.23	3849.61	3817.54
(Increase)/Decrease in WIP/Finished Goods	-434.14	-152.7	-31.79	66.13	-90.88
Manufacturing Expenses	1230.16	1096.31	876.58	1094.87	1151.91
Personnel Expenses	216.9	249.56	173.14	174.05	265.83
Administrative Expenses	131.79	165.30	138.94	117.16	128.21
Selling & Distribution Expenses	177.73	138.77	106.38	95	164.85
Miscellaneous Expenditure Written Off	17.38	23.17	51.17	33.46	43.52
Sub-Total (B)	8897.71	7590.42	4831.65	5430.28	5480.98
<b>EBIDTA</b>	<b>1315.06</b>	<b>838.52</b>	<b>546.03</b>	<b>30.92</b>	<b>-318.86</b>
<i>EBIDTA Margin (%)</i>	<i>12.88%</i>	<i>9.95%</i>	<i>10.15%</i>	<i>0.57%</i>	<i>-6.18%</i>
Financial Expenses	396.23	349.98	331.08	467.4	507.01
Depreciation	202.45	216.76	189.63	177.66	218.37
Total Expenditure (C)	9496.39	8157.16	5352.36	6075.18	6206.36
<b>Net Profit Before Tax And Extraordinary Items</b>	<b>716.38</b>	<b>271.78</b>	<b>25.32</b>	<b>-614.14</b>	<b>-1044.24</b>
<i>PBT Margin (%)</i>	<i>7.01%</i>	<i>3.22%</i>	<i>0.47%</i>	<i>-11.25%</i>	<i>-20.23%</i>
Less: Provision for Taxation - Current	10	19.8			
Fringe Benefit Tax	5.85				
Less: Deferred Tax (Assets)/Liabilities Net	169.3	-305.78			
<b>Net Profit/(Loss) Before Extraordinary Items</b>	<b>531.23</b>	<b>557.76</b>	<b>25.32</b>	<b>(614.14)</b>	<b>(1044.24)</b>
<i>PAT Margin (%)</i>	<i>5.20%</i>	<i>6.62%</i>	<i>0.47%</i>	<i>-11.25%</i>	<i>-20.23%</i>
Add: Waivment of Liabilities of Steam/Power of earlier years (as extraordinary item)			588.11		
<b>Profit/(Loss) after Extraordinary Income</b>	<b>531.23</b>	<b>557.76</b>	<b>613.43</b>	<b>(614.14)</b>	<b>(1044.24)</b>



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## **Comparison of performance of year 2004-05 in comparison to year 2003-04**

### **EXPANSION CUM DE-BOTTLENECKING PLAN**

Our Company implemented the expansion cum de-bottlenecking plan during the financial year 2004-2005, on implementation, the capacities of, acetic acid increased by 9000 TPA from 13500 TPA to 22500 TPA and ethyl acetate increased by 5700 TPA from 6300 TPA to 12000 TPA with effect from October 1, 2004, and the capacities of acetic anhydride increased by 3000 TPA from 4500 TPA to 7500, of Ibuprofen by 120 TPA from 600 TPA to 720 TPA with effect from October 31, 2004 and March 31, 2005 respectively. The total expenditure incurred was Rs. 936.82 Lacs, which was financed through a term loan from Punjab National Bank of Rs. 415 Lacs and unsecured loans from MPL and through internal accruals.

#### **Net Sales**

Our net sales increased by 56.73% from Rs. 5365.89 Lacs to Rs. 8410.03 Lacs mainly due to increase in sales realization and increased production and sale of ethyl acetate and ibuprofen. During the period export sales were Rs. 232.15 Lacs as compared to Rs. 130.39 Lacs for the previous period an increase of 78%.

#### **Raw Material expenses**

Raw material expenses have increased as percentage to net sales to 72.18 % from 65.55 % due to increase in production of ibuprofen where raw material expense as percentage to net sales is more.

#### **Manufacturing expenses**

Manufacturing expenses increased from Rs 876.58 Lacs to Rs 1096.31 Lacs due to the increase in the operations. As a percentage to net sales it has decreased to 13.04 % from 16.18 % due better utilization of energy resources and improved productivity.

#### **Personnel expenses**

Personnel expenses increased from Rs 173.14 Lacs to Rs 249.56 Lacs due to recruitment of new staff for expanded business. As percentage to the net sales it has decreased to 2.97 % from 3.23%.

#### **Administrative expenses**

Administrative expenses have increased to Rs 165.30 Lacs from Rs 138.94 Lacs due to increased traveling, conveyance, insurance, electricity expenses etc. As percentage to net sales it has decreased to 1.97% from 2.59%.

#### **Selling and Distribution expenses**

Selling and Distribution expenses have increased from Rs 106.38 Lacs to Rs 138.77 Lacs due to increase in volume of business. As percentage to the net sales it has decreased to 1.65% from 2.59%.

#### **Financial expenses**

Financial expenses have increased from 331.08 Lacs to 349.98 Lacs due to increase in bank charges due to increase in utilization of letter of credit limits. As percentage to the net sales it has decreased to 4.16 % from 6.17%

## **Comparison of performance of year 2003-04 in comparison to year 2002-03**

#### **Net Sales**

The Net Sales of the company has marginally decreased by 1.57% from Rs 5450.17 Lacs to Rs 5365.89 Lacs due to discontinuation of production of ibuprofen for seven months. During the period export sales were Rs. 130.39 Lacs as compared to Rs. 21.01 Lacs for the previous period.

#### **Raw Material expenses**

Raw material expenses have decreased as percentage to net sales to 65.55% from 70.63% due to decrease in raw material cost across the board.

#### **Manufacturing expenses**

Manufacturing expenses not only decreased in absolute terms from Rs 1094.87 Lacs to Rs 876.58 Lacs but also decreased as a percentage to the net sales from 20.09% to 16.18% due to better utilization of energy resources and improved productivity.

**Personnel expenses**

Personnel expenses marginally decreased from Rs 174.03 Lacs to Rs 173.14 Lacs. As percentage to the net sales it has marginally increased from 3.19% to 3.23%.

**Administrative expenses**

Administrative expenses have increased from Rs 117.16 Lacs to Rs 138.94 Lacs mainly due to increase in traveling and conveyance. As percentage to the net sales it has increased to 2.59% from 2.15%.

**Selling and Distribution expenses**

Selling and Distribution expenses increased from Rs 95 Lacs to Rs 106.38 Lacs due to increase in volume of chemical business. As percentage to the net sales it has marginally increased from 1.74% to 1.98%.

**Financial expenses**

Financial expenses have decreased from Rs 467.40 Lacs to Rs 331.08 Lacs mainly due to restructuring of loan by IDBI and reduction of interest from 17.50% to 13 %. As percentage to the net sales it has decreased to 6.17% from 8.58%

**Restructuring of liabilities**

IDBI had approved the restructuring of term liabilities by reduction in the rate of interest on term loans to 13% p.a. deferred interest shall carry interest @ 5% p.a.

**Issue of 7% Non Cumulative Preference Shares:**

During the year 2003-2004, our Company arrived for a settlement with supplier of steam & power for waiving the liabilities of Rs. 750 Lacs, and for conversion of their unsecured loan into 7% Non-Cumulative Preference Shares to the tune of Rs. 500 Lacs.

**Deregistration of the Company from BIFR**

Our Company got de-registered from the Board for Industrial & Financial Reconstruction (BIFR) as the net worth of the company became positive as on March 31, 2004, on its own efforts without appointment of any operating agency by the BIFR.

**Comparison of performance of year 2002-03 in comparison to year 2001-02**

**Although the accounts have been prepared for 15 months for better comparison the figures has been taken on annualized basis.**

**Net Sales**

On an annualized basis net sales of our Company has increased by 32.60% due increase in production of all our products.

**Raw Material expenses**

For the year ended March 31, 2003 raw material expenses as a percentage to net sales was 70.63% as against 74.31%.

**Manufacturing expenses**

Manufacturing expenses as a percentage to net sales were lower at 20.09% as compared to 22.42%.

**Personnel expenses**

As a percentage to the net sales they were down to 3.19% as compared to 5.17%.

**Administrative expenses**

As a percentage to the net sales it has decreased to 2.15% from 2.50%.

**Selling and Distribution expenses**

As a percentage to the net sales it has decreased from 3.21% to 1.74%.

**Financial expenses**

As a percentage to the net sales it has decreased to 8.58% from 9.87%.



## **INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 OF THE SEBI (DIP) GUIDELINES**

### **Unusual or infrequent events or transactions**

There are no unusual or infrequent events or transactions having significant impact on the operations of the Company.

### **Significant economic changes that materially affected or are likely to affect income from continuing operations**

Inability on our part to pass on any increase in indirect tax, duties, levies, permit fee to end users on account of competitive pressures may have adverse impact on our business.

Change in government policy on gasohol may adversely affect the availability of industrial alcohol which may result in adverse impact on our business.

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

The availability of industrial alcohol depends upon the performance of the Sugar industry, which in turn depends upon the availability of sugarcane crop depends on natural vagaries

### **Future changes in relationship between costs and revenues, in case of events such as future increase in labor or material costs or prices that will cause a material change are known**

Raw material cost form major part of our direct variable cost of our products, any change in raw material input cost for our products will impact our profitability.

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

The increase in sales or revenue is on account of increase in volume as well as price realization.

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

For details kindly refer to section titled “Financial Information” beginning on page no 80

### **Status of any publicly announced new products or business segment.**

Our Company has not publicly announced any new products or segments.

### **The extent to which the business is seasonal.**

Our Company’s business is not seasonal.

### **Any significant dependence on a single or few suppliers or customers.**

We are not significantly dependent upon any single supplier or customers. We sell our products directly to corporate and through a network of distributors.

### **Competitive conditions**

For details of competitive conditions please refer to section titled ‘ About the Company - Business Overview’ on page no. 45 of the Draft Red Herring Prospectus.



## SECTION VI - LEGAL AND OTHER INFORMATION

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions or tax liabilities against the Company, its directors, Promoters – Mr. Varinder Gupta and MPL or companies promoted by them that would have a material impact on the business of the Company and there are no defaults, non payment or statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on the business other than unclaimed liabilities by the company or its directors, its Promoters or companies promoted by its promoters. Further, the directors, Promoters or companies promoted by the Promoters have not been declared as willful defaulter by Reserve Bank of India, and also have not been debarred from dealing in securities and/or accessing the capital markets by SEBI and no disciplinary action has been taken against them by SEBI or any stock exchanges.

### OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

#### Cases against the Company

##### A. Civil cases

###### 1. (Naran Lala Limited v/s IOL)

Naran Lala Limited has filed winding up petition No. 261 of 1999 before High Court of Punjab and Haryana, Chandigarh against the company for non payment of dues of Rs 22,82,204 along with interest @ 21% p.a. against the alleged supply of equipments to the company. Our company has filed written statement to the fact that they had supplied defective equipments and have failed to repair and replace the same and the company has suffered loss and filed counter claim of Rs 5.28 Lacs. Since at that time the case of the company was registered with BIFR, the court had adjourned the case sine die and can be listed at any time.

###### 2. (J B Engineering v/s IOL)

J B Engineering has filed winding up petition No 168 of 2000 before High Court of Punjab and Haryana, Chandigarh against the company for non payment of dues of Rs 6,10,396 along with interest @18% p.a. against the alleged fabrication work of laying pipes. Our Company has filed written statement to the fact that they have failed to perform the work as per specifications and to repair and replace the same. The next date fixed is April 20, 2006 for arguments.

###### 3. (Hindustan Sanitary and Hardware Store v/s IOL)

Hindustan Sanitary and Hardware Store has filed winding up petition No 40 of 2004 before High Court of Punjab and Harayana, Chandigarh against the company for non receipt of payment of dues of Rs 2,04,722 along with Interest @ 24 %p.a against the alleged supply of material to the company. Our Company has filed written statement to the fact that they had supplied defective material. The next date fixed is April 20, 2006.

###### 4. (K L Grover and Co. v/s IOL)

K L Grover and Co. has filed winding up petition No 103 of 2002 before High Court of Punjab and Harayana, Chandigarh against the company for non receipt of payment of dues of Rs 41,929 along with Interest @ 24 %p.a against the alleged supply of material to the company. Since at that time the case of the company has been registered with BIFR, the court had adjourned the case sine die and can be listed at any time.

###### 5. (Punjab Iron Store v/s IOL)

Punjab Iron Store has filed winding up petition No 104 of 2002 before High Court of Punjab and Harayana, Chandigarh against the company for non receipt of payment of dues of Rs 4,70,846 along with Interest @ 24 %p.a against the alleged supply of material to the company. Since at that time the case of the company has been registered with BIFR, the court had adjourned the case sine die and can be listed at any time.

###### 6. (Lloyd Insulation (India) Limited v/s IOL)

Lloyd Insulation (India) Limited has filed winding up petition No 279 of 2002 before High Court of Punjab and Harayana, Chandigarh against the company for non receipt of payment of dues of Rs 16,67,966 along with Interest @ 21% P.A against the alleged supply of material to the company. Since at that time the case of the company has been registered with BIFR, the court had adjourned the case sine die and can be listed at any time.

###### 7. (Lloyd Insulation (India) Limited v/s IOL)

Lloyd Insulation (India) Limited has filed civil suit No. 103 of 2003 in the court of civil judge (senior division), Barnala for recovery of amount of Rs 16,67,966 along with Interest @ 21% P.A against the alleged supply of material to the company. The Company has filed written statement as the party had supplied sub standard



material and have failed to make good the loss incurred by the company due to faulty work done by them. The next date of hearing of the case is March 29, 2006.

**8. (Gurdaspur Co-operative Sugar Mills Limited v/s IOL)**

Gurdaspur Co-operative Sugar Mills Limited has filed a petition No. 8 of 2005 in the court of District Judge; Chandigarh challenging the validity of the Arbitration Award dated September 13, 2004 announced by the sole arbitrator regarding the return of 12582 Quintal of molasses to the company by Gurdaspur Co-operative Sugar Mills Limited. Our Company has filed written statement. The case is pending for the argument. The next date of hearing is May 3, 2006.

**9. (J B Engineering Co. v/s IOL)**

J B Engineering Co. has filed civil suit No. 327 of 2001 in the court of Civil Judge (Senior Division), Barnala for recovery of amount of Rs 1,65,297 along with interest @ 18% p.a. against the alleged fabrication work of laying pipes done. Since at that time the case of the company has been registered with BIFR, the court had adjourned the case sine die and can be listed at any time.

**10. (SOA Instruments Private Limited v/s IOL)**

SOA Instruments Private Limited has filed a civil suit No. 293 of 2001 in the court of Civil Judge (Senior Division), Barnala for recovery of amount of Rs. 4,33,600 along with interest @ 24% p.a. against the alleged dismantling of their existing C & I System from Barnala and cleaning, overhauling, calibration, erection, fabrication and commissioning of the existing C & I plus new Loops and scanner in the new business. Our Company has filed a written statement stating that the suit is stale one and failed to rectify the defects in the material supplied by them. Since at that time the case of the company has been registered with BIFR, the court had adjourned the case sine die and can be listed at any time.

**11. Baghal Singh v/s M/s Industrial Organics Limited**

Baghal Singh has filed a suit No. 188 of 2003 before the Court of Civil Judge (Senior Division), Barnala alleging that the plaintiff has incurred damages due to leakage of pollution/ hazardous waste to his crop and animals. The plaintiffs claimed the damages for loss suffered to the extent of Rs. 3,00,000. Our Company has filed application for dismissal of suit for wrong summoning due to not filing of case in the name of the company. The next date of hearing is March 25, 2006.

**12. M/s Euro Containers V. M/s Industrial Organics Limited**

M/s Euro Containers has filed winding up petition no 11 of 2006 under section 433, 434 & 439 of the Companies Act, 1956 before the High Court of Punjab and Haryana, Chandigarh against the company for the payment of an amount of Rs. 3,25,690.25 due for jerry cans supplied by Euro Containers to the company (Rs. 2,53,241/- towards costs of goods supplied and Rs. 72,449.25/- towards non-supply of sales tax C- Forms for the year 2004-05 and 2005-06) along with the interest @ 24% from the date of receipt of material till realization. The hearing has been fixed for May 04, 2006

**13. M/s Industrial Plastic Packers V. M/s Industrial Organics Limited**

M/s Industrial Plastic Packers has filed winding up petition no 13 of 2006 under section 433, 434 & 439 of the Companies Act, 1956 before the High Court of Punjab and Haryana, Chandigarh against the company for non receipt of payment of dues of Rs. 8,53,839.50/- due for 4000 HOPE Plastic Jerry Cans supplied by Industrial Plastic Packers to the company (Rs. 6,35,682/- towards costs of goods supplied and Rs. 2,18,157.50/- towards non-supply of sales tax C- Forms for the year 2004-05 and 2005-06) along with the interest @ 24% from the date of receipt of material till realization. The hearing has been fixed for May 04, 2006

**14. M/s Mittal Gas Agency, Barnala v/s M/s Industrial Organics Limited.**

M/s Mittal Gas Agency, Barnala has filed a suit no 188 of 2006 for recovery before the Court of Civil Judge (Senior Division), Barnala for an amount due Rs. 812552/- along with interest @ 12%. This amount is claimed by the plaintiff for the supply of Gas to the company. Our Company finally refused to make the payment on February 07, 2006 therefore the plaintiffs filed the present suit against the company. The date for hearing has been fixed for March 30, 2006.



**B. Criminal case against former employee of the Company.**

**State v/s Joginder Singh and others**

Gurdaspur Cooperative Sugar Mills Limited has filed a criminal complaint against their own employees and Mr S.D. Shukla, an ex employee of the company under section 409, 467, 468, 471, 120 of IPC in the court of Chief Magistrate, Gurdaspur for alleged misappropriation of their molasses. The next date of the hearing is April 24, 2006.

**C. Tax proceedings:**

**a. Income Tax**

1. The Company filed an appeal before Income Tax Tribunal, Chandigarh against the order of CIT (Appeal), Ludhiana for Assessment Year 1995-96, on various grounds including disallowing advertisement expenses, gift items and treating sale tax subsidy as revenue receipt. The disputed amount aggregate to Rs. 78,12,755. The matter is pending before the Tribunal. The next date of hearing is to be fixed.
2. The Company filed an appeal before Income Tax Tribunal, Chandigarh against the order of CIT (Appeal), Ludhiana for Assessment Year 1996-97, on various grounds including disallowing diwali expenses, expenses for obtaining ISO certificate treating as capital expenses and treating sale tax subsidy as revenue receipt. The disputed amount aggregate to Rs. 92,01,150. The matter is pending before the Tribunal. The next date of hearing is to be fixed.
3. The Company filed an appeal before Income Tax Tribunal, Chandigarh against the order of CIT (Appeal), Ludhiana for Assessment Year 1997-98, on various grounds including disallowing expenses for obtaining ISO certificate and treating as capital expenses; treating sale tax subsidy as revenue receipt. The disputed amount aggregate to Rs. 69,02,627. The matter is pending before the Tribunal. The next date of hearing is to be fixed.
4. The Company filed an appeal before Hon'ble High Court of Punjab and Harayana, Chandigarh against the order of Income Tax Tribunal, Chandigarh for Assessment Year 1997-98 on various grounds including treating sale tax subsidy as revenue receipt. The appeal also involves calculation of eligible profits under section 80I of the Income Tax Act, 1962. The disputed amount aggregates to Rs. 1,44,41,410. The matter is pending before the High Court. The next date of hearing is to be fixed.
5. The Company filed an appeal before Income Tax Tribunal, Chandigarh against the order of order of CIT(appeal), Ludhiana for the Assessment Year 1999-2000 for disallowance of an amount aggregating to Rs. 1,13,26,505/- [Rs. 1,13,18,480/- for treating the subsidy from state government as revenue receipt. Rs. 8,025/- being the expense for club expenses, disallowed]. The next date of hearing is to be fixed.
6. The Company filed an appeal before CIT (Appeal), Ludhiana against the order of Assessing Officer for Assessment Year 2000-01, on various grounds including disallowing expenses under section 43B of the Income Tax Act, 1962, excise duty paid on finished goods and late deposit of ESI/EPF. The disputed amount aggregate to Rs. 10,76,731. The matter is pending before the CIT (Appeal). The next date of hearing is to be fixed.
7. The Company filed an appeal before CIT (Appeal), Ludhiana against the order of Assessing Officer for the Assessment Year 2001-02 for disallowance of an amount aggregate to Rs. 1,68,05,797/- [Rs. 84,500/- incurred towards computer software development expense, taken as capital expenditure, Rs. 11,71,561/- towards excise duty payable on closing stock. Rs. 74,554/- being an expense disallowed under section 43B, towards late deposit of ESI/EPF Rs. 1,54,72,182/- for treating the sale tax subsidy as revenue receipt. The next date of hearing is to be fixed.
8. The Company filed an appeal before CIT (appeal), Ludhiana against the order of Assessing Officer for the Assessment Year 2002-03 for an amount aggregating to Rs. 2,78,44,535/- [Rs. 2,61,29,947/- on account of interest payable to financial institutions u/s 43B, Rs. 3,79,961/- towards payment of PPF and administrative expense, Rs. 2,64,000/- for capitalization of expenses incurred for software development, Rs. 20,627/- for disallowance of expenses of previous year, Rs. 10,00,000/- on account of excess claim of miscellaneous expense written off. Rs. 50,000/- on account of disallowance of administrative expense.] The next date of hearing is to be fixed.



9. Our Company filed an appeal before CIT (A)-I, Ludhiana against the order of Assessing officer for the Assessment Year 2003-04 for an amount aggregating to Rs. 2,76,87,787/- [Rs 2,18,894/- for disallowance of previous year expenses and Rs. 2,74,68,893/- on account of disallowance of sales tax subsidy treated as revenue receipt by the department.] The next date of hearing is to be fixed.

**b. Sales tax Act**

1. Our Company has filed an appeal with DETC cum Joint Director (Mobile Squad), Patiala against the order of AETC, Sangrur imposing a penalty of Rs 2,40,120 alleging failure in producing documentary evidence to prove that the consignment is taken back. The case is pending for hearing.
2. Our Company has filed an appeal with DETC cum Joint Director (Mobile Squad), Patiala against the order of ETO, Khanori imposing a penalty of Rs 74,000, as the bill number was written by hand. The case is pending for hearing.

**Litigations by the company**

**a. *Writ petitions against the State Governments***

1. Our Company has filed writ petition No 15464 of 2004 in the High Court of Punjab and Harayana, against the Government of Punjab challenging the levy of permit fee on denatured alcohol being ultra vires and out of the power of the State Government to impose any impost on the denatured alcohol being a central subject, The court was pleased to admit the petition on May 30,2005. Our Company has now filed a writ for the stay of permit fee being ultra vires and unconstitutional. The court has admitted the appeal and the next hearing is on May 26, 2006.
2. Our Company has filed the petition No.1646 of 2004 in the High Court of Judicature, Allahabad against the State of UP challenging the levy of export fee on the export of denatured spirit from the state of UP into the state of Punjab. The court is pleased to stay the rule imposing the export fee on the export of denatured spirit from the state of UP into the state of Punjab. Last date of hearing of the case was February 1, 2006 and the next date is not yet fixed.

**b. *Civil cases***

1. **(IOL v/s Mohan Pharmaceuticals Limited)**  
Our Company has filed civil suit in the court of Addition Civil judge (Senior Division) Barnala for the recovery of Rs 44,32,043 alongwith interest @ 12.5% against Mohan Pharmaceuticals Limited being an amount due towards the supply of acetic anhydride from IOL to defendant company. The summons has been served to the party. The next day of hearing is April 10, 2006.
2. **(IOL v/s Aviman Pharma Pvt. Limited)**  
Our Company has filed winding up petition no.291 of 2004 before the Mumbai High Court, Mumbai against Aviman Pharma Pvt. Limited for non receipt of payment of Rs 4,57,995 along with interest @12% P.A due towards the material supplied to the party. The court has admitted the petition. The petition was notified in the newspapers and next date is yet to be fixed by the court.
3. **(IOL v/s Aviman Pharma Pvt. Limited)**  
Our Company has also filed civil suit No. 153 of 2004 before the court of Addition Civil Judge (Senior Division), Barnala against Aviman Pharma Pvt Limited for the recovery of Rs 4,57,995 inclusive of Interest @12.5%. The party has filed written statement disputing the contention of the company. The case is pending for the evidence of the company. The next day of hearing is August 21, 2006.

**C. Criminal cases**

1. **(IOL v/s Alpha Remedies Limited)**  
The Company has filed three criminal complaints no 721/2 of 2000, 718/2 of 2000 and 719/2 of 2000 in the court of Illaqua Magistrate, Ludhiana, under Section 138 of the Negotiable Instruments Act for dishonor of five cheques issued by Alpha Remedies Limited for a total sum of Rs. 16,45,343. The next date of hearing is March 31, 2006.



2. **(IOL v/s Gamer Petro Chemicals)**  
The Company has filed a criminal complaint no 48 of 2002 in the court of Illaqua Magistrate, Ludhiana, under Section 138 of the Negotiable Instruments Act for dishonour of a cheque issued by Mr Leo R Ganesh of M/s Gamer Petro Chemicals for an amount of Rs. 3,75,000. Non-Bailable warrants have been issued in his name. The next date of hearing is May 18, 2006.
3. **(IOL v/s Galore Prints Limited)**  
The Company has filed a criminal complaint No. 48 of 2002 in the court of Illaqua Magistrate, Ludhiana, under Section 138 of the Negotiable Instruments Act for dishonour of a cheque issued by Galore Prints Limited for an amount of Rs. 3,79,700. The next date of hearing is April 27, 2006.
4. **(State v/s Ajay Kumar and Others)**  
Our Company has filed criminal case No. 43 of 2003 before the Chief Judicial Magistrate, Barnala under section 420 of IPC against Mr. Ajay Kumar alias Mr. Vijay Kumar and other directors of Wellcure Pharmaceuticals Limited for dishonour of cheques for an amount of Rs 17,40,100. The case is pending for evidence of the State. The next date of hearing is August 24, 2006.

### **Litigation against the Promoters**

#### **Mayadevi Polycot Limited and Varinder Gupta v/s SEBI**

Promoters of the Company, M/s Mayadevi Polycot Limited and Mr. Varinder Gupta has filed appeals with Securities Appellate Tribunal against the orders of SEBI holding them responsible for violation of provisions of regulations 10 read with regulation 14 (1) and (3) due to non compliance of provisions of regulation of 3(1) (e) (i) of said regulations concerning the inter se transfer of shares between the same group to the extent that the transfers and transferees have not disclosed their shareholding to the stock exchanges and imposed penalty of Rupees Ten Lacs jointly and severally on them and in separate order imposed penalty of Rs. 50,000/- on Mayadevi Polycot Limited for non disclosure of their shareholding for earlier years.

Mayadevi Polycot Limited has contended that since they were not holding any shares before this acquisition so they were not required to disclose their shareholdings. Other transferors have also contended that they have complied the provisions as they were required to disclose their shareholding to the target company and not required to disclose to the stock exchanges.

SAT has admitted the appeals and ordered Mayadevi Polycot Limited and Mr Varinder Gupta to deposit Rupees Two Lacs jointly and severally till the disposal of the appeal and Rupees fifty thousand separately by Mayadevi Polycot Limited.

Mayadevi Polycot Limited has duly deposited the required amount. The appeals are pending with SAT and the next date of hearing is yet to be fixed

#### **Mayadevi Polycot Limited v/s PSIDC and others**

Mr. Rajinder Gupta, the erstwhile promoter of the company (Collaborator in respect of Financial Collaboration Agreement), entered into an agreement with Punjab State Industrial Development Corporation Limited on August 07, 1998, for the purpose of expansion and diversification of the existing unit. Vide this agreement PSIDC and Collaborator & his nominees had invested Rs 98 Lacs and Rs 362 Lacs respectively in the equity share capital of the company.

Pursuant to the Financial Collaboration Agreement, the shares subscribed by PSIDC were to be bought back by the Collaborator at a price to be determined as per Financial Collaboration Agreement in two equal instalments before the expiry of 3<sup>rd</sup> and 4<sup>th</sup> years after commencement of commercial production. Pursuant to interse transfer, the nominees of the Collaborator, Mayadevi Polycot Limited and Mr. Varinder Gupta became the Promoters. However this arrangement does not have the approval of PSIDC. In the meantime Government of Punjab came with One Time Settlement Scheme (OTS) in April 2003 that was extended upto 31<sup>st</sup> July 2003 and further extended upto 30<sup>th</sup> June 2004. MPL requested under OTS to PSIDC for the buy back of shares of IOL. PSIDC rejected its request under OTS as MPL was not Collaborator and the request not being as per the terms of OTS. Thereafter arbitration proceedings were initiated between Mr Rajinder Gupta and PSIDC for the buy back of shares of IOL.



Mayadevi Polycot Limited filed a 'Suit for Declaration' in the Court of Civil Judge, Senior Division, Ludhiana against PSIDC and Our Company claiming, Mayadevi Polycot Limited as promoter/collaborator of the company and entitled to all the rights or liabilities, as the Collaborator is entitled to nominate any person to apply and obtain the allotment or transfer of shares and nominee(s) so appointed shall subscribe to and agree to abide and be bound by the terms and conditions of the agreement to the same extent as the party nominating them, in accordance with the Financial Collaboration Agreement. Also praying to restrain PSIDC from alienating its shares to any person other than Mayadevi Polycot limited and the shares held by PSIDC in the company be transferred to Mayadevi Polycot limited in accordance with One Time Settlement Scheme and arbitration proceedings be stayed.

PSIDC has filed written statement denying the claim of the Mayadevi Polycot Limited, stating that Mayadevi Polycot Limited is nowhere a necessary party to the agreement entered into with PSIDC. The financial collaboration agreement was entered into only between PSIDC and the Collaborator and the agreement is still in existence and the Collaborator is barred to transfer the aforesaid agreement to any third party. Also by mere transfer of shares Mayadevi Polycot limited cannot step into the shoes of Mr. Rajinder Gupta, as it is without the proper consent of PSIDC. The matter is pending with the court and the next date of hearing is April 12, 2006.

#### **Litigations of Group Companies:**

##### ***G Drugs and Pharmaceuticals Limited (Formerly known as Vikas Chem-Durgs Limited)***

#### **A. Litigations Against the company**

##### **1. (Lloyd Insulation India Limited v/s GDPL)**

**Lloyd Insulation (India) Limited** has filed winding up petition no 280 of 2002 before High Court of Punjab and Haryana, Chandigarh against the company for non receipt of payment of dues of Rs 795680 alongwith the interest @ 21% P.A against the alleged supply of material to the company. Our Company has filed a counter claim of Rs. 1280000 for the Loss of Energy/Heat and Low Production as the party had supplied sub standard material and have failed to make good the loss incurred by the company due to faulty work done by them. As the company has been registered with BIFR, the court had adjourned the case sine die by its order dated December 4, 2003.

##### **2. (Hindustan Sanitary and Hardware Store v/s GDPL)**

**Hindustan Sanitary and Hardware Store** has filed winding up petition no 102 of 2004 before High Court of Punjab and Haryana, Chandigarh against the company for non receipt of payment of dues of Rs 62877.25 along with Interest @ 24 %p.a against the alleged supply of material to the company. As the company has been registered with BIFR, the court had adjourned the case sine die by its order dated January 14, 2005.

##### **3. (K L Grover & Co. v/s GDPL)**

**K L Grover and Co.** has filed winding up petition no 105 of 2002 before High Court of Punjab and Haryana, Chandigarh against the company for non receipt of payment of dues of Rs 76689 alongwith Interest @ 24 %p.a against the alleged supply of material to the company. K L Grover and Co. has filed winding up petition under section 433 and 434 of the Companies Act, 1956 against the company for non receipt of payment of dues of Rs. 76,689/- alongwith Interest @ 24 % p.a against the alleged supply of material to the company. Our Company filed a reply to the above petition to the effect that the material supplied by the plaintiff was of inferior quality and it suffered a loss amounting to Rs. 44,346/- due to the defective material supplied by the petitioner. As the company has been registered with BIFR, the court had adjourned the case sine die by its order dated December 4, 2004.

##### **4. (Alpha Engineering & Systems v/s GDPL)**

**Alpha Engineering & Systems** has filed a winding up petition no. 46 of 2004 before the High court of Punjab and Haryana at Chandigarh against the company for non receipt of payment of dues of Rs.315216 along with the interest @ 18% P.A against the alleged supply of some highly technical and sensitive equipments used in the water flow measurement/control systems. So the Petitioner filed a winding up Petition in the High Court of Punjab and Haryana at Chandigarh. But as the company has been registered with BIFR, the court had adjourned the case sine die by its order dated September 23, 2004.



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**5. (J B Engineering Co. v/s GDPL)**

J B Engineering Co. has filed civil suit no. 283 of 2001 in the court of Civil Judge (Senior Division), Barnala for recovery of amount of Rs 13,362.20/- alongwith interest @ 18% p.a. against the alleged fabrication work of laying pipes done. Our Company in reply to above to stating that the plaintiff cannot file the suit in its own name, as it is a proprietorship firm, having no legal entity and the suit is time – barred, filed the written statement. Also GDPL has claimed compensation under section 35A of Civil Procedure Code to the tune of Rs. 5000/-. The court had adjourned the case sine die.

**6. (Lloyd Insulation India Limited v/s GDPL)**

Lloyd Insulation (India) Limited has also filed civil suit no. 129 of 2004 in the court of civil judge (senior division), Barnala for recovery of amount of Rs 7,95,688.67/- along with Interest @ 21% P.A against the alleged supply of material to the company. As the company has been registered with BIFR, the court had adjourned the case sine die.



## GOVERNMENT APPROVALS /CONSENTS/ LICENSING ARRANGEMENTS

The Company has received all the necessary consents, licenses, permissions and approvals from the GoI and various GoI agencies / private certification bodies required for its present business and no further approvals are required for carrying on the present as well as the proposed business of the Company except as mentioned herein. It must, however, be distinctly understood that in granting the above consents/ licenses/ permissions/ approvals, the GoI does not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed

### I. GENERAL STATUTORY LICENSES

1. Certificate of Incorporation issued by Registrar of Companies, Punjab, Himachal Pradesh and Union Territory of Chandigarh bearing Number **U24116PB1986PLC7030** of 1986-87 dated September 29, 1986.
2. Certificate for Commencement of Business issued by Register of companies, Punjab, Himachal Pradesh and Union Territory of Chandigarh, dated November 14, 1986.
3. Permanent Account No. Card was issued by Commissioner of Income Tax bearing number AABII842A. The said account number is valid as long as it is revoked.
4. Tax deduction account number (TAN) under the Income Tax Act, 1961 issued by the Income tax Department, bearing number JLDI00254C. The said account is valid as long as it is revoked.
5. Certificate of Importer – Exporter Code (IEC) from Directorate General Foreign Trade Office, New Delhi, bearing number 3094001343 issued on May 27, 1994.

### II. REGISTRATIONS/LICENCES

1. License No. 1689 OSP granted on May 22, 2000, issued by the Licensing Authority, Foods and Drugs Administration, Chandigarh, under the Drugs and Cosmetics Rules, 1945 for manufacture of Bulk Drug ibuprofen I.P/B.P, has been renewed up to December 31, 2006.
2. Acknowledgment No. 3968/SIA/IMO/2005 dated August 18, 2005 issued by Ministry of Commerce and Industry to sanction the increased capacities of the plant of acetic acid from 36000 MT to 54000 MT, ethyl acetate from 14500 MT to 36000 MT acetic anhydride from 10000 MT to 22000 MT and of ibuprofen from 1500 MT to 2000 MT.

#### Certifications

Certificate of Good Manufacturing Practice dated August 19, 2004 issued by State Drugs Controlling and Licensing Authority, Punjab, certifying that the Fatehgarh Channa plant is strictly following the required level of Good Pharmaceutical Manufacturing Practices, as laid down in Schedule 'M' to the drugs & Cosmetics Rules, 1945. The certificate was valid up to December 31, 2005. Application for renewal of the licence has been made to the authority vide letter dated December 19, 2005.

### III. LICENCES UNDER THE FACTORIES ACT, 1948

1. Factory license for factory situated at Trident Complex, Sanghera, Barnala to run factories under section 4 and section 7 of the Factories Act, 1948 was issued by Government of Punjab, Industrial safety and Health Department bearing registration number SGR/I-6/457. The aforesaid license is renewed every year. The registration of present license is valid till December 31, 2005. The application for the renewal for the year 2006 has been filed on November 26, 2005.
2. Registration under the Indian Boilers Act, 1923, for use of boiler, bearing maker memo no. 2024 issued to Abhishek Industries Limited had been obtained from Director of Boilers, Punjab vide letter dated September 07, 2005 as Registration No. **P1-4195**. The same has been renewed periodically, up to March 01, 2006.



#### **IV. REGISTRATIONS UNDER CENTRAL AND LOCAL SALES TAX**

1. Registration under the Punjab General Sales Tax Act, 1973 by the Government of Punjab, Sales Tax Department (Punjab). The registration number FBD/HGST/ 1212860 was issued on September 07, 1998. Registration was valid from August 18, 1998 till March 31, 2003. Thereafter the Company has registered itself under Punjab Value Added Tax Act, 2005 and the TIN Number allotted to IOL is 03441096202 w.e.f April 1, 2005.
2. Registration under the Section 7(1) and 7(2) of the Central Sales Tax Act, 1956 by Central Sales Tax Office, Punjab. The registration number 55597216 was issued on 20.11.1986. Registration is valid as long as it is revoked.

#### **V. REGISTRATIONS FOR EMPLOYEES BENEFIT**

1. The Regional Provident Fund Commissioner Punjab, Himachal Pradesh and Union Territory (UT) of Chandigarh issued registration under the Employees Provident Funds and Miscellaneous Provisions Act, 1952, bearing code number PB/BI/14016/4115 dated June 11, 1994. The same is valid as long as it is revoked.
2. Registration No. PB/12/3442734 under Employees State Insurance Act, 1948 dated June 1, 1993. Valid as long as it is revoked.

#### **VI. REGISTRATION WITH CENTRAL EXCISE AUTHORITY**

Central Excise Registration Certificate with Excise Control Number AABCI1842AXM001 dated March 29, 2005 issued under Rule 9 of the Central Excise Rules, 2002, to IOL to manufacture Excisable goods at Fatehgarh Channa, Barnala issued by the Superintendent of Central Excise.

Service Tax Registration number with Office of the Assistant Commissioner, Central Excise Division – III, Ludhiana under Business Auxiliary Services- STC/R/-V/Div-III/BAS/78/04-05 dated February 04, 2005 and Goods Transport Agency – STC/R-V/Div-III/GTA/249/04-05 dated January 05, 2005.

#### **VII. REGISTRATION UNDER POLLUTION CONTROL AUTHORITIES**

1. Consent No. SGR/WPC/2004-05/V (332) 341 dated November 10, 2004 issued by Environmental Engineer, Punjab Pollution Control Board, granting consent under Section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974, for discharge of effluents till November 9, 2005 for manufacturing following:

a) Acetic Acid	45 TPD
b) Ethyl Acetate	15 TPD
c) Acetic Anhydride	15 TPD
d) Ibuprofen	3 TPD

Application for renewal of the consent to operate under Air Act has been made on September 09, 2005.

2. Consent No. SGR/APC/2004-05/v (302) 310 dated November 10, 2004 issued by Environmental Engineer, Punjab Pollution Control Board, granting consent to operate an industrial Plant under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 valid up to 9.11.2005 for manufacturing following:

a) Acetic Acid	45 TPD
b) Ethyl Acetate	15 TPD
c) Acetic Anhydride	15 TPD
d) Ibuprofen	3 TPD

Application for renewal of the consent to operate under Air Act has been made on September 09, 2005.

3. Letter No. EE (P)/2004/SGR/LM/44/5517 and consent No. SGR/2005/247 dated April 19, 2005 granting issued by the Environmental Engineer, Punjab issuing 'No Objection Certificate' for Expanding the capacities of the acetic acid, acetic anhydride and ethyl acetate plants to 100 TPD, 30 TPD and 45 TPD.



4. Authorization for operating a facility for collection and storage of hazardous wastes, under Hazardous wastes (Management and Handling) Rules, 2003 No. HMC/SGR/2005-2007/F-2770 dated October 26, 2005 by Senior Scientific Officer Punjab Pollution Control Board, Patiala. The Authorization is valid up to October 25, 2007.
5. Environment Clearance from the Ministry of Environment & Forests, No J-11011/08/2003-IA II dated July 18, 2003 regarding the project.
6. Approval for use of electricity load up to 3893 KW from Punjab State Electricity Board bearing registration number 024047-000041 issued on February 15, 2000 and registration number 20561/31.12.2005. The registration is valid until further enhancement in limit.
7. Clearance Certificate from Punjab Pollution Control Board No. EE (P)/2006/SGR/LM/44 dated January 17, 2006 regarding the release of 1600 KW additional Electric load to the company.
8. No Objection Certificate from Punjab Pollution Control Board regarding the expansion of capacity of products No. EE (P)/2004/SGR/LM/44/5517 to following capacities;
  - a) Acetic Acid 100 TPD
  - b) Ethyl Acetate 45 TPD
  - c) Acetic Anhydride 30 TPD

The NOC is valid up to April 18, 2006

9. The Site approvals from State competent authority and Department of Labour No. CSA/05/I-19/12784 and 10759 dated October 10, 2005 and October 26, 2005 respectively for the expansion and addition of new products of capacities to following:
  - a) Acetic Acid 150 TPD
  - b) Ethyl Acetate 100 TPD
  - c) Acetic Anhydride 60 TPD
  - d) Co-generation Project 4 MW
  - e) Mono Chloro Acetic Acid 10 TPD

Authorization is valid up to October 09, 2010.

10. The Company has applied for the NOC of the pollution control Board vide its letter no. IOL/POLL/04/2K5 dated October 13, 2005 for getting the consent for the above expanded capacities and to apply for getting the consent to operate an industrial Plant under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and consent under Section 25/26 of the Water (Prevention and Control of Pollution) Act, 1974, for discharge of effluents.
11. Application for enhancement of the capacity ibuprofen from 3 TPD to 5 TPD is yet to be applied.

#### **VIII PERMIT UNDER PUNJAB EXCISE POLICY**

Permit in form L-42 A under Punjab Excise Policy bearing number 1/2005-06 has been issued by Deputy Excise & Taxation, Commissioner, Patiala Division, Punjab on April 4, 2005 and the same is valid



## VII OTHER REGULATORY AND STATUTORY DISCLOSURES

### **Authority for the Issue**

The Board of Directors has, pursuant to resolution passed at its meeting held on December 1, 2005, authorised the Issue subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act. Our shareholders have authorised the Issue by a special resolution in accordance with section 81(1A) of the Companies Act, passed at the extra ordinary general meeting of our Company held on January 7, 2006. We have also obtained all necessary contractual consents required for the Issue. For further information, see section titled “Government and Other Approvals” on page 112 of this Draft Red Herring Prospectus.

### **Prohibition by SEBI**

Our Company, our Directors, our Promoters, directors or the person(s) in control of our Promoters, our subsidiaries, our affiliates and companies in which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

### **Eligibility of the issuer company to enter the capital market**

Our company is listed on the Bombay Stock Exchange Limited, Mumbai, as on March 31, 2005, our net worth was Rs. 485 Lacs, the proposed issue of capital of the company is Rs. 3000 Lacs, as the proposed public offering being more than five times of its pre issue net worth, the offering is being made pursuant to the provisions specified in clause 2.3 read with clauses 2.3.2, 2.2.2 and 2.2 of SEBI Guidelines, where at least 50% of net offer to public will be allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded, the extract of the eligibility guidelines is given below:

#### **2.3 Public Issue by Listed Companies.**

2.3.1 A listed company shall be eligible to make a public issue of equity shares or any other security which may be converted into or exchanged with equity shares at a later date.

Provided that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters’ contribution through the offer document), issue size does not exceed 5 times its pre-issue net worth as per the audited balance sheet of the last financial year.

Provided further that in case there is a change in the name of the issuer company within the last 1 year (reckoned from the date of filing of the offer document), the revenue accounted for by the activity suggested by the new name is not less than 50% of its total revenue in the preceding 1 full-year period.)

2.3.2 A listed company which does not fulfil the conditions given in the provisos to Clause 2.3.1 above shall be eligible to make a public issue, subject to complying with the conditions specified in clause 2.2.2

### **DISCLAIMER CLAUSE**

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI.**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, UTI BANK LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK**



**RUNNING LEAD MANAGER UTI BANK LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 10, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:**

**“(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

**(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,**

**WE CONFIRM THAT:**

**(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE**

**(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

**(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**

**(D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**

**(E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

**(F) ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.”**

**WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS”.**

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.**

**DISCLAIMER FROM THE ISSUER AND THE BOOK RUNNING LEAD MANAGER**

The Company, its Directors and the Book Running Lead Manager accepts no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisement or any other material issued by or at



instance of the Company and that anyone placing reliance on any other source of information, including our website, [www.industrialorganics.com](http://www.industrialorganics.com) would be doing so at his or her own risk.

### **CAUTION**

The Book Running Lead Manager accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Book Running Lead Manager viz. UTI Bank Limited and the Company dated March 10, 2006.

All information shall be made available by the Book Running Lead Managers and the Company to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at collection centres or elsewhere.

Neither we nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

### **DISCLAIMER IN RESPECT OF JURISDICTION**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India), who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to NRIs on non-repatriable basis and FIIs registered with SEBI. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes into is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Barnala, Punjab only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted with SEBI. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to “Qualified Institutional Buyers”, as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.**

### **DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED (BSE, THE DESIGNATED STOCK EXCHANGE)**

As required, a copy of this Draft Red Herring Prospectus has been submitted to the BSE. The Bombay Stock Exchange Limited (“the Exchange”) has given vide its letter No. [●] dated [●], permission to this Company to use the Exchange’s name in this Draft Red Herring Prospectus as one of the Stock Exchange on which the Company’s securities are proposed to be listed. The Exchange has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- a Warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
- b Warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or



- c Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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

## **FILING**

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the Registrar of Companies, Punjab, Himachal Pradesh & Union Territory of Chandigarh, situated at 285- 286, Defence Colony, Jalandhar. Pin – 144 003 and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC.

## **LISTING**

Our existing Equity Shares are listed on BSE. Applications have been made to BSE for permission for listing of our Equity Shares being offered through this Draft Red Herring Prospectus. If the permission to deal in and for an official quotation of the Equity Shares is not granted by BSE, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act. Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

## **CONSENTS**

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisors, the Bankers to the Issue; and (b) the Book Running Lead Manager, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

M/s. K K Kapoor & Associates., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

## **EXPERT OPINION**

Except as stated elsewhere in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

## **EXPENSES OF THE ISSUE**

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

**DETAILS OF FEES PAYABLE:**

Particulars	Expenses	As a % of the Issue size	Rs. in Lacs
			As a % of the total issue expenses
Management fees, underwriting commission and brokerage	[•]	[•]	
Marketing and advertisement expenses	[•]	[•]	
Stationary, printing and registrar expenses	[•]	[•]	
Others	[•]	[•]	
<b>Total</b>	[•]	[•]	

**Fees Payable to the Book Running Lead Manager and Syndicate Members**

The total fees payable by us to the Book Running Lead Manager and Syndicate Members (including underwriting commission and selling commission) will be as per the memorandum of understanding between the Company and the BRLM dated March 10, 2006 a copy of which is available for inspection at our registered office.

**Fees Payable to the Registrar to the Issue**

The fees payable by us to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the memorandum of understanding between the Registrar to the Issue and the Company dated January 24, 2006. The Registrar to the Issue will be reimbursed all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided by us to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

**UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION**

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst our Company, the BRLM and Syndicate Members. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and amount underwritten in the manner mentioned in the Red Herring Prospectus.

**PARTICULARS REGARDING PUBLIC OR RIGHTS ISSUES DURING THE LAST FIVE YEARS**

There have been no public or rights issue by the Company during the last five years.

**ISSUES OTHERWISE THAN FOR CASH**

We have not issued any Equity Shares for consideration otherwise than for cash.

**COMMISSION AND BROKERAGE PAID ON PREVIOUS ISSUES OF OUR EQUITY SHARES**

There has been only one public issue by the Company in the past in the year 1990 In the said issue underwriting commission was paid @ 1.25% to ICICI Ltd, Industrial Development Bank Limited and IFCI and 2.5% to SBI Capital Markets Limited and Canbank Financial Services Limited and brokerage @ 1.5%.

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

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



### Promise vs. Performance – Last Three Issues of the issuer company

Our Company came out with a public issue in the year 1990. The objects of the issue were to part finance the Company's project as described in the prospectus then issued and to meet the expenses of the issue. The comparison between promise and performance on significant issues is as under:

Particulars	Proposed	Actual
Date of commencement of Operations	May 1991	June 1991
Project Cost	Rs. 650 Lacs	Rs. 694.44 Lacs

### Promise vs. Performance – Last Issue of Promoter Companies

Mayadevi Polycot Limited is one of our Promoter Company and it has not come out with any public issue and is not a listed company.

### Outstanding Debentures or Bonds

There are no any outstanding debentures and bonds

### Outstanding Preference Shares

The Company has issued 50,00,000 7% Non Cumulative Redeemable Preference Shares of Rs 10/- each for an amount of Rs 500 Lacs to Abhishek Industries Limited which shall be redeemable at par on the expiry of 10 years from the date of allotment.

### Stock Market Data of our Equity Shares

Our Equity Shares are listed on BSE.

The following table sets forth, the high and low of daily closing prices and volume on that date, of our Equity Shares on BSE, for a period of three years, for the periods indicated

							Rs/ Re.
Year	High	Date of High	Volume on the date of high	Low	Date of Low	Volume on the date of Low	Average
2003	5	December 01, 2003	700	0.33	July 03, 2003	100	2.665
2004	24.09	November 09, 2004	5370	2.25	February 18, 2004	300	13.17
2005	86.45	September 13, 2005	159651	14.85	January 24, 2005	2100	50.65

(Source: [www.bseindia.com](http://www.bseindia.com))

The following table sets forth the total volume of Equity Shares traded and the volume of business transacted on the BSE, unless otherwise mentioned, during the years 2003, 2004 and 2005:

Year	Number of Equity Shares Traded
2003	32166
2004	365632
2005	5904506

Data regarding high, low, the total volume of Equity Shares traded and the volume of business transacted during the six months preceding the date of filing of this Draft Red Herring Prospectus with SEBI is given below:



## Month Number of Equity Shares Volume of Business Transacted

Rs. in Lacs								
Months	High	Date of high	Volume on the date of High	Low	Date of Low	Volume on the date of Low	Total Volume in the month	Average price in the month
Sep-05	86.45	September 13, 2005	159651	67.70	September 30, 2005	34990	1824910	77.08
Oct - 05	66.2	October 04, 2005	15721	36.25	October 24, 2005	10351	209888	51.23
Nov - 05	50.4	November 11, 2005	5742	43.25	November 18, 2005	6959	183436	46.83
Dec- 05	51	December 01, 2005	87849	42.05	December 20, 2005	80363	753887	46.53
Jan- 06	65.7	January 24, 2006	52680	44.5	January 10, 2006	53164	1051770	55.10
Feb -06	60.95	February 03, 2006	79870	55.4	February 27, 2006	13286	557515	58.18

(Source: [www.bseindia.com](http://www.bseindia.com))

### Other Disclosures

The closing price of our Equity Shares on the day after the approval of the Issue by the Board of Directors was Rs. 51.05

Except as disclosed in the section titled "Introduction - Capital Structure" on page 11 of this Draft Red Herring Prospectus, our Promoter group, or the directors of our Promoter companies or our Directors have not purchased or sold any securities of the Company during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI.

### MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES BY OUR COMPANY

The Memorandum of Understanding between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

### DISPOSAL OF INVESTOR GRIEVANCES BY OUR COMPANY

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Krishan Singla, Sr Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Industrial Organics Limited  
85, Industrial Area, "A"  
Ludhiana- 141 003  
India.  
Tel: +91 161 2225531-35;  
Fax: +91 161 2608784,  
E-mail: [Krishan@industrialorganics.com](mailto:Krishan@industrialorganics.com)  
Website: [www.industrialorganics.com](http://www.industrialorganics.com)



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**CHANGES IN AUDITORS**

There has been no change in the auditor of the company since its incorporation.

**CAPITALISATION OF RESERVES OR PROFITS**

We have not capitalised our reserves or profits at any time during last five years.

**REVALUATION OF ASSETS**

We have not revalued our assets in the past five years.



## ISSUE STRUCTURE

The present Issue of [●] Equity Shares at a price of Rs. [●] for cash aggregating Rs. 3000 Lacs. The issue will constitute [●] % of the fully diluted is being made through a book building process.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares*	At least [●] Equity Shares 5% thereof to be specifically available for Mutual Funds.	Minimum of [●] Equity Shares or Issue less Allocation to QIB Bidders and Retail Individual Bidders.	Minimum of [●] Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue size Available for Allocation	At least 50% of Issue, 5% thereof to be specifically available for Mutual Funds.	Minimum 15% of Issue or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 35% of Issue or Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if Respective Category is Oversubscribed	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000	[●] Equity Shares.
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in Dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted Insurance companies Registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.
Terms of	Margin Amount applicable to	Margin Amount applicable	Margin Amount



Payment	QIB Bidders at the time of Submission of Bid cum Application Form to the Members of the Syndicate.	to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	10% of the Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

\* Subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in retail and non-institutional categories, would be allowed to be met with spill over from any other categories at the discretion of our Company, in consultation with the BRLM.

#### **Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **WITHDRAWAL OF THE ISSUE**

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason thereof.



## TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### RANKING OF EQUITY SHARES

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of allotment.

### MODE OF PAYMENT OF DIVIDEND

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

### FACE VALUE AND ISSUE PRICE

The Equity Shares with a face value of Rs. 10/- each are being offered in terms of this Draft Red Herring Prospectus at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

### RIGHTS OF THE EQUITY SHAREHOLDER

Subject to applicable laws, the equity shareholders shall have the following rights:

1. Right to receive dividend, if declared;
2. Right to attend general meetings and exercise voting powers, unless prohibited by law;
3. Right to vote on a poll either in person or by proxy;
4. Right to receive annual reports and notices to members
5. Right to receive offers for rights shares and be allotted bonus shares, if announced;
6. Right to receive surplus on liquidation;
7. Right of free transferability of shares; and
8. Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see section titled "Main Provisions of Articles of Association of the Company" on page 152 of this Draft Red Herring Prospectus.

### MARKET LOT AND TRADING LOT

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of 1 (One) Equity Share subject to a minimum allotment of [●] Equity Shares.

### Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Barnala, Punjab India.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United



States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulations of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

### **NOMINATION FACILITY TO THE INVESTOR**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company.

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

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonus issues or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

### **MINIMUM SUBSCRIPTION**

If we do not receive a minimum subscription of 90% of the Issue to the extent of the amount payable on application, including devolvement of Underwriters, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid/ Issue Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

### **WITHDRAWAL OF THE ISSUE**

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before Allotment, without assigning any reason thereof.

### **ARRANGEMENT FOR DISPOSAL OF ODD LOTS**

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

### **Restriction on Transfer and Transmission of Shares**

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.



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**Application by Non Residents/NRIs/FIIs**

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis as other categories for the purpose of allocation.

**Overseas Corporate Bodies not to participate in this Issue**

As per the policy of the RBI, Overseas Corporate Bodies cannot participate in this Issue

**Equity Shares under U.S. Securities Act of 1933****Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

**Application in Issue**

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialised form only.



## ISSUE PROCEDURE

### Book Building Procedure:

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be available for allocation on a proportionate basis to QIBs of which 5% are reserved for Mutual Funds and the balance will be available for all QIBs including Mutual Funds. Further, not less than 35% shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Our Company, in consultation with the BRLM, reserves the right to reject any Bid procured from QIBs, by any or all members of the Syndicate, without assigning any reason thereof. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchange.

### Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Draft Red Herring prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Indian public, NRIs applying on a non-repatriation basis	White
Non-Residents, NRIs or FIIs applying on a repatriation basis	Blue

### Who can Bid?

1. Indian nationals resident in India who are major, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: ABC Hindu Undivided Family applying through ABC, where ABC is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, scheduled commercial banks, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable); as defined Section 4 A of Companies Act;
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ Societies and who are authorised under their constitution to hold and invest in Equity Shares;



10. Eligible non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable laws;
11. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares;
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with minimum corpus of Rs. 2500 Lacs. and who are authorised under their constitution to hold and invest in Equity Shares;
14. Pension funds with minimum corpus of Rs. 2500 Lacs and who are authorised under their constitution to hold and invest in Equity Shares; and
15. Multilateral and bilateral development financial institutions.
16. Any other QIBs permitted to invest in the issue under applicable law or regulation/

**Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.**

Note: The BRLM, Syndicate Members and any associate of the members of the BRLM and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is proportionate. Further, the BRLM shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs) may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

**How to Apply-availability of Forms, Draft Red Herring Prospectus and mode of payment**

**Application by Mutual Funds**

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds

No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. These limits would have to be adhered to by the Mutual Funds for investment in the Equity Shares.

In case of a Mutual Fund, a separate bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple bids provided that the bids clearly indicate the scheme concerned for which the bid has been made.

**Application of NRIs**

Bid cum Application forms have been made available for NRIs at the Registered office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) Account shall use the form meant for Resident Indians (white in colour.). All instruments accompanying bids shall be payable in Mumbai.

**Application by FIIs**

As per current regulations, the following restrictions are applicable for investment by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in the Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual



As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date no such resolution has been recommended to the shareholders of the Company for adoption.

#### **Bids by NRIs or FIIs on Repatriation basis**

Bids and revision to bids must be made:

- On the bid cum application form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single or joint names (not more than three).
- Bids by NRIs for a Bid amount of up to less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid amount of more than or equal to Rs. 100,000 would be considered under Non-Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity shares and in multiples of [●] Equity Shares thereafter so that the Bid amount exceeds Rs. 100,000. For further details, please refer to the sub-section titled “Maximum and Minimum Bid size”
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Financial Institutions but not in the names minors, firms or partnerships, foreign nationals or their nominees or OCB’s
- Refunds, dividends and other distributions, if any, will be payable in India Rupees only and net of band charges and/ or commission, in case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision form through Indian Rupee drafts purchased abroad, such payments in India Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by the space provided for this purpose in the Bid Cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account or conversion of foreign currency.

#### **As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:**

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the Company’s paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100% of the Company’s paid-up equity capital.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modifications or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

#### **Maximum and Minimum Bid Size**

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000/-. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000/-. In case the Bid Amount is over Rs. 100,000/- due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.



(b) **For Other Bidders (i.e., Non-Institutional Bidders and QIB Bidders):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000/- and in multiples of [●] Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/ Issue Closing Date. In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

### **Right to Reject Bids**

In case of QIB bidders, our Company, in consultation with the BRLM/Syndicate Members may reject bids at the time of submission of the bid provided that the reasons for rejecting the same shall be provided for such bidder in writing. In case of QIB bidders, Non Institutional Bidders and Retail Individual Bidders who bid, the company has the right to reject bids on technical grounds. Consequent reference shall be made by cheque or pay order or draft and will be sent to the bidders address at the bidders risk.

### **Information for the Bidders:**

- (a) Our Company will file the Red Herring Prospectus with the board at least 3 (three) days before the Bid/Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Draft Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Draft Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.
- (d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.
- (e) Investors who are interested in subscribing to our Company's Equity Shares should approach the BRLM or Syndicate Members or their authorised agent(s) to register their Bid.

### **Method and Process of Bidding**

(a) Our Company and the BRLM shall declare the Bid/ Issue Opening Date and the Bid/ Issue Closing Date at the time of filing the Draft Red Herring Prospectus with Board and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper. This advertisement shall contain the salient features of the Draft Red Herring Prospectus as specified under Form 2A of the Companies Act and shall contain the minimum disclosures as specified under Schedule XXA of the SEBI Guidelines. The Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see section titled "**Issue Procedure - Bids at Different Price Levels**" on page 132 of this Draft Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.



(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the section titled **“Issue Procedure - Build up of the Book and Revision of Bids”** on page 135 of this Draft Red Herring Prospectus.

(f) The Syndicate Members will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRS’s for each Bid cum Application Form.

(g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described in the section titled “Issue Procedure - Terms of Payment” on page 133 of this Draft Red Herring Prospectus.

### **Bids at Different Price Levels**

(a) The Price Band will be advertised at least one day prior to the Bid/Issue Opening Date in [●], an English language newspaper with wide circulation and [●], a Hindi language newspaper with wide circulation and [●], a regional newspaper. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1. Bidders are meantime advised to refer to the secondary market prices;

(b) In accordance with the SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid/Issue Opening Date in [●], an English language newspaper with wide circulation, [●], a Hindi language newspaper with wide circulation and [●], a regional newspaper.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and a regional newspaper, and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.

(d) We, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.

(f) Retail Individual Bidders who bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000/- if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000/- the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring



Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [•] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000/- to Rs. 7,000/-

### **Option to Subscribe**

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialized form only. Bidders **will not have** the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

### **ESCROW MECHANISM**

We shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Draft Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders.

On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus. The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Collection Accounts**

Each Bidder, shall provide the applicable Margin Amount, and shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow account of the Escrow Collection Bank(s) (for details refer to the section titled “**Issue Procedure – Payment Instructions**” on page 141 of this Draft Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account of the Company with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account of the Company shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading “Issue Structure” on 120 of this Draft Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and



the Margin Amount paid at the time of Bidding, shall be payable by the Bidder not later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

### **Electronic Registration of Bids**

(a) The Syndicate Members will register the Bids using the on-line facilities of the BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding Period. The Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Syndicate Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facility of the BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor
- Investor category – individual, corporate, NRI, FII, or mutual fund etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid cum Application Form number
- Whether payment is made upon submission of Bid cum Application Form
- Depository participant identification number and client identification number of the beneficiary account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason therefore, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed elsewhere in this Draft Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by the BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM are cleared or approved by the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by the BSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE.



### **Build Up of the Book and Revision of Bids**

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE mainframe on an on-line basis. Data would be uploaded on a regular basis.
- (b) The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in this Red Herring Prospectus.
- (c) Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Punjabi) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
- (d) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (e) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum- Application Form.
- (f) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete his or her Bid cum Application Form, the details of all the options in his or her Bid cum Application Form or earlier Revision Form and revisions for all the options as per his Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (g) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.
- (h) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus.
- (i) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- (j) In case of discrepancy of data between BSE and the members of the Syndicate, the decision of the BRLM based on the physical book shall be final and binding to all concerned.

### **Price Discovery and Allocation**

- a. After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with our Company.
- b. Our Company in consultation with the BRLM shall finalise the “Issue Price”, the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder determined broadly based by the size, price and time of the Bid.
- c. The allocation for QIBs would be at least 50%, of Net Issue of which 5 % shall be reserved for Mutual Funds on a proportionate basis. The allocation to Non-Institutional Bidders would be not less than 15% of



the Issue Size and allocation for Retail Individual Bidders will be not less than 35% of the Issue Size on proportionate basis, subject to valid Bids being received at or above the Issue Price.

- d. Under subscription, if any, in the Non-Institutional Portion and / or Retail Portion, would be allowed to be met with spill over of demand from any of the other categories, at the sole discretion of the Company and BRLM.
- e. Allocation to QIB, Non-Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them.
- f. The BRLM, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- g. The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- i. The allotment details shall be put on the website of the Registrar to the issue.

#### **Signing of Underwriting Agreement and RoC Filing**

- (a) We, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

#### **Announcement of Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English National Daily with wide circulation, one Hindi National Newspaper and a regional language Newspaper with wide circulation at Barnala.

#### **Advertisement regarding Issue Price and Prospectus**

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of CAN**

- (a) The BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.



## Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

### Designated Date and Allotment of Equity Shares

- (a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders' depository account. Allotment of the Equity Shares to the allottees would be made within two working days of the date of Allotment
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be offered only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act
- (c) After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, The Company would allot the Equity Shares to the allottees. The Company would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case the Company fails to make allotment within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- (d) Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue

### GENERAL INSTRUCTIONS

- a. Check if you are eligible to apply;
- b. Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour), as the case may be;
- c. Ensure that the Bid is only within the Price Band;
- d. Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
- e. Ensure that the DP account is activated;
- f. Investors must ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- g. Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- h. Ensure that you have been given a TRS for all your Bid options; and
- i. Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS
- j. Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects. and



- k. Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy PAN Card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid-cum-Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T. Act along with the application.
- l. Ensure that the Bid-Cum-Application Form Number is mentioned on the reverse of the cheque / demand draft.

**Don'ts:**

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid to a price that is less than the Floor of the Price Band or higher than the Cap of the Price Band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- f) Do not bid at Cut-off price for Non-institutional and QIB Bidders;
- g) A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws or regulations.
- h) Submit Bids accompanied by Stockinvest
- i) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

**INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM**

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

**Bids and Revisions of Bids**

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three, and in the same order as their Depository Participant details).
3. NRIs for a Bid Amount of up to Rs. 100,000/- would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000/- would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non-Resident Bidders for a minimum such number of [●] Equity Shares and in multiples of [●] thereafter that the Bid Amount exceeds Rs. 100,000/-. For further details see "Issue Procedure - Maximum and Minimum Bid Size" on page 130 of this Draft Red Herring Prospectus. For Non Institutional Bidders and QIB Bidders, bids must be for a minimum of such number of equity shares that the Bid Amount exceeds Rs. 1,00,000/-
4. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.
5. Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his or her official seal.



We do not require approval from the Government of India or from the Reserve Bank of India for making a fresh issue of Equity Shares under the Foreign Direct Investment Scheme as prescribed in the FEMA read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 to Non-Residents, since foreign direct investment in companies engaged in manufacturing, such as ours, is permitted to the extent of 100% under existing law and policy. It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

#### **BIDDERS BANK DETAILS.**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

#### **Bidders Depository Account Details**

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (herein after referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ ECS credit for refunds/ Direct credit of refund/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid -cum application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or is liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.



### **Bids under Power of Attorney**

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by provident funds with minimum corpus of Rs. 2500 Lacs. and pension funds with minimum corpus of Rs. 2500 Lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms that we may deem fit, in consultation with the BRLM.

### **Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis**

- NRI, FIIs and Foreign Venture Capital funds Bidders to comply with the following: Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office at Trident Complex, Raikot Road, Barnala-148 101, Dist Sangrur, Punjab India or from members of the Syndicate or the Registrar to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.

NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid Cum Application form meant for Resident Indians (white in colour).

### **Bids and revision to Bids must be made:**

- On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three).
- **By NRIs** – For a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid amount of Rs. 100,000/- for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs. 100,000/- would be considered under Non Institutional Category for the purposes of allocation. For further details please see paragraph 'Maximum and Minimum Bid Size' under the section titled 'Issue Procedure' on page no. 130 of this Red Herring Prospectus.



- By **FII**s – for a minimum of such number of Equity Shares and in multiples of **[•]** that the Bid Amount exceeds Rs. 100,000/-. For further details please see paragraph ‘Maximum and Minimum Bid Size’ under the section titled ‘Issue Procedure’ on page no. 130 of this Red Herring Prospectus.
- In the names of individuals or in the names of FII's or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

The Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in this Issue to eligible NRI's, FII's, foreign venture capital investors registered with SEBI and multilateral and bilateral institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non-Residents, NRIs, FII's and foreign venture capital funds and all Non-Residents, NRIs, FII's and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in United States to 'qualified institutional buyers' as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

## **PAYMENT INSTRUCTIONS**

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

### **Payment into Escrow Account**

(i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

(ii) In case the above Margin Amount paid by the Bidders during the Bidding/Issue Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member by the BRLM.

(iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:

- (a) In case of Resident Bidders: **“Escrow Account – INDUSTRIAL ORGANICS Public Issue”**
- (b) In case of Non-Resident Bidders: **“Escrow Account – INDUSTRIAL ORGANICS Public Issue - NR”**



(c) In case of Resident QIB Bidders: **“Escrow Account – INDUSTRIAL ORGANICS Public Issue – QIB Resident”**

(d) In case of Non Resident QIB Bidders: **“Escrow Account – INDUSTRIAL ORGANICS Public Issue – QIB NR”**

(iv) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.

(v) In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.

(vi) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.

(vii) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(viii) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

(ix) On the Designated Date and not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

**Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker’s clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques /bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/Postal Orders will not be accepted.**

#### **Payment by Stock invest**

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

#### **SUBMISSION OF BID CUM APPLICATION FORM**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. **The BRLM/ members of the Syndicate may at its discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.** Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.



## OTHER INSTRUCTIONS

### Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

### Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

### ‘PAN’ or ‘GIR’ Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the IT Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.**

Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/first Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention “Not Applicable” and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention “Applied for” in the Bid cum Application Form. Further, where the Bidder(s) has mentioned “Applied for” or “Not Applicable”, the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration card (b) Passport (c) Driving licence (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

### Unique Identification Number (“UIN”)

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/ quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 and circular issued in connection thereto by its circular bearing number MAPIN/Cir-13/2005.

Therefore, MAPIN is not required to be quoted with the Bids.

### Company Right to Reject Bids

The Syndicate Members have right to reject a Bid received from QIB at the receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders, The Company & BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder’s address at the Bidder’s risk.



## **GROUND FOR TECHNICAL REJECTIONS**

### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

- a. Amount paid doesn't tally with the highest number of Equity Shares bid for;
- b. Age of First Bidder not given;
- c. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- d. PAN not given if Bid is for Rs. 50,000 or more or Copy of Form 60 or Form 61 as required not given;
- e. Bids for lower number of Equity Shares than specified for that category of investors;
- f. Bids at a price less than lower end of the Price Band;
- g. Bids at a price more than the higher end of the Price Band;
- h. Bids at cut-off price by Non-Institutional and QIB Bidders;
- i. Bids for number of Equity Shares which are not in multiples of [•];
- j. Category not ticked;
- k. Multiple bids as defined in this Red Herring Prospectus;
- l. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- m. Bid-cum-Application Form does not have the stamp of the BRLM, or Syndicate Members;
- n. Bid-cum-Application Form does not have Bidder's depository account details;
- o. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum-Application Form;
- p. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- q. Bids accompanied by money order/postal order/cash /Stockinvests;
- r. Signature of sole and / or joint bidders missing;
- s. Bids by OCBs;
- t. In case no corresponding record is available with the Depositories that matches the parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant's identity (DP ID);
- u. Bids by U.S residents or US persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933;



## **EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a) an agreement dated [●] between NSDL, us and Registrar to the Issue;
- b) an agreement dated [●] between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

i) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.

## **PRE-ISSUE AND POST ISSUE RELATED ISSUES**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque/ draft number and issuing bank thereof.

We have appointed Mr. Krishan Singla, Sr. Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

### **Industrial Organics Limited**

85, Industrial Area, "A"

Ludhiana- 141 003

India.

**Tel:** +91 161 2225531-35;

**Fax:** +91 161 2608784,

**E-mail:** [krishan@industrialorganics.com](mailto:krishan@industrialorganics.com)



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

#### **Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money**

Our Company reserves, at its absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. Our Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

#### **DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS**

Our Company shall ensure despatch of allotment advice or refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall ensure the dispatch of refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and dispatch of refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

Our Company shall put in its best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

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

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- Our Company would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 days time period as mentioned above), if allotment/ transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 days time prescribed above as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

The Company shall provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the record of the Bidder.



## **IMPERSONATION**

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

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”

### **Interest on Refund of excess Bid Amount**

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

### **Basis of Allotment or Allocation**

#### **A. For Retail Individual Bidders**

##### **A. For Retail Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size, less allotment to Non Institutional Bidders, QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [•] Equity Shares. For the method of proportionate basis of allotment, please refer to paragraph ‘Method of Proportionate Basis of Allotment’ under the section titled ‘Issue Procedure’ on page no. 149 of this Red Herring Prospectus.

##### **B. For Non Institutional Bidders**

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size, less allotment to QIBs Bidders and Retail Individual Bidders shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [•] Equity Shares. For the method of proportionate



basis of allotment, please refer to paragraph 'Method of Proportionate Basis of Allotment' under the section titled 'Issue Procedure' on page no. 149 of this Draft Red Herring Prospectus.

**C. For QIBs**

- At least 50% of the Net Issue to the Public i.e. [•] Equity shares shall be allotted to QIBs of which 5% is reserved for Mutual Funds i.e. [•] Equity Shares and balance shares will be available for allocation to all QIBs including Mutual Funds on proportionate basis.
- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size, less allotment to Non Institutional Bidders and Retail Individual Bidders, shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Bids from Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIBs shall be determined as follows:
    - (i) The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (ii) The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (iii) Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.

The aggregate allotment to QIB Bidders shall be at least [•] Equity Shares

**Procedure and Time Schedule for Allotment of Equity Shares**

The Syndicate Members have the right to reject the Bid received from QIB at the time of receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company has a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.



### **Method of Proportionate basis of allocation in the Retail and Non Institutional categories**

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders will be categorized according to the number of Equity Shares applied for by them.
- (b) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (d) If the proportionate Allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (e) In all Bids where the proportionate Allotment is less than [•] Equity Shares per Bidder, the Allotment shall be made as follows:
  - Each successful Bidder shall be Allotted a minimum of [•] Equity Shares;
  - The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder shall be allotted a minimum of [•] Equity Shares.
- (f) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

### **Letters of Allotment or Refund Orders**

We shall give credit to the beneficiary account with depository participants within 2 working days of finalization of the basis of allotment of Equity Shares. In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, We further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.



### **Mode of Making Refunds**

The permissible modes of making refunds are as follows:

- a) In case of applicants residing in any of the centers specified by the Board – by crediting of refunds to the bank accounts of applicants through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer), as is for the time being permitted by the Reserve Bank of India;
- b) In case of other applicants – by dispatch of refund orders by registered post, where the value is Rs. 1500/- or more, or under certificate of posting in other cases, (subject however to postal rules); and
- c) In case of any category of applicants specified by the Board – crediting of refunds to the applicants in any other electronic manner permissible under the banking laws for the time being in force which is permitted by the board from time to time.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, the Company further undertakes that allotment/ transfer of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/ Offer Closing Date

### **Interest in case of delay in dispatch of allotment letters/making refunds**

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refunds orders have not been dispatched to the applicants or if in a case where refund or portion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid/Issue Closing Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to BSE by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

### **Undertaking by the Company**

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;
- that the funds required for making refunds as per the modes disclosed or dispatch of allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under subscription etc.
- refunds shall be made as per the modes disclosed and allotment advice shall be dispatched to NRIs or FIIs or foreign venture capital investors registered with SEBI within the specified time.

### **Utilization of Issue proceeds**

The Board of Directors of the Company Certify that:

- all monies received out of this Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested.



The Company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

Pending utilisation of net proceeds of this Issue as specified under the section “Objects of the Issue” the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

### **Restrictions on Foreign Ownership of Indian Securities**

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy to any extent 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 the FIPB and the RBI. Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, and Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

### **Foreign Investment**

Foreign investment in India is regulated by the Foreign Exchange Management Act, 1999 (FEMA), the regulations framed by the Reserve Bank of India (RBI) and policy guidelines issued by the Ministry of Industry (through various Press Notes issued from time to time). Foreign investment in companies in the organic chemical manufacturing sector is under the automatic route (i.e., prior approval of the FIPB is not required).

Foreign investment by way of subscription to equity shares in companies in the organic chemical manufacturing sector currently does not require the prior approval of the RBI (vide Press Note 8 of 2000) or the FIPB, except for a post subscription filing with the RBI in Form FC-GPR within 30 days from the issue of shares by the company. GoI has indicated that in all cases where foreign direct investment 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.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

### **BID/ISSUE PROGRAMME**

#### **Bidding Period/Issue Period:**

#### **BID/ISSUE OPENS ON [●]**

#### **BID/ISSUE CLOSES ON [●]**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE on the Bid/Issue Closing Date.



## MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting as detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

### Capital

Article 5 provides that The Authorised Share Capital of the company is Rs 20,00,00,000/- (Rupees twenty Crores only) divided into 1,50,00,000 (One Crore Fifty Lacs) Equity Shares of Rs. 10/- each and 50,00,000 (Fifty Lacs) Preference Shares of Rs. 10/- each with power to increase or decrease its capital from time to time and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the company and also to acquire, purchase, hold, re-sell, any of its own fully/partly paid shares and /or Preference Shares whether redeemable or not and to make any payment out of capital or out of the funds at its disposal, for and in respect of such purchase, subject to the provisions of the Act in force from time to time”.

### Shares under the control of the directors

Article 7 provides that Subject to the provisions of the Act of these Articles, (particularly Articles 62A and 68 hereof), the shares in the capital of the Company for the time being (including any shares forming part of any increased Capital of the company) shall be under the control of the Directors who may allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance of the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and proper, and with full power to give to any person the option to be allotted shares of the Company either at par or at a premium, or, subject to as aforesaid, at a discount such option being exercisable at such times and for such consideration as the Directors think fit. Provided that the option or right for the allotment of shares shall not be given to any person or persons without the sanction of Company in General Meeting.

### Power of General Meeting to offer shares to such persons as the Company may resolve

Article 8 provides that In addition to and without derogating from the powers for that purpose conferred on the Board under the Article 7, the Company in general meeting may subject to the provisions of Section 81 of the Act, by Special Resolution, other than Bonus share Issue, determine to issue further shares out of the authorized but unissued capital of the Company and may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to any person (whether member or holder of debentures of the Company or not) in such proportion and on such terms and conditions and either (subject to compliance of the provisions of Section 78 & 79 of the Act) at a premium or at par or at discount as such general meeting shall determine and with full power to give any person (whether a member or holder of debentures of the Company or not) the option to call for or be allotted shares of any class of the Company either (subject to compliance of the provisions of Section 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such considerations as may be directed by such general meeting or the Company in general meeting may make any other provisions whatsoever for the issue, allotment or disposal of any shares. Subject to any direction given by the Company in general meeting as aforesaid the provisions of Article 68 hereto shall apply to any issue of new shares.

### Allotment otherwise than for cash

Article 9 provides that Subject to the provisions of the Act and these Articles, the directors may allot and issue shares in the capital of the Company as payment or part-payment for any property or assets of any kind whatsoever, sold or to be sold or transferred or to be transferred, or for goods or machinery supplied or to be supplied or for services rendered or to be rendered or for technical assistance or know-how made or to be made available to the Company or for the conduct of its business and shares which may be so allotted may be issued as fully or partly paid-up otherwise than in cash and if so issued, shall be deemed to be fully or partly paid as the case may be.



### **Acceptance of shares**

Article 11 provides that An application signed by or on behalf of an applicant for share in the Company, followed by an allotment of any shares therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is entered in the Register of Members shall for the purpose of these Articles be a member.

### **Company not bound to recognize any interest**

Article 14 provides that Except as ordered by a Court of competent jurisdiction or by law required, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not be bound to recognize any benami, trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not he shall have express or implied notice thereof. The Board shall be entitled at their discretion to register any shares in the joint names of any two or more persons, or the survivor or survivors of them.

### **Members right to certificate**

Article 17 provides that Every member or allottee of share(s) shall be entitled, without payment, to receive one certificate for all the shares of each class or denomination registered in his name or if the Directors so approve (upon paying such fee or fees or at the discretion of the Directors, without payment of fees as the Directors may from time to time determine) to several certificates, each for one or more shares of each class, in such form as the Directors shall prescribe or approve, specifying the share(s) allotted to him and the amount paid thereon. The certificate of shares registered in the names of two or more persons shall be delivered to the person first named in the Register of Members.

### **Limitation of time for issue of certificates**

Article 18 provides that the Company shall within \*{two months} after the allotment of any of its shares or debentures and within one month after the application for the registration of the transfer of any such shares or debentures, complete and deliver the certificates of all shares and debentures allotted or transferred, unless the conditions of issue of the shares or debentures otherwise provide and the Company shall otherwise comply with requirements of Section 113 and other applicable provisions (if any) of the Act.

### **Transfer and transmission of shares**

#### **Register of transfer**

Article 45 provides that the Company shall keep a Register of Transfer and shall have recorded therein fairly and distinctly particulars of every transfer and transmission of any share held in material form. The Register and Index of Beneficial Owners of securities maintained by a depository under Section 11 of the Depositories Act, 1996 shall be deemed to be and forming part of the Register and Index of Members or of Holders of Debentures or other securities of the Company.

#### **Register of Members**

Article 45A provides that The Company shall cause to be kept a Register of Members and an Index of Members in accordance with Sections 150 and 151 of the Act and Register and Index of Debenture holders in accordance with Section 152 of the Act. The Company may also keep foreign Register of Members and Debenture holders in accordance with Section 157 of the Act.

#### **Form of Transfer**

Article 47 provides that shares in the Company shall be transferred by an instrument in writing in such form as prescribed under Section 108 of the Companies Act, 1956, or under the rules made thereunder from time to time.

#### **Application of transfer**

Article 48 provides that



- (1) An application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee.
- (2) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.
- (3) For the purpose of clause (2) above notice to the transferee shall be deemed to have been duly given if it is despatched by pre-paid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

#### **Transfer of securities in demat form**

Article 49A provides that

- a) Transfers of securities held in a depository will be governed by the provisions of the Depositories Act, 1996.
- b) Every depository shall furnish to the Company information about the transfer of securities the name of beneficial owners at such intervals and in such manner as may be specified under the provisions of the Depositories Act, 1996.
- c) Section 108 of the Act shall not apply to transfer of securities effected by the transferor and the transferee in respect of which both of whom are entered as beneficial owners in the depository.

#### **Transfer not to be registered except on production of instrument of transfer**

Article 50 provides that the Company shall not register a transfer of share in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee, has been delivered to the Company within the prescribed period alongwith the certificate relating to the shares or if no such share certificate is in existence, alongwith the letter of allotment of the share. Provided that, where on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is, proved to the satisfaction of the Board of Directors that the instrument of transfer, signed by or on behalf of the transferor and by or on behalf of the transferee, has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think it. Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.

#### **Increase of capital**

Article 67 provides that the Company may from time to time by ordinary resolution in General Meeting increase its share capital by the creation and issue of new shares of such amount as it thinks expedient. Subject to the provisions of the Act, the shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting creating the same shall direct and if no direction be given, as the Board shall determine. Such shares may be issued with a preferential or qualified right as to dividends, and in the distribution of assets of the Company, and with the right of voting at a General Meeting of the Company in conformity with Sections 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article, the Directors shall comply with the provisions of Section 97 of the Act.

#### **Rights of Equity Shareholders to further issue of capital**

Article 68 provides that

- (1) If the Company proposes to issue new shares at any time after the expiry of two years from the date of formation of the Company or at any time after the expiry of one year from the date of allotment of shares in the Company, made for the first time (whichever is earlier), then such new shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion as nearly as circumstances admit, to the capital paid-up on those shares at that date, and such offer shall be made in accordance with the provisions of Section 81 of the Act; provided that notwithstanding anything hereinbefore contained the further shares aforesaid may be offered to any persons whether or not those persons include the persons who at the date of the offer, are holders of the equity shares of the Company in any manner whatsoever:-



- (a) If a Special Resolution to that effect is passed by the Company in General Meeting; or
  - (b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the Resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by members who, being entitled to do so, vote, in person, or where proxies are allowed, by proxy exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in that behalf, that the proposal is most beneficial to the Company.
- (2) Nothing in this Article shall apply to the increase of the subscribed capital caused by the exercise of an option attached to debentures issued or loans raised to convert such debentures or loans into shares the Company or to subscribe for shares in the Company (whether such option is conferred in Article 79 or otherwise) provided that the term of the issue of such debentures or of such loans include a term providing for such option and such terms have been approved by a Special Resolution passed by the Company in General Meeting before the issue of the debentures of the loans and also the same has either been approved by the Central Government before the issue of debentures or the raising of the loans or is in conformity with the rules, if any, made by the Government in this behalf.

#### **New capital same as existing capital**

Article 69, provides that 1) Except so far as otherwise provided by the conditions of the Issue or by these presents, any capital raised by the creation of new shares shall be considered as part of existing capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

#### **Issue of further pari passu shares not to affect the rights of any class of shares**

Article 73 provides that the rights conferred upon the holders of shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

### **BORROWING POWERS**

#### **Power to borrow**

Article 75 provides that subject to the provisions of the Act and these Articles and without prejudice to the other powers conferred by these Articles, the Directors shall have the power from time to time at their discretion, passed at a meeting of the Board and not by Circular Resolution, to accept deposits from Members, either in advance of calls or otherwise, and generally raise or borrow or secure the payment of any sum or sums of moneys for the purposes of the Company provided that the total amount borrowed at any time together with the moneys already borrowed the Company (apart from temporary loan obtained from the Company's banker in the ordinary course of business) shall not without the consent of the Company in General Meeting, exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose. Such consent shall be obtained by an ordinary resolution which shall provide for the total amount up to which moneys may be borrowed by the Board. The expression Temporary Loans in this Article means loans repayable on demand or within six months from the date of obtaining the loan such as short term cash credit arrangements discounting of bills and the issue of other short term loans of seasonal character but does not include loans raised for the purpose of financing expenditure of a capital nature.

#### **Conditions on which money may be borrowed**

Article 76 provides that subject to the provisions of the Act and these Articles, the Directors may, by resolution passed at the meeting of the Board and not by Circular resolution raise and secure the payment of sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture stock or any mortgage or charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

#### **Bond, debentures etc. to be subject to control of Directors**



Article 77 provides that any bonds, debentures, debenture-stock or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

**Securities may be assignable free from equity**

Article 78 provides that debentures, debenture-stocks, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

**Conditions on which Bonds, Debentures etc. may be issued**

Article 79 provides that subject to the provisions of the Act and these Articles, any bonds, debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and with any special privileges and conditions as to redemption, surrender, drawings, allotment of shares, attending (but not voting) at general meetings, appointment of Directors and otherwise. Provided that debentures with the right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in General Meeting.

**Instrument of transfer**

Article 79A provides that save as provided in Section 108 of the Act, no transfer of debenture shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and the transferee has been delivered to the company together with the certificates of debentures.

**Notice of refusal to transferor & transferee**

Article 79B provides that if the Board refuses to register the transfer of any debentures the Company shall, within one month from the date of which the instrument of transfer was lodged with the company, sent to the transferee and to the transferor notice of the refusal

**Mortgage of uncalled capital**

Article 80 provides that if any uncalled capital of the Company is included in or charged by way of any mortgage or other security by the Directors, the Directors shall, subject to the provisions of the Act and these Articles, make calls on the members in respect of such uncalled capital in trust for the person in whose favor such mortgage or security is executed.

**Indemnity to be given**

Article 81 provides that subject to the provisions of the Act and these Articles, if the Directors or any of them or any other person shall incur or be about to incur any liability whether personal or as surety for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage charge or security of, on, over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or any other person so becoming liable as aforesaid from any loss in respect of such liability.

**Register of mortgage etc. to be kept**

Article 82 provides that the Board Shall cause a proper Register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company including all floating charges on the undertaking or any property of the Company, and shall cause the requirements of Sections 118, 125 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with (within the time prescribed by the said sections or such extensions thereof as may be permitted by the Company Law Board), so far as they are to be complied with by the Company. The Company shall, if at any time it issues debentures, keep a Register and Index of Debenture holders in accordance with Section 152 of the Act.

**Quorum of General Meeting**

Article 95 provides that five members entitled to vote and present in person shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum be present at the commencement of the business.



## **Chairman**

Article 98 provides that the Chairman of the Board of Directors shall be entitled to take the Chair at every General Meeting. If there be no Chairman or if at any meeting he shall not be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose a Chairman and in default of their doing so, the members present shall choose one of the Directors to be the Chairman the meeting.

## **Minutes of General Meeting**

110. The Company shall cause minutes of all proceedings of every General Meeting to be kept in accordance with the provisions of Section 193 of the Act, by making, within thirty days of the conclusion of such meeting, entries thereof in books kept for that purpose with their pages consecutively numbered. Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose. In no case the minutes of the proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise. Any such minutes kept as aforesaid shall be evidence of the proceedings recorded therein.

## **Inspection of Minutes books of General Meetings**

Article 111 provides that the books containing the aforesaid minutes shall be kept at the Registered Office and be open during business hours to the inspection of any member without charge subject to such reasonable restrictions as the Company may by these Articles or in general meeting impose in accordance with the provisions of Section 196 of the Act. Any member shall be entitled to be furnished within seven days after he has made a request in that behalf to the Company with a copy of the minutes on payment of thirty-seven paise for every one hundred words or fractional part thereof required to be copied. Director present be willing to take the chair, the members present shall choose one of their member to be the Chairman of the meeting.

## **Votes of Members**

### **Votes may be given by proxy or attorney**

Article 113 provides that subject to the provisions of the Act and these Articles, votes may be given either personally or by proxy or in the case of a body corporate also by a representative duly authorised under Section 187 of the Act and Article 115 hereof.

## **Votes**

Article 114 provides that subject to the provisions of the Act (particularly of Section 87,88 and 92(2) thereof) and of these Articles:

- 1) Upon a show of hands every member holding equity shares and entitled to vote and present in person (including a proxy of a corporation or a representative of a Company as mentioned in Article 115) shall have one vote;
- 2) Upon a poll the voting right of every member holding equity shares and entitled to vote and present in person (including a proxy of a corporation or a representative of a company present as aforesaid) or by proxy shall be in the same proportion as the capital paid on the equity share or shares (whether fully paid-up or partly paid-up) held by him bears to the total paid-up equity capital of the Company;
- 3) Upon a show of hands or upon a poll, the voting right of every member holding preference shares, shall be subject to the provisions, limitations and restrictions laid down in Section 87 of the Act.

### **No voting by proxy on show of hands**

Article 115 provides that no member not personally present shall be entitled to vote on a show of hands unless such member is a Corporation present by proxy or unless such member is a body corporate presently a representative duly authorised under Section 187 of the Act or by a proxy in which case such proxy or representative may vote on a show of hands as if he were a member of the Company.

### **Casting of votes by a member entitled to more than one vote**



Article 115A provides that on a poll taken at a Meeting of the Company a Member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

### **Proxies**

Article 119 provides that any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of himself but a proxy so appointed shall not have any right to speak at the meeting.

### **Directors**

#### **Number of Directors**

Article 128 provides that unless otherwise determined by a General Meeting, the number of Directors shall not be less than three and shall not be more than seven.

#### **Qualification of Directors**

Article 134 provides that a Director of the Company shall not be required to hold any qualification shares.

#### **Remuneration of Directors**

Article 135 provides that (1) The remuneration of a Director for his services shall be the sum not exceeding such sum as may be prescribed by the Central Government for each meeting of the Board or of a Committee of Board attended by him or such less amount as the Board of Directors may decide in this behalf from time to time. The Directors may be paid such additional remuneration as the Company in General Meeting subject to the provisions of Sections 309 and 310 of the Act, may from time to time determine, and such further remuneration shall be divided among the Directors, in such proportion and manner as the Directors may from time to time determine, and in default of such determination, equally. Such additional remuneration may be by way of salary or commission as laid down in Section 309, 349, 350 and 351 on net profits or by participation in profits: or by any or all of those modes.

#### **Contract of Director with Company**

Article 138 provides that (1) Subject to the provisions of clauses (2), (3), (4) and (5) of this Article and the restrictions imposed by Article 145 and the other Articles hereof and the Act and the observance and fulfilment thereof, no Director shall be disqualified by his office from contracting with the Company for any purpose and in any capacity whatsoever including either as vendor, purchaser, agent, broker or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director, so contracting or being so interested be avoided nor shall any Director, of contracting or being so interested liable to account to the Company for any profit realised by any such contract or arrangement by season only of such Director holding that office, or of the fiduciary relation thereby established, but it is hereby declared that the nature of his interest must be disclosed by him as provided by clauses (3) and (4) hereof.

#### **Disclosure of interest**

Article 138(2) provides that every Director who is any way whether directly or indirectly concerned or interested in any contract or arrangement or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board of Directors as provided for in clause (3) hereof or as provided in clause (4) hereof;

#### **Interested Director not to participate or vote in Board's Proceedings**

Article 138(6) provides that an interested Director shall not take any part in the discussion of or vote on any contract or arrangement entered into, or to be entered into by or on behalf of the Company if he is in any way directly or indirectly concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussions or vote and if he does vote, his vote shall be void:

Provided that this prohibition shall not apply:



- (i) to any contract of Indemnity against any loss which the Director or any one or more of them may suffer by reason of becoming or being sureties or a surety for the Company;
- (ii) to any contract or arrangement entered into with a public company or a private company which is subsidiary of a public company in which the interest of the Director consists solely in his being a Director of such company and the holder of not more than shares of such number or value therein as requisite of qualify him for appointment as a Director thereof he having been nominated as such Director by the Company or in his being a member holding not more than two percent of the paid up share capital of such Company whichever is greater.
- (iii) in case a notification is issued under sub-section (3) of Section 300 of the Act to the extent specified in the notification.

#### **Directors to retire annually**

Article 146 provides that subject to the provisions of Section 255 of the Act and of these Articles, all the Directors on the Board of the Company shall retire from office at the completion of the Annual General Meeting of the Company.

The retiring directors shall be deemed to have held office till the conclusion of the Annual General Meeting and adjournment if any, thereof.

#### **Eligibility for re-appointment**

Article 148 provides that Subject to the provisions of the Act and these Articles, a retiring Director shall be eligible for re-appointment.

#### **General Powers of Directors**

Article 168 provides that subject to the provisions of the Act and these Articles the Board of Directors of the Company shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do; Provided that the Board shall not exercise any powers or do any act or things which is directed or required whether by the Act or any other law or by the Memorandum or these Articles or otherwise to be exercised or done by the Company in General Meeting;

Provided further that in exercising any such power or doing any such act or thing the Board shall be subject to the provisions contained in that behalf in the Memorandum or in these Articles or in any regulations not inconsistent therewith duly made thereunder including regulations made by the Company in General Meeting.

(2) No regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

#### **Appointment of different categories of managerial personnel**

Article 172A provides that

- a. The Company may by way of a resolution passed in its meeting of the Board of directors and being approved by the shareholders within three months either in a general meeting convened for this purpose or through passing of a resolution by means of postal ballot, appoint a person as the Chief Executive Officer (CEO) of the Company. Such CEO, may also be given substantial powers of the day to day management of the Company, in which case he shall be deemed to be the Manager of the Company under the Act. Provided that the Company shall not appoint or employ at the same time more than one of the following categories of managerial personnel as required by this Act namely:
  - (a) Managing Director; and
  - (b) Chief Executive Officer as Manager
- b. In case the Company doesn't have a Managing Director and has instead appointed a CEO as Manager of the Company, as mentioned under Article 172A(1) above, any reference in these Articles to the Managing Director shall, subject to the provisions of the Act and this Article and unless the context thereof restricts such interpretation or intends otherwise, deem to include such CEO.



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**Power and Duties of managing director**

Article 175 provides that Subject to the provisions of the Act and to the terms of resolution of the Company in General Meeting, or of any resolution of the Board, the Managing Director shall have effective control of the day to day management of the Company, under the superintendence, control and direction of the Board. He may, subject to the approval of the Board, have power to do all acts, matters and things deemed necessary, proper or expedient for carrying on the business and concerns of the Company, including power to appoint, suspend and dismiss officers, staff and workmen of the Company, and to exercise such powers as are delegated to him by the Board or as may be detailed in the agreement between him and the Company in such matters as incurring capital and revenue expenditure on behalf of the Company entering into contracts, taking suitable legal actions, operating on bank accounts, making investments and other subjects.

**Dividends****Division of Profits**

Article 182 provides that the profits of the Company, subject to the provisions of these Articles, shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively. Provided always that any capital paid up on a share during the period in respect of which a dividend is declared, shall unless the terms of issue otherwise provide only entitle the holder of such share to an apportioned amount of such dividend proportionate to the capital from time to time paid-up during such period on such share.

**Power of Company to limit dividend**

Article 186 provides that no larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend. No dividend shall be payable except out of the profits of the year or any other undistributed profits of the Company, or otherwise than in accordance with the provisions of Section 205, 206 and 207 of the Act and no dividend shall carry interest as against the Company. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.



## **SECTION X - MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus have been delivered to the Board / Registrar of Companies, Punjab, Himachal & Chandigarh, for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company, from 10.00 a.m. to 4.00 p.m. on any working day from the date of the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus until the date of closing of the Issue.

### **Material Contracts**

1. Copy of Memorandum of Understanding dated March 10, 2006 signed between the Company and UTI Bank Limited, the Book Running Lead Manager to the Issue.
2. Copy of Memorandum of Understanding dated March 28, 2003 signed between the Company and Alankit Assignments Limited, the Registrar and Share Transfer Agent.
3. Copy of Memorandum of Understanding dated January 24, 2006 signed between the Company and Intime Spectrum Registry Limited, the Registrar to the Issue.
4. Copy of the Financial Collaboration Agreement dated August 7, 1998.
5. Copy of Escrow Agreement dated [●] among the Company, the BRLM and Registrar to the issue.
6. Copy of Syndicate Agreement dated [●] among the Company, the BRLM and the Syndicate Members.
7. Copy of Underwriting Agreement dated [●] among the Company, the BRLM and the Syndicate Members.
8. Copy of the Tri-partite Agreement dated July 10, 2003 between NSDL, the Company and Alankit Assignments Limited, the Registrar and Share Transfer Agent.
9. Copy of the Tri-partite Agreement dated May 06, 2003 between CDSL, the Company and Alankit Assignments Limited, the Registrar and Share Transfer Agent.

### **Documents for Inspection**

1. Copy of Memorandum and Articles of Association of Industrial Organics Limited, as amended from time to time.
2. Copy of Certificate of Incorporation of Industrial Organics Limited dated September 29, 1986.
3. Copy of special resolution passed at EGM dated January 7, 2006 u/s 81 (1A) authorizing the Issue of Equity Shares.
4. Copy of Certificate from Auditors dated February 20, 2006 regarding the deployment of funds in relation to the expansion programme till February 15, 2006.
5. Copy of Tax Benefits Certificate issued by Statutory Auditors of the Company M/s.K K Kapoor & Associates., Chartered Accountants, January 14, 2006.
6. Due Diligence Certificate dated March 10, 2006 issued by Book Running Lead Managers to the Issue, UTI Bank Limited.
7. Consent letters from Directors, Book Running Lead Manager to the Issue, Bankers to the Issue, Bankers to the Company, Auditors, Legal Advisors to the Issue, Registrar to the Issue, Company Secretary & Compliance Officer to act in their respective capacities and for inclusion of their names in the Prospectus.



8. Copy of application to BSE dated [•] seeking In-principle approval for Listing.
9. Copy of In-principle approvals from BSE dated [•].
10. Copies of Auditors Reports dated January 14, 2006 issued by Statutory Auditors of the Company M/s K K Kapoor & Associates.
11. Copy of in principle approval from BSE dated February 02, 2006 for issuing of warrants.
12. Copies of Annual Reports of the Company for the last 5 accounting periods i.e. FY 2001, FY 2002, FY 2003, FY 2004, FY 2005 and for the nine months ended on December 31, 2005.
13. Copies of Annual Reports of the Group Companies viz. Mayadevi Polycot Limited, G Drugs and Pharmaceuticals Limited for the last 3 accounting periods i.e. FY 2003, FY 2004, FY 2005.
14. Copy of the SEBI Final observation letter no. [•] dated [•], 2006 received from SEBI, Mumbai in respect of the Public Issue of Industrial Organics Limited.
15. Copy of resolution dated July 20, 2002 relating to appointment and remuneration of Managing Director. Letter dated May 11, 2004 from the Department of Company Affairs approving the remuneration to the Managing Director.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time, if so required, in the interest of the Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.



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## **XI DECLARATION**

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

### **Signed by all Directors**

**Mr. Varinder Gupta**  
Chairman and Managing Director

**Dr M A Zahir**  
Director

**Mr. Yogesh Goel**  
Nominee Director for PSIDC

**Dr (Ms.) H K Bal**  
Director

**Ms Lalita Kapur**  
Nominee Director for IDBI Ltd.

**Mr. Chandra Mohan**  
Director

**Ms. Dimple Gupta**  
Director

**Senior Company Secretary & Compliance Officer**  
Mr. Krishan Singla

**Vice President Accounts & Finance**  
Mr. Rakesh Mahajan

Date: March 13, 2006  
Place: Chandigarh