**RED HERRING PROSPECTUS**

Please read Section 60B of the Companies Act, 1956

Dated 3rd January, 2007

(100% Book Building Issue)

**POCHIRAJU INDUSTRIES LIMITED**

(Originally incorporated as Pochiraju Flori-Tech Limited on May 04, 1995 with Registrar of Companies Tamil Nadu, Chennai. The certificate for commencement of business was received on June 05, 1995. The name of the company was changed to Pochiraju Industries Ltd. and fresh Certificate of incorporation was obtained on September 10, 2003 from Registrar of Companies, Coimbatore)

**Registered Office:** 1/102, Sathya Mangalam Village, Bagalur - Berigai Road, Thummanapalli Post, Hosur Taluk, Krishnagiri District, Tamil Nadu**Tel. No:** 04344-254988 **Fax No.:** 04344-255044 **Email:** pochirajuflori@hotmail.com**Cor. Off:** 130, Amariyothi Layout, 2nd Main Road, Intermediate Ring Road, Domaluru, Bangalore - 560071**Phone No:** 080-32518577; **Telefax:** 080-41118577**Contact Person:** Mr.P. Sudhakar, Compliance Officer

**PUBLIC ISSUE OF (\*) EQUITY SHARES THROUGH 100% BOOK BUILDING PROCESS OF FACE VALUE OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●], AGGREGATING RS. 3,757 LACS (HEREIN AFTER REFERRED TO AS “THE ISSUE”). THE ISSUE COMPRISES OF PROMOTERS CONTRIBUTION OF (\*) EQUITY SHARES AGGREGATING RS. 300.00 LACS (HEREIN AFTER REFERRED TO AS “PROMOTERS CONTRIBUTION” AND THE NET ISSUE TO THE PUBLIC OF (\*) EQUITY SHARES AGGREGATING RS. 3457.00 LACS (HEREIN AFTER REFERRED TO AS “THE NET ISSUE”). THE ISSUE WOULD CONSTITUTE [●] % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF POCHIRAJU INDUSTRIES LIMITED**

**PRICE BAND: Rs.25/- TO Rs. 30/- PER EQUITY SHARE OF FACE VALUE OF Rs. 10 EACH.****THE ISSUE PRICE IS 2.5 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 3.0 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

In case of revision in the Price Band, the Bidding Period / Issue Period will be extended for three additional days after revision of the Price Band subject to the Bidding Period / Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to Bombay Stock Exchange Limited and the National Stock Exchange of India Ltd., by issuing a press release and also by indicating the change on the websites of the Book Running Lead Managers and at the terminals of the Syndicate.

This Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue to the Public will be allocated to Qualified Institutional Buyers (QIBs) on a proportionate basis, subject to valid bids being received at or above the Issue Price. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds. Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net 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.

**IPO GRADING:** Issuer Company has not opted for the grading of this issue from any Credit Rating agency.**RISK IN RELATION TO FIRST ISSUE**

This being the first issue of Pochiraju Industries Limited, there has been no formal market for the shares of the Company. The face value of shares is Rs.10/- and the Issue Price is 2.5 times of face value at the lower price band and 3.0 times of the value at the higher price band of the equity shares of the Company. The issue price (as has been determined and justified by the Book Running Lead Managers and Pochiraju Industries Limited as stated herein under the paragraph on ‘Basis for Issue Price’) should not be taken to be indicative of the market price of the equity shares after the shares are listed. No assurance can be given regarding an active and/or sustained trading in the shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

**GENERAL RISK**

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 Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document. Specific attention of the investors is invited to the statement of Risk Factors beginning on Page No.xiii of this Red Herring Prospectus.

**ISSUER’S ABSOLUTE RESPONSIBILITY**

Our Company having made all reasonable enquiries, accepts responsibility for, and confirms that this 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 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 document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**LISTING**

The Equity Shares issued through this Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited (BSE), also the Designated Stock Exchange and The National Stock Exchange of India Limited (NSE). The in-principle approval has been received from BSE and NSE for the listing of the Equity Shares vide its letter No: List/sdm/sm/ps/2006 dated August 9, 2006 & NSE/LIST/29355/-V dated September 14, 2006 respectively.

**BOOK RUNNING LEAD MANAGER TO THE ISSUE**

**Allbank Finance Limited**  
(Wholly owned Subsidiary of Allahabad Bank)  
3rd Floor, Allahabad Bank Building,  
37, Mumbai Samachar Marg, Fort, Mumbai - 400023  
Tel No: 022-22677552  
Fax No: 022-22677552  
E-mail: pochiraju\_ipo@mum.allahabadbank.co.in  
Website: www.allahabadbank.com  
Contact Person: Mr. Shiv Shankar

**REGISTRAR TO THE ISSUE**

**Aarthi Consultants Private Limited**  
1-2-285, Domalguda  
Hyderabad - 500029  
Tel No.: 040-27634445/27638111  
Fax No.: 040-27632184  
E-Mail: pochiraju@aarthiconsultants.com  
Website: www.aarthiconsultants.com  
Contact Person: Mr. Bhaskar

**ISSUE PROGRAMME****BID/ ISSUE OPENS ON: Monday, 15th January, 2007****BID/ ISSUE CLOSES ON: Thursday, 18th January, 2007**



## TABLE OF CONTENTS

<b>Section I - Definitions and Abbreviations</b>	<b>Page No.</b>
Definitions .....	ii
Conventional /General Terms .....	ii
Issue Related Terms .....	ii
Company / Industry Related Terms .....	v
Abbreviations .....	vi
<b>Section II - General</b>	
Certain Conventions; Use of Market Data .....	xi
Forward Looking Statements .....	xii
<b>Section III - Risk Factors .....</b>	<b>xiii</b>
<b>Section IV - Introduction</b>	
Summary .....	1
The Issue .....	3
Summary of Financial Information .....	4
General Information .....	6
Capital Structure .....	14
<b>Section V - Objects of the Issue</b>	
Objects of the Issue .....	21
Basic Terms of the Issue .....	36
Basis for Issue Price .....	37
Statement of Tax Benefits .....	40
<b>Section VI - About Us</b>	
Industry Overview .....	44
Our Business .....	66
Key Industry Regulations and Policies .....	89
Our Corporate Structure .....	95
Our Management .....	100
Promoters and their Background .....	110
Currency of Presentation .....	111
Dividend Policy .....	111
<b>Section VII - Financial Information</b>	
Financial Statements .....	112
Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements .....	122
<b>Section VIII - Legal and other Regulatory Information</b>	
Outstanding Litigations .....	127
Statutory Approvals and Licenses .....	130
Other Regulatory and Statutory Disclosures .....	132
<b>Section IX -Issue Related Information</b>	
Terms of the Issue .....	138
Issue Structure .....	140
Issue Procedure .....	142
Restrictions on Foreign Ownership of Indian Securities .....	161
<b>Section X - Description of Equity Shares and Terms of the Articles of Association</b>	
Main Provisions of Articles of Association .....	163
<b>Section XI -Other Information</b>	
Material Contracts and Documents for Inspection .....	188
<b>Section XII -Declaration .....</b>	<b>190</b>



## SECTION -I

### DEFINITIONS AND ABBREVIATIONS

TERM	DESCRIPTION
“The Company” or “our Company” or “Pochiraju Industries Limited.” or “PIL” or “we” or “us” and “our”	Unless the context otherwise requires, refers to “Pochiraju Industries Limited, a limited Company incorporated under the Companies Act 1956, having its registered office at 1/102, Sathya Mangalam Village, Bagalur - Berigai Road, Thummanapalli Post, Hosur Taluk, Krishnagiri District, Tamil Nadu, India

#### Conventional/General Terms

Act	The Companies Act, 1956
Directors	The directors of the Company, unless the context otherwise requires
Indian GAAP	Generally accepted accounting principles in India
IT Act	The Income Tax Act, 1961, as amended from time to time
Memorandum/ Memorandum of Association	The Memorandum of Association of Pochiraju Industries Limited
Non Resident	A person who is not an NRI, an FII and is not a person resident in India
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI effective from January 27, 2000, as amended from time to time, including instructions and clarifications issued by Securities and Exchange Board of India (SEBI) constituted under the Securities and Exchange Board of India Act, 1992.
Stock Exchanges	BSE and NSE

#### Issue related terms

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, allotment of Equity Shares pursuant to this Issue
Banker(s) to this Issue/Escrow Collection Bank	Oriental Bank of Commerce, HDFC Bank Limited, The Hong Kong and Shanghai Banking Corporation Limited and ICICI Bank Limited
Bid	An Indication to make an offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
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 for this Issue
Bid/ Issue Closing Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English National Newspaper, Hindi National Newspaper and Tamil Newspaper with wide circulation



Term	Description
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for Allotment in terms of this Red Herring Prospectus
Bid/ Issue Opening Date	The date on which the Syndicate Member shall start accepting Bids for this Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper and Tamil Newspaper with wide circulation
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Bid/ 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
Book Building Process	Book building route as provided under Chapter XI of the SEBI (DIP) Guidelines 2000, in terms of which this Issue is made
Brokers to this Issue	Brokers registered with any recognised Stock Exchange, appointed by the Syndicate Member
BRLM	Book Running Lead Manager to this Issue, in this case being Allbank Finance Limited
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Co BRLM	Co-Book Running Lead Manager to this Issue, in this case UTI Securities Limited (UTISEL)
Cut-off	The Issue Price finalized by the Company in consultation with the BRLMs
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall make the Allotment to successful Bidders
Mutual Funds	Mutual Funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Equity Shares	Equity shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with an 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.
Escrow Agreement	Agreement entered into amongst the Company, the Registrar to this Issue, the Escrow Collection Bank(s), the BRLMs and the Syndicate Member in relation to the collection of the Bid Amounts and dispatch of the 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 at which 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 finalized and below which no Bids will be accepted
Issue	The fresh issue of [●] Equity Shares of Rs. 10/- each fully paid up at the Issue Price determined by the Company in terms of this Red Herring Prospectus



Term	Description
Issue Management Team	The team managing this Issue as set out in the section titled “General Information” in this Red Herring Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in term of this Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLMs on the Pricing Date
Issue Period	The Issue period shall be [•] being the Bid/Issue Opening date, to [•], being the Bid/Issue Closing date
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
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs.100,000
Non Institutional Portion	The portion of this Issue being not less than 15% of the Net Issue i.e. [•] Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders
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/ Issue Opening Date and extending until the Bid/Issue 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/Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Being the price band of a minimum price (Floor Price) of Rs. 25/- and the maximum price (Cap Price) of Rs. 30/- and includes revisions thereof
Pricing Date	The date on which the Company in consultation with the BRLMs finalizes the Issue Price
Promoters	Following mentioned below are the Promoters for the Company: <i>Individual Promoters</i> : Mr.P. Sudhakar & Mrs. P. Sailaja
Promoters Contribution	The money brought in by the Promoters as part of their contribution towards the Issue.
Prospectus	The Prospectus, filed with the RoC containing, <i>inter alia</i> , this Issue Price that is determined at the end of the Book Building Process, the number of Equity shares offered through this Issue and certain other information
Public Issue Account	Account opened with the Banker(s) to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, Scheduled Commercial Banks, Mutual Funds 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 Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 2500 lacs and Pension Funds with minimum corpus of Rs. 2500 lacs
QIB Portion	The portion of this Issue being up to 50% of the Net Issue to Public including the specific allocation of 5% for Mutual Funds, i.e., [•] Equity Shares of Rs.10 each available for allocation to QIB's
Red Herring Prospectus or RHP	Means this Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and number of Equity shares offered through this Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the RoC at least three days before the opening of this Issue. It will become a Prospectus after filing with the RoC after the pricing and allocation



Term	Description
Registrar/ Registrar to this Issue	Aarthi Consultants (P) Limited, as indicated on the cover page of this Red Herring Prospectus
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than Rs. 100,000 in any of the bidding options in this Issue
Retail Portion	The portion of this Issue being not less than 35% of the Net Issue to Public i.e. [•] Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
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)
Syndicate	The BRLMs and the Syndicate Member(s)
Syndicate Agreement	The agreement to be entered into between the Company and the Syndicate Member(s), in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. The Syndicate Members are appointed by the BRLMs, in this case being AllBank Finance Ltd., UTI Securities Ltd. and Enam Securities Pvt Ltd.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member to the Bidder as proof of registration of the Bid on the online system of BSE/NSE
Underwriters	The BRLMs and the Syndicate Member
Underwriting Agreement	The agreement among the Underwriters and the Company to be entered into on or after the Pricing Date

#### Company/ Industry-related Terms

Term	Description
Auditors	The statutory auditors of the Company namely M/s. B. Rama Rao & Co. Chartered Accountants.
Articles/ Articles of Association	The Articles of Association of Pochiraju Industries Limited
CC	Cash Credit
Board / Board of Directors	Board of Directors of Pochiraju Industries Limited. unless otherwise specified
Financial Year / Fiscal Year	The 12 months ended March 31, of a particular year unless otherwise specified
Bio Pharma Project	The project of the Company for setting up of a bio pharma manufacturing unit in Shapoorji Pallonji Biotech Park Pvt Ltd ,( Known as Genome Valley) at turkapally village, Shamirpet, Rangareddy district, Andhra Pradesh, India
Loan licence agreement	It is the licence issued to an applicant who does not have his own arrangement for manufacture but who intends to avail of the manufacturing facilities owned by another licensee. The issuer company has entered into an agreement with M/ S Sunrise International Labs Limited for manufacture of its pharma products under this arrangement.
ROC/RoC	Registrar of Companies, Tamilnadu, at Coimbatore unless otherwise specified.
Registered Office of the Company	1/102, Sathya Mangalam Village, Bagalur - Berigai Road, Thummanapalli Post, Hosur Taluk, Krishnagiri District, Tamil Nadu
Subsidiary Company	There are no subsidiary companies.





## ABBREVIATIONS

### Glossary of Industry and Technical terms

Term	Description
ANDAs	Abbreviated New Drug Application
APITCO	Andhra Pradesh Industrial and Technical Consultancy Organisation Limited, Hyderabad
API	Active Pharmaceutical Ingredients
AY	Assessment Year
ACP	Annual Capacity of Production
AGM	Annual General Meeting of the Company
AOA	Article of Association
AS	Accounting Standards
BED	Basic Excise Duty
Biofin	Biofin Laboratories, Italy
BIS	Bureau of Indian Standards
BPLR	Benchmarking Prime Lending Rate
BPS	Basis Points
BRLMs	Means BRLM & Co BRLM
BSE	Bombay Stock Exchange Limited, Mumbai
C.A.	Chartered Accountant
CAGR	Compounded Annual Growth Rate
CAN	Confirmation of Allocation Note
CCMB	Centre for Cellular & Molecular Biology, Hyderabad
CDR	Cash Deposit Receipt
CDSL	Central Depository Services (India) Limited
CEGAT	Central Excise & Gold Appellate Tribunal
CESTAT	Customs Excise And Service Tax Appellate Tribunal
CDSCO	Central Drug Standard Control Organisation
CGMP	Current Good Manufacturing practices as defined by WHO
CIS	Commonwealth for Independent states
CII	Confederation of Indian Industries
CLB	Company Law Board
CM/cm	Centimeter
CMD	Chairman and Managing Director
Cmsqr	Centimeter Square
CO	Carbon Mono Oxide
CoS	Certificate of Suitability
CRO	Contract Research Organisation
DBT	Department of Biotechnology, Ministry of Science & Technology, Government of India
DC	Direct Current
DCA	Department of Company Affairs
DEPB	Duty Entitlement Pass Book Scheme
DG	Diesel Generation
DCGI	Drugs Controller General of India



Term	Description
DIP Guidelines	SEBI (Disclosure and Investor Protection Guidelines), 2000, as amended from time to time.
DMF	Drug Master File
DNA	De-oxy Ribo Nucleic Acid
DP	Depository Participant
DPCO	Drug( Price Control )Order,1995
DP ID	Depository Participant's identity
DR	Direct Reduction
EDMF	European Drug Master File
EMA	European Agency for the Evaluation of Medicinal Products
EDQM	European Directorate for the Quality of Medicines
EGM	Extra-ordinary General Meeting of the Company
EMS	Environmental Management System
EOU	Export Oriented Unit
EPCG	Export Promotion & Credit Guarantee Scheme
EP	European Patent
EPO	Recombinant Erythropoietin
EPS	Earnings Per Share
ESI	Employee State Insurance
ESOP	Employees Stock Option Scheme
ESPS	Employee Stock Purchase Scheme
Etc./etc	Etcetra
ETO	Excise & Taxation Officer
EU	European Union
EXIM	Export Import Policy, 2002-2007
Exim/EXIM	Export Import
F.Y / FY	Financial Year
FAFO	First and Final Order
Fax	Facsimile
FCD(s)	Fully Convertible Debentures
FCNR	Foreign Currency Non Resident
F&D	Formulation Development
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations framed there under.
FG	Finished Goods
FI	Financial Institution
FICCI	Federation of Indian Chambers of Commerce and Industry
FIIs	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 and registered with SEBI and as required under Foreign Exchange Management (Transfer or Issue of Security by a person resident outside India) Regulations, 2000 and under other applicable laws in India.
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FTA	Free Trade Agreement
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000





Term	Description
GAAP	Generally Accepted Accounting Practices
GATT	General Agreement of Tariff and Trade
GDP	Gross Domestic Product
GEAC	Genetic Engineering Approval Committee
GIR	General Index Register
GMP	Good Manufacturing Practices as defined by WHO
GOI	Government of India
HC	High Carbon
HUF	Hindu Undivided Family
I.T. Act	Income Tax Act
ICAI	The Institute of Chartered Accountants of India
ICMR	Indian Council of Medical Research
ICRISAT	International crop research institute for semi arid tropics, Hyderabad
ICGEB	International Centre for Genetic Engineering and Bio Technology- Italy
ICWA	Institute of Cost & Works Accountants
IDMA	Indian Drugs Manufacturers' Association
IICT	Indian Institute of Chemical Technology
IMS	IMS Health Incorporated
IPO	Initial Public Offer
IRDA	Insurance Companies registered with the Insurance Regulatory and Development Authority
ISI	Indian Standards Institution
ISO	International Standards Organization
ISR	Interim Sales Representatives
ITI	Industrial Training Institute
KLs	Kilo Liters
L/C	Letter of Credit
LAC	Latin American Countries
LIC	Life Insurance Corporation of India
LLA	Loan License Agreement
MADP	Medicinal, Aromatic and Dry plants
MF	Mutual Fund
Min.	Minutes
Mg	Milligram
Mio/mn	Million
Misc.	Miscellaneous
Mmu	Millimass unit
MNC	Multi National Company
MOA	Memorandum of Association
MODVAT	Modified Value Added Tax
MOU/ MoU	Memorandum of Understanding
MP	Management Perception
MRP	Maximum Retail price
M&D	Marketing and Distribution



<b>Term</b>	<b>Description</b>
MMD	Manufacturing, Marketing and Distribution
MTs	Metric Tons
NCAER	National Council of Applied Economic Research
N.A.	Not Applicable
NABARD	National Bank for Agriculture & Rural Development
NAV	Net Asset Value
NCEs	New Chemical Entities
NDA	New Drug Application
NDD	New Drug Development
NDDS	New Drug Delivery system
NHAI	National Highway Authority of India
NHB	National Housing Bank
NIN	National Institute of Nutrition, Hyderabad
NOC	No Objection Certificate
Nos.	Numbers
NPPA	National Pharmaceutical Pricing Policy
NRE	Non Resident External
NRIs	Non Resident Indians as defined under FEMA
NRO	Non-Resident Ordinary
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited
OBC	Oriental Bank of Commerce
OTC products	Over the Counter Products
p.a./P.a.	Per annum
P&M	Plant & Machinery
P/E	Profit Earning
PAN	Permanent Account Number
PAT	Profit After Tax
PBDIT	Profit Before Depreciation, Interest and Tax
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
PC	Personal Computers
PCT	Patent Cooperation Treaty
PF	Provident Fund
ppm	Parts per million
Pvt	Private
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
QIB	Qualified Institutional Bidders
Qtr/ Qtr	Quarter
Qty	Quantity
R&D	Research & Development



<b>Term</b>	<b>Description</b>
RBI	Reserve Bank of India
ROC/RoC	Registrar of Companies, Coimbatore, Tamil Nadu
RO	Reverse osmosis process
RONW	Return on net worth
SEBI	The Securities and Exchange Board of India
SED	Special Excise Duty
SPBPPL	Shapoorji Pallonji Biotech Park Pvt. Ltd.
Si	Silicon
Sqr/sqr	Square
Sq. Ft	Square Feet
STO	Sales Tax Officer
t/yr	Tonne per year
TAN	Tax Deduction Account Number
Tel	Telephone
TGA	Therapeutic Goods Administration, Australia
TNW	Total Net Worth
Ton/ton/T	Tonne
TPA	Tonne Per Annum
TPY	Tonne Per Year
TRS	Transaction Registration Slip
TRIPs	Trade-related Aspects of Intellectual Property Rights
U.K.	United Kingdom
UKMHRA	United Kingdom Medicines and healthcare products Regulatory Agency
UIN	Unique Identification Number
US/U.S.	United State of America
USD	United States Dollar
USFDA	United States Food & Drugs Administration
UTI	Unit Trust of India
WHO	World Health Organisation
WHO GMP	World Health Organisation- good Manufacturing Practices
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation
www	World Wide Web



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## SECTION II - GENERAL

### CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. Our current fiscal year commenced on April, 1, 2006 and ends on March 31, 2007. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums 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 this 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 this Red Herring Prospectus should accordingly be limited. The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, and the Company urges you to consult your own advisors regarding such differences and their impact on our financial data. For definitions, please see the section titled "Definitions and Abbreviations" [on page vi](#) of this Red Herring Prospectus. Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from industry publications. 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 are not guaranteed and their reliability cannot be assured. Although the Company believes that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified.

### CURRENCY OF PRESENTATION

In the Red Herring Prospectus, all references to "Rupees" and "Rs." and "Indian Rupees" are to the legal currency of the Republic of India. Through out the sections on 'Financial Information' in the Red Herring Prospectus figures have been expressed in Rs Lacs. The term 'Lacs' means 'Hundred Thousand'. And the term Crore means 'Ten Million'.

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



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## FORWARD-LOOKING STATEMENTS AND MARKET DATA

In this Red Herring Prospectus, the terms “we”, “us”, “our Company”, “the Company” or “PIL” or “Pochiraju Industries Ltd” unless the context otherwise implies, refers to Pochiraju Industries Ltd.

This Red Herring Prospectus contains certain forward-looking statements. These forward-looking statements generally can be identified by words or phrases like “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward looking statements”. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about us 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 but are not limited to:

- General economic and business conditions in India;
- Our ability to successfully implement our growth strategy and expansion plans;
- Our ability to respond to technological changes;
- Changes in laws and regulations relating to the industry in which we operate;
- Changes in political and social conditions in India;
- The loss of our key employees and staff;
- Any adverse outcome in the legal proceedings in which our Company is involved; and
- The loss or shutdown of operations of our Company at any time due to strike or labour unrest or otherwise
- The occurrence of natural disasters or calamities affecting the areas in which we have our operations.

For further discussion of factors that could cause our actual results to differ, refer to the section titled “Risk factors” beginning on page xiii of this 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 we, our Directors, the BRLMs, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date thereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the BRLMs and we 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 Exchanges in respect of the Equity Shares allotted in this Issue.

Market data used throughout this Red Herring Prospectus was obtained from our internal Company reports, data, websites and industry publications. Industry publication data and website data generally state that the information contained therein has been obtained from sources believed to be reliable, but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, we believe market data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed by us to be reliable, have not been verified by any independent source.



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### SECTION-III

#### RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, profitability and financial condition could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.

This Red Herring Prospectus also includes statistical and other data regarding the Indian pharmaceutical industry. This data was obtained from industry publications, reports and other sources that the Lead Managers and we believe to be reliable. Neither the Book Running Lead Manager nor we have independently verified such data.

#### A) Risks Internal to our Company

**1. Our Company is promoted by first generation entrepreneur and the investors will be subjected to all consequential risk associated with such ventures.**

One of the Promoters, Mr. P.Sudhakar is a qualified Chartered Accountant, Cost Accountant and Company Secretary with a varied experience in the fields of Management Consultancy, Financial engineering and project implementation. He was associated with leading pharma industries in Hyderabad from the conceptual stage till the completion. This experience helped him to successfully establish a green field floriculture project and our company's business and net profit are growing continuously.

We have entered into technical collaboration with Internationally renowned organisations viz. Biofin Laboratories Italy and ICGEB Italy who would provide technical know-how and support for establishing the bio pharmaceutical plant. Dr. Suvarchala Devi, Dr. A. Ramaiah, Mr. Durga Prasad and Mr. PLN Sharma who have expertise in Bio-Pharmaceutical manufacturing and research are on our company's Board and they look after all our pharma business operations. We don't foresee any problems in implementation of the project.

**2. Our company is diversifying its activities from Floriculture to Bio pharma and Pharma business. We plan to enter the Indian and overseas market for the first time for our biotech pharma products with our own branded formulation. Our company has not entered into any definitive agreements for marketing of the Bio-pharma and Pharma products.**

Our company is diversifying into the Bio Pharma and Pharma businesses from the present activity of Flower production. [Our company proposes to sell](#) biotech products like Erythropoietin, interferon alpha pegylated and hyalurononic acid and bio parenteral products with our own branded formulation and certain other molecules. As European countries are opening their markets for Biogenerics and also the proposed products are becoming out of patent we see a lot of potential market for our proposed products in those countries in addition to continuous growing demand in domestic market. As we propose to set up our manufacturing facilities as per latest UK MCA, EMEA, TGA AUSTRALIA and US FDA standards we are confident that our products are well accepted in these markets.

**3. Shapoorji Pallonji Biotech Park Pvt. Limited (SP Biotech Park - Hyderabad), vendor of the land for the proposed Biopharma Project is yet to hand over the land to the issuer company. Any delay in handing over the possession may adversely affect implementation schedule of the project.**

Our company has applied to Shapoorji Pallonji Biotech Park Pvt Ltd (SPBPPL) i.e. vendor for allotment of land / plot and received provisional allotment of 5 acres land/plot from them vide their letter dated 27.3.2006. Subsequently, vide their letter dated 28th September, 2006 have informed us that the said plot now would be registered and handed over to us on completion of infrastructure facilities on or before 31.12.2006. Considering the above the implementation of the Bio pharma project may be delayed by a period of 4 months.

**4. The proposed Bio pharma project is currently in the initial stage of implementation. Inability to complete the project as per the stated schedule of implementation may lead to cost/time overruns and may impact future profitability of our Company.**

Our company is diversifying into bio pharma and pharma businesses and is proposing to set up Bio-fermentation, protein purification and bio parenteral units which require significant capital expenditure for activities like purchase of land, civil





structures, Technical Know-How and plant machinery. For more details on our planned capital expenditure please refer to the section entitled “Objects of the Issue” beginning on [page 21](#) this Red Herring Prospectus. The estimates in our capital expenditure plans are based on techno economic viability report prepared in November, 2005 by Andhra Pradesh Industrial and Technical Consultancy Organisation Limited, Hyderabad APITCO, an independent organisation. Based on the report Oriental Bank of Commerce has sanctioned a term loan of Rs 1000 Lacs for the proposed bio pharma business.

We have entered into Agreements with International Centre for Genetic Engineering and Biotechnology, Italy and Biofin Laboratories Italy, the Technology Providers for the Bio-pharma Products.

Company has applied for allotment of land / plot in Shapoorji Pallonji Biotech park Pvt Ltd ( SPBPPL) and they have made a provisional allotment of land of 5 acres vide their letter dated 22.2.2006.

Our company has identified vendors for the plant & machinery/equipment to be purchased and civil contractors/architects for construction of civil structures and will place orders for the same at an appropriate time. For the balance equipments, we do not reasonably foresee any problem in procuring them.

Our promoters have adequate experience and expertise in setting up and project management of such projects. Professionals in key areas have also been employed to supervise the setting up of the proposed bio pharma project. Consequently, our Company does not envisage any difficulty in meeting the implementation schedule. Moreover a contingency amount of 134.00 Lacs has been provided for in the project to meet cost escalation if any, due to delay in implementing the project for reasons beyond our control.

- 5. Our sustained growth depends on our ability to attract and retain skilled manpower particularly for research and development, which is a key component of our business model. Failure to attract and retain skilled manpower could adversely affect our growth strategy. Any significant changes in the key managerial personnel, may affect the performance of our Company.**

Our Company has been successful in recruiting and retaining a sufficient number of key managerial personnel in all the important fields i.e. Production, Research & Development, Finance and Commercials for the existing floriculture business. We have never experienced work stoppage as a result of labour disagreements or otherwise. We have also recruited a sufficient number of Professionals and experts to meet the requirement of pharma business and we don't foresee any problems in procuring and retaining the required manpower.

- 6. Our Company may face growing/new competition from existing players and new entrants. The performance of our Company and profitability may be adversely affected.**

Our main focus will be on Research & Development and to build strong technical partnerships with industry leaders in India and Overseas to continuously improve our processes which result in cost cutting, improvements in process yields and also creating economies of scale in production to remain competitive. With these efforts in place, our Company is confident of facing the competition.

- 7. In the event that our company's competitors develop substitutes for our company's products, or there is a change in technology, our company may face difficulties in marketing its products and thereby and our company's revenues and profitability may decline.**

With the support of professional experts in our company's Management & guidance from Technical collaborators we strive to evolve new products in close interaction with all our customers. We keep track of latest developments in our business, improve our product lines, and develop our existing and new molecules

- 8. In the event of any improper handling of the raw materials used in manufacture of our pharma products, we may face significant damages, which may affect our profitability.**

We have identified competent production team to follow Good Manufacturing Practices (GMP), which ensures proper defined procedures of handling raw materials, including adequate testing.

- 9. If we fail to comply with environmental laws and regulations or become subject to environmental litigation within the country or in the international markets that we cater to, our profitability may be adversely affected.**

The products of our floriculture segment have, till date, not been subject to any environmental or other litigation and we do not foresee any such eventuality. With regard to our Pharma segment we take all the precautions to comply with all environmental laws and regulations as prescribed by the State Pollution Control Board and other regulatory bodies.



- 10. We require certain registrations and permits from government and regulatory authorities in the ordinary course of business for our existing as well as for the proposed diversified business activities and the failure to obtain them in a timely manner or at all may adversely affect our operations. Our Company is yet to obtain the following permissions from Government Authorities for our proposed Bio pharma and Pharma businesses.**

**i. FOR BIO PHARMA BUSINESS**

Our company is in the process of applying for the required licenses from the various departments as listed below for the Bio Pharma Business under Single window clearance from State Government of Andhra Pradesh.

- State Pollution Control Board
- State Drug Department
- Water Works Department
- Electricity Department
- Municipality
- Factories Department
- Urban Development Authority
- State Industries Ministry
- Commercial Taxes Department
- Central Excise Department
- Boiler Authorities

**ii. FOR PHARMACEUTICAL BUSINESS**

We propose to manufacture the Pharmaceutical products under Loan License under Contract manufacture agreement; the application for the Loan License has been made to The Director, Drugs Control Administration, Hyderabad on 2nd May 2006. Drugs Control administration, Govt of Andhra Pradesh has since granted Loan licence no. L. Dis/4627 stores-2/2006 dt 19.06.2006 for a period of 5 years from 16.6.2006

- The above permissions are in the usual course of business and we do not envisage any difficulty in obtaining the same from the respective authorities.

- 11. Pending utilization in the project, the proceeds of the issue will be invested in nonproductive assets such as government securities and short-term bank deposits. This deployment may not result in adequate returns for our Company.**

The project is expected to be completed by [December, 2007](#). Only for a very short period during the implementation schedule the funds may be invested in the instruments mentioned above.

- 12. Our Company has not yet placed any orders for the Plant & machinery required for proposed Bio pharma unit for which an amount aggregating Rs. 1394 lacs has been included in the cost of project.**

Our Company has already identified the proposed suppliers of machinery and the orders shall be placed during the construction of buildings for the proposed projects. The commissioning of the project is September 2007 and most of the equipments have a delivery period of 3 months. The placing of orders for machinery shall be planned accordingly.

- 13. The Pharma segment working capital requirements estimated at Rs 1000 lacs have not been appraised by any Bank/Financial Institution.**

The funds requirement and funding plans for the working capital requirements of our pharma business are as per our own estimates, and have not been appraised by any bank/financial institution. The deployment of funds in the project is mainly used for the purpose raw material, packing material, work-in process, and receivables required for the production cycle.

- 14. Active Pharmaceutical Ingredient (API) product segment is very competitive.**

Prices of APIs can fluctuate depending on, among other factors, the number of producers and their production volumes and changes in demand, none of which are under our control. We continuously strive to reduce costs and develop cost effective processes so that we are not affected by any such adversity.



**15. We may be unable to cope with technical and regulatory developments in the industry.**

Technology plays a vital role in the Pharmaceutical Industry. Any failure to keep abreast with technological advancements might place our competitors at an advantageous position in terms, of cost, efficiency and timely delivery of final products. In our existing operations we are very competitive because of our ability to keep abreast and incorporate the latest technology and cost saving measures. Since inception, we have been continuously moving forward, keeping in line with technical and regulatory developments in the industry. We strive to continue to adopt similar strategy for our proposed Bio pharma and pharmaceutical segments also.

**16. We will be controlled by our Promoters as long as they own a majority of our Equity Shares and our other shareholders will be unable to affect the outcome of shareholder voting during such time.**

After the completion of the Issue, the Promoters will own approximately (\*) % of our issued Equity Share Capital. So long as the Promoters own a majority of our Equity Shares, they will be able to elect our entire board of directors and remove any director, by way of a resolution approved by a simple majority of the shareholders in a general meeting. The Promoters will be able to control most matters affecting us, including the appointment and removal of our officers; our business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets; our dividend payout; and our capital structure and financing. Further, the extent of the Promoters shareholding in us may result in delay or prevention of a change of management or control of our company, even if such a transaction may be beneficial to our other shareholders.

**17. There are restrictive covenants under our Loan Agreements.**

We have entered into agreements with Oriental Bank of Commerce (O.B.C.) for short-term loans and long-term borrowings. These agreements contain certain restrictive covenants. We require the prior permission of the Bank, for the declaration of dividends, alteration of our capital structure, acquisition and sale of company's assets, undertaking of any new project or making investments or taking assets on lease, creation of any encumbrance on the assets given as security, change in the key personnel and any change in the constitutional documents of our Company.

Further, the Working Capital Loan Agreement we have entered into with O.B.C. restricts us from opening a account in any other bank. without its prior approval. All sale proceeds necessarily have to be routed through the accounts with O.B.C.

**18. Our company yet to recruit the required manpower for the proposed pharma business.**

Our company has requisite manpower for running its existing operations. However for the proposed bio-pharma and Pharma activities the required personnel will be recruited in due course of time.

**19. Our company's future success depends to a significant extent on key technical and Managerial personnel.**

We have highly qualified personnel as our Directors in addition to our other key managerial personnel. Our future performance will depend upon the continued services of these persons. We don't foresee any problem in retaining these technical personnel. We also have strong technical collaborations that will help us in all our technical, and production related matters.

**20. We may not be able to develop economical non-infringing processes for new APIs, which would prevent us from selling those products.**

In addition to patents on pharmaceutical products, many drug innovators and others make proprietary claims with respect to the processes for the manufacture of pharmaceutical products. In order to sell our APIs into markets where process patents have been issued or sought, we must develop non-infringing processes for their manufacture or an existing process must come off patent or be determined to be non-patentable. We will take all the necessary steps and precautions to develop economical processes that are non-infringing in the key markets of new target APIs.

**21. Our revenues and profitability are dependent on a number of factors, and may vary significantly from quarter to quarter. Therefore, our historical financial results may not be an accurate indicator of our future performance.**

Our growth has varied from year to year in recent years and may vary significantly in the future from year to year. Our revenues and profitability are dependent on a number of factors, such as:

- Introduction of new pricing policies, services or products by us or our competitors;
- Our ability to complete mergers and acquisitions and also successfully integrate with such entities;
- Our ability to respond to changes in laws;



- Effect of global regulatory changes on products which are also manufactured and/or marketed by us;
- Currency exchange rate fluctuations, particularly of the Indian Rupee against the U.S. Dollar;
- Fluctuations in interest rates; and
- General economic and political conditions.
- As a result of the foregoing uncertainties, the period-to-period comparisons of our historical and continuing business results of operations may not be an accurate or meaningful indicator of our future performance.

**22. The company's present revenues accrue from Agriculture/Horticulture related activity which is dependant on agro- climatic conditions, other agri inputs and proper post harvest care.**

Any abnormal changes in agroclimatic conditions, shortfall in availability of agri inputs may adversely affect the flower production and thereby the revenue streams of the company from this activity .

The company is growing the rose plants under controlled environmental conditions in green house to mitigate the adverse effect of climatic conditions and to ensure proper and timely supply of inputs like water, nutrients etc. The company also has adequate infrastructural facilities like cold storage to take care of the post harvest operations.

**23. Our strategy to eventually develop and commercialise bio pharma and pharma products will subject us to significantly greater risks than our current floriculture business.**

The development of bio pharma and pharma products is significantly more uncertain, lengthy and costly and dependent on more factors beyond our control. Products that appear promising in the early phases of development may fail to reach the market for numerous reasons such as:

- products may fail to receive necessary regulatory approvals;
- products may turn out to be uneconomical to commercialise because of manufacturing costs or other factors;
- products may be found to be ineffective or to have harmful side effects in preclinical or clinical testing; and
- Unsuccessful completion of clinical trials for our products within any specific time period, or at all, for a variety of reasons, such as our inability to attract a sufficient number of investigators, our inability to enroll and maintain a sufficient number of patients in the clinical trials and suspension of the trials by regulatory authorities.

These factors may also lead to gaps in the product development pipeline and delays between the approval of one product and approval of the next new product.

But with the expertise of our Technical people and our Technical collaborators we are confident that we will be able to get all the necessary regulatory approvals, successfully complete the clinical trials required, develop and launch proprietary products on a competitive and profitable basis on commercial scale.

**24. The success of our innovative processes and products depends on the effectiveness of our patents and confidentiality agreements to defend our intellectual property rights.**

Our success with our innovative processes and products depends, in part, on our ability to protect our future innovations and to defend our intellectual property rights. If we fail to adequately protect our intellectual property, competitors may manufacture and market products similar to ours. Any future patents issued to or licensed by us may not provide us with any competitive advantages for our processes or products or may even be challenged, invalidated or circumvented by competitors. In addition, such patent rights may not prevent our competitors from developing, using or commercialising processes or products that are similar or functionally equivalent to our innovations.

We also rely on trade secrets, unpatented proprietary know-how and continuing technological innovation that we seek to protect, in part, by confidentiality agreements with licensees, suppliers, employees and consultants. It is possible that these agreements will be breached, and we may not have adequate remedies for any such breach. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements. Furthermore, our trade secrets and proprietary technology may otherwise become known or be independently developed by our competitors in full or in part.

**25. We had filed a Draft Prospectus in the month of November 2003 for a Public issue of 15,16,16,190 Equity shares of Re.1/-each at par for expansion of the existing activities and setting up of Bio-Parenteral manufacturing facilities with SEBI and BSE. SEBI - Southern Regional Office had given its observation vide letter no: SRO/PMD/IMID/EIF/2003/14/1532 dated December 5, 2003. BSE vide its letter dated 30.01.2004 had declined to give its in-principle approval for listing of the shares.**



The expansion of the existing activity was completed through Promoters Contribution & Term Loan from company's bankers.

**26 At present Our company doesnot have own manufacturing facilities for production of pharmaceutical formulations such as capsules, tablets etc.which may affect our proposed pharma business operations.**

Our company had entered into contract manufacturing agreement with M/s. Sunrise International Labs Limited having its manufacturing facilities at Plot No:100, Lane 5, Sector - II, Phase-II, IDA, Cherlapally, Hyderabad initially for a period of two years for manufacturing of proposed pharmaceutical formulations Our company has also obtained Drug Licence from Drug Control of Andhra Pradesh for manufacture of proposed formulations under Loan license agreement. However, there are no restrictive covenants in the agreement which may have any adverse impact on the financials or operations of the company .

**27. During last 12 months promoters and promoter group persons have been issued equity shares of face value of Re.1 at par and the details are as under. Subsequently on 17.04.2006 the shares of the company with face value of Re. 1 have been consolidated into with face value of Rs 10. The Company at which the shares are issued to the Promoters and Promoters Group may be lower than the expected issue price .**

	Allotment of No of shares of face value Re. 1 each		
Date of Allotment/ Category	25.02.2006	20.03.2006	03.04.2006
Promoters	—	9,00,000	—
Promoter group	—	16,00,000	—
Others	14,25,520	5,00,000	18
<b>Total</b>	<b>14,25,520</b>	<b>30,00,000</b>	<b>18</b>

**28. Company has entered into technical collaboration agreements with ICGEB and Biofin Laboratories, Italy for providing technical knowhow for the bio pharma business. The agreements contain the following restrictive covenants which may have adverse impact on the implementation of the project or financials or operations of the company.**

**Agreement with ICGEB:**

- ICGEB will transfer the technical know of the products on an exclusive basis to our company for India for a period not exceeding three years from the agreement date . After that date ICGEB will have right to transfer the technology to other parties..
- ICGEB may terminate the agreement with our company with a six months written notice , if any payment of the instalments as agreed is not made within 30 days of written notice of delinquency from ICGEB.

**Agreement with Biofin Laboratories ;**

- Our Company is not permitted to resell the technical Know-How to third parties without the written consent of Biofin.
- Till the fee as mutually agreed by both the parties is paid by us to Biofin, Our Company is not authorised to enter into industrial production of Hyaluronic acid.
- Biofin warrants to have the legal right to sell and transfer the know how and at the same time no infringement of current patent or ownership is performed.

**B. EXTERNAL TO OUR COMPANY**

**1. Our performance is highly dependent upon demand from and regulatory policies of the United States and Europe.**

Since the largest and fastest growing component of our revenue comes from product exports and services to developed country markets, principally the United States and the European Union, our performance is highly dependent upon demand from and regulatory policies adopted in these markets. Demand in these markets is often driven by reimbursement policies of large health insurers and government benefits providers. As part of an effort to contain health care costs, governments and private insurers have sought to reduce the costs of prescription drugs. This effort may reduce the profitability of drug sales in developed country markets and the level of research and development undertaken by pharmaceutical companies that service those markets. These developments, in turn, could have a material adverse effect on our product sales. Policy decisions by major developed country regulators, such as the US FDA and EDQM, that have





the effect of making it more difficult for producers and service providers from developing countries such as India to provide products into their markets or research services for other companies that service their markets, would have a material adverse effect on our businesses. Such policies could include limitations on outsourcing to developing countries, extension of product patent rights and limitations on the importation of active pharmaceutical ingredients.

**2. Governmental regulations may restrict our ability to sell our products, which could result in a loss of revenues.**

Our facilities, manufacturing, labeling, pricing, and sales and marketing are subject to extensive regulation by numerous governmental authorities, including authorities in India and the European Union, as well as governmental authorities in the United States, such as the US FDA. Our research and development activities are subject to laws regulating such things as laboratory practices and the use and disposal of potentially hazardous materials. We are also required to obtain and maintain regulatory approval to market products for approved indications in India, the United States, the European Union, Japan and other markets. Even when we are able to obtain regulatory approval for our products, both our manufacturing processes and our marketed products are subject to continued review. Subsequent discovery of previously unknown problems with the safety or efficacy of our products or manufacturing processes may result in restrictions on these products or processes, including withdrawal of the products from the market or suspension of our manufacturing operations.

Drug formulation and drug discovery will subject us to new and potentially more stringent regulations, especially in the areas of drug safety and efficacy. We cannot assure you that we will be successful in meeting applicable regulatory requirements with respect to drug formulation or drug discovery or any other new business area we seek to enter.

**3. If changes in technology or therapeutic preferences make our products obsolete, our product sales and revenues will decline.**

Pharmaceutical and biotechnology development is characterized by significant and rapid technological change and sometimes-significant shifts in therapeutic preferences. Research and discoveries by others, including developments of which we are not currently aware, may make our products obsolete. If changes in technology or therapeutic preferences make our products obsolete, doctors will be less likely to prescribe our or our customers' products, and sales of our products will be reduced. If sales of our products are reduced, our results of operations could be adversely affected.

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

Terrorist attacks and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

**5. Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer.**

South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, such as between India and Pakistan. In recent years there have been military confrontations along the India-Pakistan border. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares and on the market for our services.

**6. Our performance is linked to the stability of policies and the political situation in India.**

The role of the Indian central and state governments in the Indian economy on producers, consumers and regulators has remained significant over the years. Since 1991, the Government of India has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. The most recent Government of India, which was formed in June 2004, has continued policies and taken initiatives that support the continued economic liberalization policies that had been pursued by the previous governments. We cannot assure you that these liberalization policies will continue in the future. Protests against privatisation could slowdown the pace of liberalization and deregulation. The rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.





**7. Increasing employee compensation in India may erode some of our competitive advantage and may reduce our profit margins.**

Employee compensation in India has historically been significantly lower than employee compensation in the United States and Western Europe for comparably skilled professionals, which has been one of our competitive strengths. However, compensation increases in India may erode some of this competitive advantage and may negatively affect our profit margins. Employee compensation in India is increasing at a faster rate than in the United States and Western Europe, which could result in increased costs relating to scientists and engineers, managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to remain competitive and manage attrition. Compensation increases may have a material adverse effect on our business, results of operation and financial condition.

**8. After this Issue, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop.**

The prices of our Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including volatility in the Indian and global securities market or in the Rupee's value relative to the U.S. Dollar, the Euro or the Yen, our results of operations and performance, perceptions about our future performance or the performance of Indian pharmaceutical companies generally, performance of our competitors in the Indian pharmaceutical as well as floriculture business and the perception in the market about investments in these business sectors, significant developments in the regulation of pharmaceuticals in our key markets, adverse media reports on our company or the Indian pharmaceuticals/floriculture industry, changes in the estimates of our performance or recommendations by financial analysts; significant developments in India's economic liberalization and deregulation policies, and significant developments in India's fiscal and environmental regulations.

There has been no public market for our Equity Shares and the prices of our Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue. Our share price is likely to be volatile and may decline.

**9. Our profitability would decrease if the Government of India or the States of Tamilnadu /Andhra Pradesh Reduced or withdrew tax benefits and other incentives it currently provides to us.**

Our company at present is deriving its income from Horticultural and Agricultural operations, the income of which is exempted from Income Tax. Further, the proposed Bio- pharma is assumed to enjoy some tax benefits from Govt. of India and Govt of A.P. We cannot assure you that the tax rate will not be increased in the future.

We also currently taking advantage of various income tax exemptions and deductions, which are applicable to companies engaged in agricultural and export activities. Specifically, we avail of benefits under Section 10B and Section 35(2AB) of the Income Tax Act, 1961.

For details, please refer to the section entitled "Statement of Tax Benefits" on page 40 of this Red Herring Prospectus. Accordingly, our effective tax rates (provision for taxation/profit before tax, extraordinary items and adjustments on a consolidated basis) for fiscal 2006 were nil %. The loss or unavailability of these benefits would likely increase our income tax obligations and have a material adverse effect on our profits and cash flow.

**10. Force majeure events, particularly those affecting the states of where our facilities are located, could adversely affect our business.**

We our present activities are in the state of Tamilnadu and facilities for pharma business units are proposed to be located in the state of Andhra Pradesh, India. It is possible that earthquakes, cyclones, floods or other natural disasters in India, particularly those that directly affect the areas in which our facilities and other operations are located, could result in substantial damage to our manufacturing facilities and other assets and adversely affect our operations and financial results.

**11. Disruptions or lack of basic infrastructure such as our electricity supply from Andhra Pradesh and Tamilnadu State Electricity Boards could result in an increase of manufacturing costs.**

In addition to supply from the Tamilnadu State Electricity Board, we have parallel diesel generator sets to meet our present floriculture business requirements. We also propose to have power supply from Andhra Pradesh State Electricity Distribution Company for our Pharma Operations. Any disruption in basic infrastructure, such as supply of electricity from these State Electricity Board/Distribution Company could substantially increase our manufacturing costs. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power is disrupted. Any disruption of the existing power or failure to obtain additional power as required by us may result in additional costs on us and have an adverse effect on our business, results of operations and financial condition.



**12. Changes in trade policies may impact us.**

Any change in policies by the countries, in terms of tariff and non-tariff barriers, from which we import raw material/ machinery and/or countries to which we export our products, may have an impact on our profitability.

**13. A slowdown in economic growth in India could cause our business to suffer.**

The Indian economy has shown sustained growth over the last few years. The estimate of GDP released by the Central Statistical Organization has placed the GDP growth at 6.9% in fiscal 2005. GDP in India grew at 8.5% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. India's GDP growth for the first quarter of fiscal 2006 (April-June) accelerated to 8.1% from 7.6% in the corresponding period last year, signaling continued strong growth. (Source: Macroeconomic and Monetary Developments - Mid-Term Review 2005-06, Reserve Bank of India.) Any slowdown in the Indian economy and the consequent impact on disposable income could adversely affect our flower business income, which could adversely affect our results of operations.

**14. Imposition of anti-dumping duties by importing countries.**

Imposition of anti-dumping duties by importing countries for protecting their domestic industry from the onslaught of import may adversely affect our ability to export our products and may have an adverse impact on our business.

**15. Any downgrading of India's debt rating by an international rating agency could negatively impact our business.**

Any downward revisions to India's credit ratings for domestic and international debt by international credit rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms on which such additional financing is available. This could have a material adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures and the trading price of our Equity Shares.

**16. Any adverse change in the Government Policies in Pharma Industry may affect the performance and profitability of our company.**

Our company does not foresee any adverse policy changes detrimental to the growth of Pharma industry as the Government of India has identified biotech and Biopharma as the thrust areas for growth.

**17. Any fluctuations in the exchange rate will have an impact on our company's operations..**

The exchange rate between the Rupee and the U.S. Dollar has changed substantially in recent years and may continue to fluctuate substantially in the future. We expect that a majority of our revenues will continue to be generated in U.S. Dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in Rupees. While we enter into forward contracts to minimize the impact of fluctuating exchange rates, we cannot assure you that we will be able to effectively mitigate the adverse impact of currency fluctuations on our results of operations.

**18. Any change in the regulatory environment may have an impact on the business of our company.**

The Government of India has identified the biotech industry as a thrust area and a wide variety of incentives and facilities are being provided to encourage the growth of the industry. Our company does not foresee any adverse policy changes in the near future that could be detrimental to its growth.

**19. Emerging competition, particularly from MNC Pharma companies could have an adverse impact on our company's projected profitability and performance.**

Our company will be building manufacturing facilities of international standards and negotiating for contract manufacturing with leading pharma companies.

**Notes to Risk Factors**

1. The Net Worth of our Company before the Issue, as on 31st March, 2006 are as on 30th September, 2006 are Rs. 933.51 lacs and Rs. 1289.16 lacs respectively.
2. Public Issue of [●] Equity Shares of Rs. 10 each at a price of Rs. [●] for cash aggregating to Rs.3757.00 Lacs. The Issue comprises of Promoters Contribution of [●] Equity Shares aggregating to Rs. 300.00 Lacs and the Net Issue to the public of [●] Equity Shares aggregating Rs. 3457.00 Lacs ("Net Issue").
3. The average cost of acquisition of Equity Shares of Rs. 10/- each by our Promoters, is as follows:

Name of our Promoters	Average cost of acquisition of shares (Rs.)
Mr. P. Sudhakar	10.00
Mrs. P. Sailaja	10.00



4. Book value per Equity Shares was Re.1.73/- at a face value of Re.1/- per share as on March 31, 2006. (as per the audit report by the M/s. B.Rama Rao & Co, dated 8th May 2006) and was Rs. 24/- at the face value Rs. 10/- per share as on 30th September, 2006 (as per the audit report by the M/s. B.Rama Rao & Co, dated 24th November, 2006).
5. Our Company has not issued any bonus shares since inception.
6. Investors may please note that in the event of over-subscription, allotment shall be made on a proportionate basis in consultation with BSE, the Designated Stock Exchange.
7. Investors are free to contact the BRLMs for any complaints / information / clarification pertaining to this Issue. For contact details of the BRLMs, please refer to the section of “Issue Management Team” [on page no 8](#) of this Red Herring Prospectus.
8. Our Company and the BRLM shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
9. There are no contingent liabilities as on 31st March 2006 and September 30, 2006 except as mentioned in the Auditor’s report.
10. Investors are advised to refer to the paragraph ‘Basis for Issue Price’ [on page 37](#) before making an investment in this issue.
11. 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 demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation. Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form and also update their demographic details with their respective depository participant.
12. For details of liens and encumbrances on the properties and assets of our Company, please refer to the section on Financial Statements [on page 112](#).
13. For details of related party transactions, please refer to the section on Financial Statements [on page 112](#).
14. This Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be reserved for Mutual Funds. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net 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.



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## SECTION - IV

### INTRODUCTION

#### SUMMARY

You should read the following summary together with the section on “Risk Factors”, the section on “Industry” and “Our Business”, and section on “Financial Data” included in this Red Herring Prospectus.

Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, please refer to the section on “Forward Looking Statements and Market Data” on page xii in this Red Herring Prospectus.

#### INDUSTRY SCENARIO:

##### 1. FLORICULTURE INDUSTRY (Existing Activities)

###### GLOBAL CUT ROSE INDUSTRY

Industry size: USD 64 bn

Growth rate: 10-12.5 per cent annually

Major consuming nations: USA, Canada, Europe, Japan, Australia, and Middle East and New Zealand

Major production nations: Europe, North America, South America, Africa and Asia

Total area under greenhouse: 40,000 hectares

###### INDIAN ROSE MARKET

Size of India’s exports: Rs. 250 cr (less than 0.5 per cent of the world’s floriculture turnover)

Total area of cultivation in India: 200 hectares

Bangalore’s share: 150 hectares

##### 2. THE PHARMA INDUSTRY (PROPOSED ACTIVITY)

###### GLOBAL SCENARIO

The global pharmaceutical industry is a very vibrant, high growth, highly technical and is highly lucrative industry. The most notable economic strong holds of the leading pharmaceutical companies are - High profit margins and Blockbuster drugs. The top 11 pharmaceutical companies each have sales of more than US\$ 10 billion with profit margins of over 16%.

Having at least one or two block buster drugs on the market as well as a few in the pipeline is crucial if leading pharmaceutical corporations want to stay on top. In 2000 for example Astra Zeneca the fourth largest Pharmaceutical Corporation in the world - brought in sales of US \$6.3 billion with its blockbuster drug Lose (generic name Prisolet), a treatment for gastrointestinal conditions. Losec is the biggest selling drug globally and made up almost half of the Astra Zeneca total drug sale during 2000. Merck’s cholesterol drug Zocor is the second highest selling drug and was worth US\$5.28 billion in sales in 2000 that is almost on third of the company’s total drug sales.

###### EMERGING TRENDS

The pharmaceutical industry is always looking for opportunities for growth particularly since patents on many of their blockbuster drugs are soon to expire. Some of the emerging trends include

- Mega-mergers between leading pharma players
- Restructuring of operations
- Advancement of Biotech

###### MERGERS:

Many patents of the Blockbuster drugs are very soon going to be expired. And there are very few potential blockbuster drugs in pipeline. In 2000 Glaxo Wellcome bought up Smith Kline Beecham and become Glaxo SmithKline the largest pharmaceutical company in the world. Pfizer bought Warner - Lambert etc. By merging the companies have been able to pool research and development resources and cut costs. Merging also enabled these companies to increase their product lines by gaining a broader range of products across multiple therapeutic areas such as cardiovascular, central nervous system, respiratory etc.



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## **RESTRUCTURING:**

Another way by which the pharma giants are trying to increase their profitability is by restructuring their operations to focus on particular therapeutic areas. Pfizer, Glaxo SmithKline and Novartis have split their R&D efforts in to specific areas such as central nervous system, cancer and cardiovascular. These semi autonomous R&D units make R&D efforts more commercially viable.

## **BIOTECH**

Pharma Companies are also looking to keep up with their profits and sales growth through what they call the revolutionary breakthroughs of biotech.

## **BIOTECHNOLOGY:**

Biotechnology comprises techniques applied to organisms or parts thereof to produce, identify or design substances, or to modify organism for specific applications. Cell fusion techniques, hybridomas recombinant DNA technology protein engineering and structure based molecular design are considered as modern biotechnology.

Emanating from the above the structural and functional genomics complemented with computer-aided informatics and biochips are making fast inroads into the frontiers of modern biotechnology. Differentiated stem cell proliferation and animal cloning techniques are developing very fast. In addition, several technology platforms that have emanated from increased understanding of signal transduction pathways of cells and tissues, cell based immune rejections, tissue engineering, proteomics, bio-informatics including bio-chips and genomic sequencing of organisms, all these areas hold enormous hope for providing new biotech products that would have wide applications. Conventional biotechnology includes fermentation or conversion of substrates into desired products by biological processes, downstream processing for recovery of metabolites, use of microbes or enzymes for producing value added products, serums vaccines and diagnostics produced by conventional methods, reproduction, artificial insemination and embryo transfer technology, plant cell or tissue culture. Plant breeding for producing better seeds or plants cultivars, bio-fertilizers, bio-pesticides, plant growth stimulants, extraction and isolation of active principles from plants or animals or parts thereof.

World over, no sector of industrial activity was specifically designated as biotechnology industry per se so before the early seventeen's although conventional fermentation based industry was at its peak especially in the production of antibiotics, enzymes, fermented beverages, certain organic chemicals and biochemical's. Viral and bacterial vaccine were also produced by multiplying the target microorganisms (viruses) in specific pathogen free eggs or in certain safe cell lines or in defined biological media. The products were used as such or after inactivation.

This scenario fast altered with the rapid advances in genetics, microbiology and immunology at the molecular level. The techniques of splicing and recombination of nucleotide sequences at specific sites, the discovery of vectors for transporting trans-nucleotide sequences to organisms and stably integrating composite cassettes comprising promoters, genes, enhancers, markets, terminators, etc. into the chromosomes or through shuttle vectors, thereby enabling the expression of transgenic into unrelated hosts brought revolution to the understanding of biology of organisms. The polymerase Chain Reaction and the accompanying knowledge about the methods of magnification of Nucleotide sequence enabled the production of large quantities of hereditary material at ease. The combined effects of these developments resulted in the birth of modern biotechnology industry which started during the mid seventies and spanned up to the late nineties at a hurricane speed by the production of a large number of high potent bioactive proteins including hormones, cytokines, thrombolytic agents, growth promoters and regulatory molecules of several vital physiological functions that revolutionized human therapy.

In the agriculture sector, transgenic plants emerged that were resistant to pests, herbicides, viral and some microbial diseases, besides improving certain traits like enhancement in vitamins, certain amino acids, reduction in unwanted materials/metabolites etc. This situation continues to unfold newer frontiers of knowledge and technology in pharmaceuticals, agriculture, biochemicals, foodstuffs and environment management issues. Presently the advancement in stem cell research, production of biochips to understand genomics and proteomics, advances in bio-informatics, xeno-transplantations and organ/tissue revival methods in pharmaceuticals are bringing about newer hopes of prolonging healthier lives with enhanced longevity in human. Transgenic plants also hold enormous potential of increasing agriculture productivity and reducing production costs.



## THE ISSUE

<b>Equity Shares offered:</b> (Issue by the Company)	[●] Equity Shares of face value of Rs.10/- each aggregating to Rs. 3757.00 lacs.
<b>Issue Price</b>	Rs. [● per Equity Share
<b>Promoters' Contribution in the Issue:</b>	[●] Equity Shares of face value of Rs.10/- each aggregating to Rs. 300.00 Lacs.
<b>Net Issue to the Public</b>	[●] Equity Shares of face value of Rs.10/- each aggregating to Rs. 3457.00 Lacs.
Of which <b>A) QIB Portion</b> (Including the specific allocation of 5% within the category of QIBs to Mutual Funds).	[●] Equity Shares of face value of Rs. 10/- each constituting up to 50% of the Net Issue to the Public. <b>(Allotment on a proportionate basis)</b>
<b>B) Non-Institutional Portion</b>	[●] Equity Shares of face value of Rs 10/- each constituting at least 15% of the Net Issue to the Public <b>(Allotment on a proportionate basis)</b>
<b>C) Retail Portion</b>	[●] Equity Shares of face value of Rs 10/- each constituting at least 35% of the Net Issue to the Public <b>(Allotment on a proportionate basis)</b>
<b>Notes:</b> Under-subscription, if any, in any of the three categories would be met with spillover from the other categories, at the sole discretion of the Company, the BRLMs	
<b>Equity Shares outstanding prior to the Issue</b>	53,72,050 Equity Shares of face value of Rs.10/- each
<b>Equity Shares outstanding after the Issue</b>	[●] Equity Shares of face value of Rs.10/- each
<b>Objects of the Issue</b>	Please see section titled "Objects of the Issue" on <a href="#">Page No.21</a> of this Red Herring Prospectus for additional information.





## SUMMARY OF FINANCIAL INFORMATION

The following summary financial data has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and restated as described in the Auditor's Report of M/s. B. Rama Rao & Co. Chartered Accountants, Chartered Accountants dated 24th November, 2006 in the section titled "Financial Information". You should read this financial data in conjunction with our financial statements for each of Fiscal 2001, 2002, 2003, 2004, 2005, 2006 and for the half year ended 30th September, 2006 including the Notes thereto and the Reports thereon, which appears under the paragraph on "Auditors Report" in this Red Herring Prospectus, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 122 of this Red Herring Prospectus.

### **Statement of Profit & Loss Account**

(Rs. in Lacs)

		Year ended				Half Year Ended
Particulars	31-03-2002	31-03-2003	31-03-2004	31-03-2005	31-03-2006	30-09-2006
<b>Income</b>						
Sales & Service Income	159.85	223.26	242.37	356.61	949.68	1381.83
Other Income	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Income</b>	<b>159.85</b>	<b>223.26</b>	<b>242.37</b>	<b>356.61</b>	<b>949.68</b>	<b>1381.83</b>
<b>Expenses</b>						
Operating, Administrative and Other expenses	65.47	120.29	134.62	176.81	558.60	874.54
Financial Expenses	44.37	29.91	26.02	30.68	47.15	35.54
Depreciation	42.95	44.31	48.71	61.99	79.28	56.89
Miscellaneous expenses written off	1.06	1.06	1.06	0.84	0.00	0.00
Deferred Revenue Expenditure written off	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Expenses</b>	<b>153.85</b>	<b>195.57</b>	<b>210.42</b>	<b>270.32</b>	<b>685.03</b>	<b>966.97</b>
<b>Profit before taxes</b>	<b>6.00</b>	<b>27.69</b>	<b>31.95</b>	<b>86.29</b>	<b>264.65</b>	<b>414.86</b>
Less: Prior Period Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
<b>Add.interest prov.written back</b>	<b>0.00</b>	<b>11.92</b>	0.00	0.00	<b>0.00</b>	<b>0.00</b>
<b>Profit before Taxation and after prior period adjustments</b>	<b>6.00</b>	<b>39.61</b>	<b>31.95</b>	<b>86.29</b>	<b>264.65</b>	<b>414.86</b>
Less: — Taxation - Current	0.00	0.00	0.00	0.00	8.03	14.27
<b>Profit after Taxation</b>	<b>6.00</b>	<b>39.61</b>	<b>31.95</b>	<b>86.29</b>	<b>256.62</b>	<b>400.59</b>
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	0.00
Transitional Cumulative Provision for Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	0.00



## Statement of Assets and Liabilities

(Rs. in Lacs)

	Year ended					Half Year Ended
Particulars	31-03-2002	31-03-2003	31-03-2004	31-03-2005	31-03-2006	30-09-2006
<b>A. Fixed assets:</b>						
Gross Block	672.51	682.17	728.71	802.39	1170.08	1247.90
Less: Depreciation	89.36	133.67	182.38	244.38	323.66	380.55
Net Block	583.15	548.50	546.32	558.01	846.42	867.35
Capital Work-in-progress	3.80	71.32	134.15	204.56	48.41	93.19
<b>Total Fixed Assets (A)</b>	<b>586.95</b>	<b>619.82</b>	<b>680.47</b>	<b>762.57</b>	<b>894.83</b>	<b>960.54</b>
<b>Investments (B)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>C. Current Assets, Loans and Advances</b>						
Sundry Debtors	33.64	63.13	73.63	97.59	307.92	586.13
Cash and Bank Balances	5.12	8.25	17.77	18.37	19.68	22.45
Loans and Advances	9.99	17.09	49.99	46.52	48.68	161.12
Other Current Assets	20.32	24.77	25.31	43.99	132.38	87.32
<b>Total (C)</b>	<b>69.07</b>	<b>113.24</b>	<b>166.71</b>	<b>206.47</b>	<b>508.66</b>	<b>857.02</b>
<b>D Liabilities &amp; Provisions</b>						
Secured Loans	313.82	295.59	278.25	307.48	451.70	513.34
Unsecured Loans	0.00	0.00	0.00	0.00	0.00	0.00
Current Liabilities and provisions	13.84	21.88	23.41	14.66	18.28	15.06
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total (D)</b>	<b>327.66</b>	<b>317.47</b>	<b>301.66</b>	<b>322.14</b>	<b>469.98</b>	<b>528.40</b>
<b>Net worth (A+B+C-D)</b>	<b>328.36</b>	<b>415.59</b>	<b>545.52</b>	<b>646.90</b>	<b>933.51</b>	<b>1289.16</b>
<b>Represented by:</b>						
<b>Share Capital:</b>						
Equity - (E)	349.49	396.04	492.95	507.20	537.20	537.20
<b>Reserve &amp; Surplus</b>	<b>0.00</b>	<b>21.46</b>	<b>53.41</b>	<b>139.70</b>	<b>396.31</b>	<b>796.89</b>
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
<b>Reserves (Net of Revaluation Reserves) - (F)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Miscellaneous Expenditure (G)</b>						
<b>Profit &amp; Loss A/c</b>	<b>18.15</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Pre. &amp; Pre. Op. Exp.</b>	<b>2.98</b>	<b>1.91</b>	<b>0.84</b>	<b>0.00</b>	<b>0.00</b>	<b>44.93</b>
<b>Net worth (E+F-G)</b>	<b>328.36</b>	<b>415.59</b>	<b>545.52</b>	<b>646.90</b>	<b>933.51</b>	<b>1289.16</b>

### Performance Ratios:

Rs. in lacs

Ratios Particulars	31.03.2002	31.03.2003	31.03.2004	31.03.2005	31.03.2006	30.9.2006
Net Profit as restated	6.00	27.69	31.95	86.29	256.62	400.59
Earning Per Share (EPS)	0.17	1.13	0.07	0.18	0.48	7.46
Return on Net Worth (For Equity Shareholders) (%)	1.82	9.53	5.82	13.34	27.48	31.07
Net Asset Value per Share (Rs.)	9.40	11.90	1.10	1.31	1.73	24.00
Total number of shares outstanding at the end of year	3494933 (of Rs. 10/-)	3494933 (of Rs. 10/-)	49294962 (of Re. 1/-)	49294962 (of Re. 1/-)	53720482 (of Re. 1/-)	5372050 (of Rs. 10/-)

- Earnings per share (Rs.) = Profit available to equity shareholders/No. of equity shares
- Return on Net worth (%) = Profit after taxation/Net worth \* 100
- Net asset value/Book value per share (Rs.) = Net worth /No. of equity shares



## GENERAL INFORMATION

### POCHIRAJU INDUSTRIES LIMITED

(Originally incorporated as Pochiraju Flori-Tech Limited on May 4, 1995 with Registrar of Companies Tamil Nadu, Chennai. The certificate for commencement of business was received on June 5, 1995. The name of our company was changed to Pochiraju Industries Ltd. and fresh Certificate of incorporation was obtained on September 10, 2003 from Registrar of Companies, Coimbatore)

#### Registered Office:

1/102, Sathya Mangalam Village, Bagalur - Berigai Road, Thummanapalli Post, Hosur Taluk, Krishnagiri District, Tamil Nadu; **Tel. No:** 04344-254988 **Fax No.:** 04344-255044

**Email:** [pochirajuflori@hotmail.com](mailto:pochirajuflori@hotmail.com)

**Corporate Office:** 130, Amarjyothi Layout, 2nd Main Road, Intermediate Ring Road, Domaluru, Bangalore - 560071

**Tel. No:** 080-32518577; **Fax No.:** 080-41118577

**Contact Person:** Ms. Ritu Tiwary, Company Secretary

**Company Registration No:** 10762

**RoC:** Registrar of Companies, Tamilnadu, Stock Exchange Building, II-Floor, 683, Trichy Road, Singanallur, Coimbatore - 641005; Tamilnadu; Phone: 0422 - 2318170, 2318089, 2319640; Fax: 0422 - 2324012

#### BOARD OF DIRECTORS

The following table sets forth the composition of our Board of Directors:

Name	Address	Designation	Nature of Directorship
<b>Sri. P. Sudhakar</b>	272, 18th D Main, 6th Block, Koramangala, Bangalore-560095	Managing Director	Executive Director
<b>Dr. Suvarchala Devi</b>	#919, Wharton Drive, Newyark, DE-19711, USA	Director	Independent Director
<b>Dr.A. Ramaiah</b>	No#505, Apsara Apartments , Co-Operative Housing Society, Yellareddyguda, Hyderabad - 500 073	Director	Independent Director
<b>Sri. M Durga Prasad</b>	1-11-110/8/3, Bombay Halwa Compound, Begumpet, Hyderabad-500016	Director	Independent Director
<b>Shri.P. L.N. Sharma</b> (Alternate director for Dr. Suvarchala Devi)	405C, Kubera Towers, Trimulgherry, Secunderabad-15	Director	Independent Director
<b>Sri. BV Ramana Reddy</b>	3-6-145, Himayat Nagar, Hyderabad	Director	Independent Director
<b>Smt. P. Bala Tripura Sundari</b>	1-39-49, Puttavari St., Nazerpet, Tenali - 522 201	Director	Non Independent Director

There is no Permanent Chairman of the Board. However, at each and every Board meeting the directors present may choose one of their members to be Chairman of the meeting.

#### Brief Profile of our Board of Directors

##### Sri. P. Sudhakar

Sri P Sudhakar (Managing Director) aged about 46 years is a Qualified Chartered Accountant, Cost Accountant and Company Secretary with a varied experience in the fields of Management Consultancy, Financial engineering and project implementation. After working for 5 years in Natco Pharma Ltd as in charge of Finance, he has started his own financial consultancy as a Chartered Accountant and is in the practice for a period of about 15 years. During this period he was instrumental in helping leading pharma industries in Hyderabad such as Natco Pharma, Devi's Laboratories, and Vera Laboratories etc in their new projects and he was associated with their projects from the conceptual stage till the completion. With a long experience in



project management and implementation he has started his own company viz. Pochiraju Industries Limited (formerly Pochiraju Flori - Tech Ltd), a 100% EOU for the cultivation, processing and export of cut flowers roses in Green Houses under controlled environment.

#### **Dr. Suvarchala Devi Pogula**

Smt. Suvarchala Devi Pogula is a PhD holder in Biochemistry, M. Tech in Bio Technology and MSc in Biochemistry. She has the Industrial experience as Asst. Manager R&D at Uni-Sankyo Pharmaceuticals Limited, Hyderabad, and an associate of Sankyo-Zoki of Japan. May 1997 to Nov 1998 in the areas of Bulk scale purification of Human chorionic Gonadotrophin (HCG) using ion exchange and gel filtration columns, Purification and separation of leutinising hormone (LH) and follicle stimulating hormone (FSH) from HMG, using ion exchange and hydrophobic chromatography, Process development of Human menopausal Gonadotrophin Hormone (HMG). She has also acted as Consultant to FDC pharmaceutical company, Mumbai during June 2001 - July 2002 and at Unisankyo pharmaceuticals, Hyderabad between May 2003 and March 2004. Worked on interferon 2( proteins and Granulocyte colony stimulating factors and HCG and HMG hormones process development and as a Research Associate at Indian Institute of Chemical Technology, Hyderabad, With Prof S. Ranganathan, Distinguished Scientist, IICT, Hyderabad.

#### **Dr.A. Ramaiah**

Dr. A. Ramaiah is a PhD holder from Madras University in Biochemistry. Dr. Abburi Ramaiah is an eminent Biochemist who worked more than 34 years in the field of pigment cell development and the development of Peptide Biopharmaceuticals for the treatment of Vitiligo, Tanning, Oral wound healing and other skin disorders. He was the first scientist in India to produce a peptide for treatment of Vitiligo / Leucoderma which was successful in all the Phase I to Phase III clinical trails in India and now commercially available molecule as a liquid formulation.

He worked as a professor of Biochemistry in All India Institute of Medical Sciences, New Delhi and Jolly Good Institute in Deharadun. His contribution for peptide Pharmaceuticals was immense and is internationally known. He worked for some time on this subject in USA and Netherlands. On deputation, He has worked with Hindustan Lever limited for the development of skin lightning creams by using peptide drugs.

He has many internationally accredited research papers and journals to his credit. He holds many patents in USA, INDIA, Europe and Australia on the skin care peptides and its agonist peptides.

#### **Mr. M Durga Prasad**

Mr M. Durga Prasad, a Bachelor in Pharmacy and M.Tech Biotechnology, is presently employed with Aktiva Biotech Limited., Hyderabad as a Downstream Specialist and working on Recombinant Therapeutic protein in the down stream area which includes Clarification, Washing, Cell disruption, Refolding, Unfolding, clarification, Chromate—ography and sterile filtration. He is also working on large-scale single step trapping and extraction of Natural Urinary Follicle stimulating hormone for Biopharmaceutical purpose. Earlier, he has Worked as a Validation specialist in Millipore, Bangalore from July 2001 to August 2002 during which period he has Worked on various validation projects and installation and documentation projects for various Customers in India on Validation, Installation and Optimization of Tangential Flow filtration, Chromatography, Normal flow filtration, Large scale UF water systems and Sterility and Integrity Testing Machines and processes. He was also employed In FDC, Mumbai from June 2000 to June 2001 as Downstream Scientist on Recombinant therapeutic proteins and Optimization of the same. Between 1997-2000 worked in Uni-Sankyo, Hyderabad on the Urinary Gonadotrophins like Chorionic Gonadotrophin and Hemuman Menopausal Gonadotrophin. Optimized it to large-scale extraction and chromatographic commercial scale purification processes and worked for WHO approval of the same product in Injectable sections. Worked as a manufacturing chemist in Bio-vaccines from 1993 November to February 1996 in Tetanus Toxoid division in sterile large scale blending and Filling areas of the Injectables. Worked as a Chemist in Injectables in Dry powder and Liquid sections

#### **Shri.P. L.N. Sarma**

Shri PLN Sarma is a M. Pharmacy holder in Department of Pharmaceutical Sciences and Specialization in Analysis of Foods & Drugs and Water with an experience of 37 years. He worked as an Assistant professor of Pharmacy in Kasturiba Medical College, Pharmaceutical sciences Department, and Mangalore and worked there for 8.5 years. Then he shifted his career into manufacturing area and worked many years as a production chemist in Kego Pharmaceuticals in the parenteral division. Then he worked for major pharmaceutical companies like Shetty's, Asian, Concord, Pharmads and Himalaya Laboratories in the Ointments, Injectables, Capsules and oral dry syrups.



His main expertise is in the manufacture of “Sterile pharmaceutical dosage forms like Injections”. His expertise is maintaining manufacturing controls as per CGMP standards and planning and production. His expertise in the field of injectables is more than 27 years. He is well versed with WHO and Indian FDA inspections and designing of parenteral plants and sterile manufacturing facilities and its utilities. He is well versed in writing the SOP’s and maintaining CGMP documentation.

**Shri. B.V. Ramana Reddy**

Shri BV Ramana Reddy, a qualified Chartered Accountant and a bachelor of commerce is a partner in Mathesh & Ramana, Chartered Accountants, 3-6-145, Himayat Nagar, Hyderabad.

Shri Reddy has professional experience in various areas of accounting, auditing and finance and brief summary of experience in each area of above activities are given below.

**Smt. P. Bala Tripura Sundari**

Smt. P. Bala Tripura Sundari aged about 71 years and she is having good experience in the field of floriculture and currently she is taking care of day-to-day operation of our company.

**For more details on our directors, please refer to this Section titled “Our Management” beginning on page 100 of this RHP**

**ISSUE MANAGEMENT TEAM**

**BOOK RUNNING LEAD MANAGER TO THE ISSUE**

**ALLBANK FINANCE LIMITED**

(Wholly owned Subsidiary of Allahabad Bank)

SEBI Registration No. INM000006609

3rd Floor, Allahabad Bank Building,

37, Mumbai Samachar Marg, Fort,

Mumbai - 400023

Tel No: 022-22677552

Fax No: 022-22677552

E-mail: Pochiraju\_ipo@mum.allahabadbank.co.in

Website: www.allahabadbank.com

Contact Person: Mr. Shiv Shankar

**CO-BOOK RUNNING LEAD MANAGER TO THE ISSUE**

**UTI SECURITIES LIMITED**

SEBI Registration No. INM000007458

1st Floor, Dheeraj Arma,

Anant Kanekar Marg, Station Road

Bandra (East), Mumbai - 400 051

Tel: 022- 6751 5804 / 6751 5809

Fax: 022- 6702 3194

Website: www.utisel.com

Email: pochiraju@utisel.com

Contact Person: Mr. V.S. Narayanan

**REGISTRAR TO THE ISSUE**

**AARTHI CONSULTANTS PRIVATE LIMITED**

1-2-285, Domalguda

Hyderabad - 500029

Phone: 040-27634445/27638111

Fax: 040-27632184

E-Mail: pochiraju@aarthiconsultants.com

Website: www.aarthiconsultants.com

Contact Person: Mr. Bhaskar



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## AUDITORS TO THE COMPANY

M/s. B. Rama Rao & Co.  
Flat No. 7, Block No. 6,  
MIG - 2, Baghlingampally,  
Hyderabad - 500 044.  
Tel.: (040) 55619873  
Email: [g\\_rangababu@yahoo.co.in](mailto:g_rangababu@yahoo.co.in)  
Contact Person: Mr. G.V. Ranga Babu

## MONITORING AGENCY

### **Oriental Bank Of Commerce**

Ameerpet Branch, Myhome Jupally,  
Greenlands, Begumpet,  
Hyderabad 500016.  
Phone: 040-23322638 / 23398300  
Fax: 040-23398300

Contact Person: Mr. Sampath Kumar, Chief Manager

We have appointed Oriental Bank of Commerce, Ameerpet Branch, Hyderabad as Monitoring agency for monitoring the utilization of the Issue proceeds.

## COMPANY SECRETARY

### **Ms.Ritu Tiwary**

130, Amarjyothi Layout, 2nd Main Road  
Intermediate Ring Road, Domaluru  
Bangalore - 560071  
Email: [reetutiwary@rediffmail.com](mailto:reetutiwary@rediffmail.com)

## BANKERS TO THE COMPANY

### **Oriental Bank Of Commerce**

Ameerpet Branch, Myhome Jupally,  
Greenlands, Begumpet,  
Hyderabad 500016.

Phone: 040-23322638 / 23398300

Fax: 040-23398300

Contact Person: Mr. Sampath Kumar, Chief Manager

## COMPLIANCE OFFICER

Mr. P. Sudhakar

Sathya Mangalam Village,  
Bagalur - Berigai Road,  
Thummanapalli Post, Hosur Taluk,  
Krishnagiri District, Tamil Nadu  
Tel. No: 04344-254988  
Fax: 04344-255044

The Investors are requested to contact the Compliance Officer in case of any pre-Issue/post-Issue related problems such as non-receipt of letter of allotment/share certificate/refund orders/demat credits not made etc.

## SYNDICATE MEMBERS

### **ALLBANK FINANCE LIMITED**

(Wholly owned Subsidiary of Allahabad Bank)  
SEBI Registration No. INM000006609  
3rd Floor, Allahabad Bank Building,  
37, Mumbai Samachar Marg, Fort,  
Mumbai - 400023  
Tel No: 022-22677552  
Fax No: 022-22677552  
E-mail: [Pochiraju\\_ipo@mum.allahabadbank.co.in](mailto:Pochiraju_ipo@mum.allahabadbank.co.in)  
Website: [www.allahabadbank.com](http://www.allahabadbank.com)  
Contact Person: Mr. Shiv Shankar

### **UTI SECURITIES LIMITED**

SEBI Registration No. INM000007458  
1st Floor, Dheeraj Arma,  
Anant Kanekar Marg, Station Road  
Bandra (East), Mumbai - 400 051  
Tel: 022- 6751 5804 / 6751 5809  
Fax: 022- 6702 3194  
Website: [www.utisel.com](http://www.utisel.com)  
Email: [pochiraju@utisel.com](mailto:pochiraju@utisel.com)  
Contact Person: Mr. V.S. Narayanan

### **ENAM SECURITIES PVT LTD.**

Khatau Building, IInd Floor,  
44B, Bank Street,  
Off. Shahid Bhagat Sing Road, Fort,  
Mumbai - 400 001  
Tel No.022-22677901  
Fax No. 022-22665613  
Email : [pil.ipo@enam.com](mailto:pil.ipo@enam.com)  
Website : [www.enam.com](http://www.enam.com)  
Contact Person : Mr. Ajay Sheth





## ESCROW COLLECTING BANKS AND BANKERS TO THE ISSUE

### **Oriental Bank Of Commerce**

Ameerpet Branch, Myhome Jupally,  
Greenlands, Begumpet,  
Hyderabad 500016.  
Phone: 040-23322638 / 23398300  
Fax: 040-23398300  
Contact Person: Mr. Sampath Kumar, Chief Manager

### **ICICI Bank Limited**

Capital Markets Division  
30, Mumbai Samachar Marg,  
Mumbai - 400 001  
India  
Tel No. 022-22655285  
Fax No. 022-22611138  
Contact Person: Mr. Sidharth Routray

### **LEGAL ADVISOR TO THE ISSUE**

Little & Co,  
Advocates, Solicitors, & Notaries,  
Central Bank Building, 3rd Floor,  
MG Road, Fort,  
Mumbai - 4000038  
Tel: 022 22703219/20/21/24/25  
Fax: 022- 22659918/22670563  
Contact Person: Ms. Rajas Kasbekar

### **HDFC Bank Limited**

26A, Narayan Properties,  
Off. Sakivihar Road,  
Chandivilli, Andheri - East  
Mumbai - 400 072, India  
Tel No. 9324714672, 022-28569202  
Contact Person: Ms. Kripa Karlo

### **The Hong Kong and Shanghai Banking Corporation Limited**

52/60, Mahatma Gandhi Road,  
Mumbai - 400 001  
India  
Tel No. 022-22681673/22681290  
Fax No. 022-22734388  
Contact Person : Mr. Zerisis Irani

### **IPO GRADING:**

Issuer Company has not opted for the grading of this issue from any Credit Rating agency.

### **TRUSTEES**

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

### **CREDIT RATING**

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

### **Statement of Inter-se allocation of responsibilities:**

The responsibilities and co-ordination for various activities in this Issue are as under

No.	Activity	Responsibility	Coordination
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	Allbank	Allbank
2.	Conducting a due diligence of the Company's operations / management / business plans / legal, etc. Drafting and designing the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus. Ensuring compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.	Allbank	Allbank
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.	Allbank	Allbank
4.	Primary coordination of drafting/proofing of the design of the Red Herring Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.	Allbank	Allbank



5.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.	Allbank	Allbank
6.	Appointing the Registrars, Appointing Bankers to the Issue, Appointing other intermediaries viz. printers and advertising agency	Allbank UTI Sec	Allbank
7.	Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"> <li>Formulating marketing strategies, preparation of publicity budget,</li> <li>Finalizing media &amp; public relations strategy,</li> <li>Finalizing centers for holding conferences for press and brokers etc.</li> <li>Finalizing collection centers,</li> <li>Following-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the</li> <li>Issue material</li> <li>Preparing all road show presentations</li> <li>Appointment of brokers to the issue, and</li> <li>Appointment of underwriters and entering into underwriting agreement.</li> </ul>	Allbank UTI Sec	UTI Sec
8.	Coordinating institutional investor meetings, coordinating pricing decisions and institutional allocation in consultation with the Company.	Allbank UTI Sec	UTI Sec
9.	Finalizing the Prospectus and RoC filing	Allbank	Allbank
10.	Co-coordinating post bidding activities including management of escrow accounts, coordinating Non-Institutional allocation, intimating allocation and dispatch of refunds to Bidders, etc.	UTISec	UTISec
11.	Follow - up with the bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.	UTISec	UTISec
12.	The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing basis of allotment / weeding out of multiple applications, the listing of instruments and dispatch of certificates and dematerialized delivery of shares with the various agencies connected with the work such as the Registrars to the Issue and Bankers to the Issue and the bank handling refund business The BRLM & Co BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.	UTISec	UTISec

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Syndicate Members, brokers, advertising agencies etc. will be finalized by our company in consultation with the BRLMs.

Even if many of these activities will be handled by other intermediaries, the designated BRLM/Co-BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with our company.

## BOOK BUILDING PROCESS

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

- Issuer, in this case being, Pochiraju Industries Ltd.;
- Book Running Lead Manager, in this case being Allbank Finance Limited
- Co- BRLM: UTI securities ltd
- Syndicate Members, who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and are eligible to act as underwriters. Syndicate Members are appointed by the BRLMs.
- Escrow collection Bank(s), and
- Registrar to the Issue: In this case M/S Aarthi Consultants Pvt Ltd



SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein up to 50% of the Net Issue to Public shall be allocated on a proportionate basis to the QIBs including the specific allocation of 5% to Mutual Funds. Mutual Funds shall also be considered in the balance, available for allocation to QIBs. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to Public 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. We shall comply with Guidelines issued by SEBI for this Issue. In this regard, we have appointed Allbank Finance Ltd, as the BRLM & UTI Securities Limited, as the Co BRLM to manage the Issue and to procure subscription to the Issue.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date and are now required to pay the 10% margin amount upon the submission of their Bids. For details see the section titled “Offering Information- Terms of the Issue” on page 138 in this Red Herring Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether the bidder is eligible for bidding having regard to all applicable Indian laws, rules, regulations, guidelines and approvals;
- Bidder necessarily needs to have a demat account;
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form; and
- Ensure that the Bid cum Application Form is accompanied by the PAN or by Form 60 or Form 61 of the Income Tax Rules, 1962 as may be applicable together with necessary documents providing proof of address. See the Red Herring Prospectus for details. Bidders are specifically requested not to submit their GIR number instead of the PAN number, as the Bid is liable to be rejected.

#### **Illustration of Book Building and Price Discovery Process**

*(Investors should note that this illustration is solely for the purpose of illustration and is not specific to the Issue)*

The Bidders can bid at any price within the Price Band. For instance, assume a Price Band of Rs. 60 to Rs. 72 per Equity Share, Issue size of 5,400 Equity Shares and receipt of five Bids from the Bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the Bidding/Issue Period. The illustrative book as set forth below shows the demand for the Equity Shares of Our Company at various prices and is collated from Bids from various investors.

<b>Bid Quantity</b>	<b>Bid Price (Rs.)</b>	<b>Cumulative Quantity</b>	<b>Subscription</b>
1,500	72	1,500	27.78%
3,000	69	4,500	83.33%
4,500	66	9,000	166.67%
6,000	63	15,000	277.78%
7,500	60	22,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which our Company is able to issue the desired quantity of Equity Shares is the price at which the book cuts off, i.e., Rs.66 in the above example. Our Company, in consultation with the BRLMs, will finalize the Issue Price at or below such cut off price, i.e., at or below Rs.66. All Bids at or above this Issue Price and cut-off Bids are valid Bids and are considered for allocation in the respective category.

#### **DETAILS OF THE UNDERWRITING**

After the determination of the Issue Price and prior to the filing of the Prospectus with the RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved, in the event that the Syndicate Member(s) does not fulfill its underwriting obligations.



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

*(This portion has been intentionally left blank and will be filled in before the filing of the Prospectus with the RoC)*

Name and Address of the Underwriters	Indicative Number of Equity shares to be Underwritten	Amount Underwritten (Rupees In Lacs)
<b>ALLBANK FINANCE LIMITED</b> <b>(Wholly owned Subsidiary of Allahabad Bank)</b> 3 <sup>rd</sup> Floor, Allahabad Bank Building, 37, Mumbai Samachar Marg., Fort, Mumbai - 400023 Tel No: 022-22677552 Fax No: 022-22677552	[●]	1000
<b>UTI SECURITIES LIMITED</b> 1 <sup>st</sup> Floor Dheeraj Arma, Anant Kanekar Marg, Station Road, Bandra (East), Mumbai 400 051 Tel: 91-22- 6751 5804 / 6751 5809 Fax: 91-22- 6702 3194	[●]	1207
<b>ENAM SECURITIES PVT LTD.</b> Khatau Building, IInd Floor, 44B, Bank Street, Off. Shahid Bhagat Sing Road, Fort, Mumbai - 400 001 Tel No.022-22677901 Fax No. 022-22665613	[●]	1250

The above-mentioned amount is indicative underwriting and would be finalized after pricing and actual allocation. The above underwriting agreement is dated [●]

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

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



## CAPITAL STRUCTURE

The Share capital of our Company as on the date of filing of this Red Herring Prospectus with SEBI is as set forth below.

Particulars	Nominal Value (Rs)	Aggregate Value (Rs)
<b>A. Authorised Share Capital</b> 2,00,00,000 Equity shares of Rs 10 each	20,00,00,000	
<b>B. Issued, Subscribed And Paid Up Capital</b> 53,72,050 equity shares of Rs 10 each	5,37,20,500	
<b>C. Present issue in terms of this draft offer document</b> (●) Equity Shares of Rs 10 each at a premium of Rs (●) per share <u>Out of Which</u>	(●)	37,57,00,000
<b>D. Promoters Contribution</b> (●) Equity Shares of Rs 10 each at a Premium of Rs (●) per share	(●)	3,00,00,000
<b>E. Net issue to the Public in terms of this RHP</b> (●) Equity Shares of Rs 10 each at a Premium of Rs (●) per share	(●)	34,57,00,000
<b>F. Equity Share Capital After The Present Issue</b> (●) Equity Shares of Rs 10 each	(●)	
<b>G. Share Premium Account</b> Before the Issue		Nil
After the Issue		(●)

### Details of increase in Authorized Capital

Date	Authorized Capital (Rs.)	Face Value (Rs.)	No. of Shares	Increased by
4-5-1995	25,00,000	10.00	2,50,000	at the time of incorporation
24-10-1997	35,00,000	10.00	3,50,000	10,00,000
25-2-1999	3,50,00,000	10.00	35,00,000	3,15,00,000
5-9-2003	5,00,00,000	10.00	50,00,000	1,50,00,000
10-10-2003	20,00,00,000	10.00	2,00,00,000	15,00,00,000
29-10-2003	20,00,00,000	1.00	20,00,00,000	Division of Shares
17-4-2006	20,00,00,000	10.00	2,00,00,000	Consolidation of shares



## Notes to Capital Structure:

### 1. Equity Share Capital History of M/s. Pochiraju Industries Limited

Date of Allotment	No. of shares allotted	Cumulative Shares	Face Value (Rs.)	Issue price (Rs.)	Nature of payment/ consideration	Reasons for allotment (Bonus, swap etc.)
04/05/1995	63	63	10	10	Cash	Subscription to Memorandum
13/05/1996	244870	244933	10	10	Cash	Further Allotment
05/11/1997	100000	344933	10	10	Cash	Further Allotment
15/03/1999	2310000	2654933	10	10	Cash	Further Allotment
16/03/2000	840000	3494933	10	10	Cash	Further Allotment
30/09/2003	1343448	4838381	10	10	Cash	Further Allotment
Division of shares to 1/-		48383810				Split of shares
31/03/2004	911152	49294962	1	1	Cash	Further Allotment
25/02/2006	1425520	50720482	1	1	Cash	Allotment of Share application money
20/03/2006	3000000	53720482	1	1	Cash	Further Allotment
03/04/2006	18	53720500	1	1	Cash	Further Allotment
Consolidation of shares to 10/-		5372050	10	10	10	Consolidated on 17-04-2006

Note: - All the above shares were of face value of Rs. 10 each but vide extra ordinary general meeting dated 29th October 2003, the shares were subdivided into shares of the face value Re. 1.00/-each and again these shares were consolidated into shares of the face value of Rs.10 each on 17-04-2006 vide extra ordinary general meeting resolution dated 17-04-2006. The total allotted shares are 53, 72,050 of the face value of Rs. 10/- each.

### 2. Shares issued for consideration other than cash.

No shares have been issued for consideration, other than cash.

### 3. Promoters Contribution for the issue

Name of the Promoter	No. of shares	Issue price	Total Amount in lacs
Mr. P. Sudhakar	(*)	(*)	(*)
Mrs. P. Sailaja	(*)	(*)	(*)
<b>Total</b>			<b>300.00</b>

### 4. Break up of the Promoters Shareholding pattern and Lock in is as under: -

Name of the Promoter: Sri P. Sudhakar

Date of Allotment/ Transfer/ made fully paid up	Consideration	No. of shares	Face Value	Issue price	% of Post issue paid up capital	Lock in period (Years)
04-May-95	Cash	9	10/-	10/-	(*)	3 years
13-May-96	Cash	112500	10/-	10/-	(*)	3 years
15-Mar-99	Cash	220850	10/-	10/-	(*)	3 years
16-Mar-00	Cash	142767	10/-	10/-	(*)	3 years
30-Sep-03	Cash	562500	10/-	10/-	(*)	3 years
25-May-99	Cash	4990	10/-	10/-	(*)	3 years





27-Nov-99	Cash	469475	10/-	10/-	(*)	3 years
15-Dec-00	Cash	625083	10/-	10/-	(*)	3 years
28-Aug-01	Cash	98500	10/-	10/-	(*)	3 years
31-Dec-04	Cash	54527	10/-**	10/-**	(*)	3 years
20-Mar-06	Cash	50000	10/-**	10/-**	(*)	1 year
<b>Total</b>		<b>23,41,201</b>				
To be allotted	To be allotted	(*)	10/-	(*)		3 years

\*Lock-in period will commence from the date of allotment in this issue.

\*\* Initially issued / transferred shares with Face value of Re. 1 each but subsequently consolidated in to shares of Rs 10 each w.e.f. 17-04-2006

Out of the shares totaling to 23, 41,201 (\* %) only 22, 91,201 have been considered under minimum promoters contribution and are also considered as eligible for Lock in period of 3 years. The remaining 50,000 shares allotted to the promoter on 20.03.2006 excluded for the purpose of computation of promoter's contribution in terms of clause no. 4.6.2. of DIP guidelines.

**Name of the Promoter: Mrs. P.Sailaja**

Date of Allotment /Transfer/ made fully paid up	Consideration	No. of shares	Face Value	Issue price	% of Post issue paid up capital	Lock in period (Years)
04-May-95	Cash	9	10/-	10/-	(*)	3 years
15-Mar-99	Cash	89000	10/-	10/-	(*)	3 years
27-Nov-99	Cash	201410	10/-	10/-	(*)	3 years
16-Mar-00	Cash	50000	10/-	10/-	(*)	3 years
15-Dec-00	Cash	560200	10/-	10/-	(*)	3 years
30-Sep-03	Cash	200000	10/-	10/-	(*)	3 years
31-Dec-04	Cash	40000	10/-**	10/-**	(*)	3 years
20-Mar-06	Cash	@40000	10/-**	10/-**	(*)	1 year
Total		11,80,619				
To be allotted	To be allotted	(*)	10/-	(*)		3 years

@Out of the shares totaling to 1180,619 only 1140,619 shares have been considered under minimum promoters contribution and are also considered as eligible for Lock in period of 3 years. The remaining 40000 shares allotted to the promoter on 20.03.2006 excluded for the purpose of computation of promoter's contribution in terms of clause no. 4.6.2. of DIP guidelines.

Out of 22,91,201 shares of Sri P. Sudhakar (\*) No. of shares and out of 11,40,619 shares of Mrs P. Sailaja, (\*) no. of shares of Sri P.Sudhakar and (\*) no. of shares of Mrs P. Sailaja are proposed to be considered for the purpose of promoters contribution which shall be locked in for a period of 3 years. The remaining shares of both the promoters shall be locked in for a period of 1 year.

Our company has received an undertaking from the respective Promoters whereby they have confirmed that they will bring Rs. 300 Lacs at least one day before opening of the Issue, in order to comply with the SEBI Guidelines in respect of minimum Promoter Contribution and lock-in requirement.

The total shareholding of Promoters, (\*) % of the Post-Issue Capital.

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 institution. The equity shares to be held by the promoters under lock-in period shall not be sold/ hypothecated/ transferred during the lock-in period. However, in terms of Clause 4.16(b) of the SEBI Guidelines, the Equity Shares may be transferred among the Promoters/ Promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable. The Equity Shares held by the persons



other than the Promoters may be transferred to any other person holding shares prior to the issue, subject to the continuation of the lock-in with transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as applicable.

The securities, which are subject to lock-in, shall carry inscription 'non-transferable' along with duration of specified non-transferable period mentioned in the face of security certificate.

The Promoters viz. Mr. P. Sudhakar & Mrs. P. Sailaja have given their consent for lock in vide their letter dated 7th June 2006 & 6th November 2006. The shares acquired last have been locked in first and the lock in period shall commence from the date of allotment of shares in the Public Issue.

Particulars	Shares under lock in		Total shares
	For Three years (3)	For One year (1)	
<b>Promoters</b>			
Mr. P. Sudhakar	(●)	(●)	2341201
Mrs. P. Sailaja	(●)	(●)	1180619
<b>Promoter Group</b>			
Mr. P. Venkateseara Rao		323445	323445
Mrs. P. Bala Tripura Sundari		224499	224499
Mr. G. Mohan Rao		132000	132000
Mr. G. Lalitha		120500	120500
<b>Grand Total</b>	(●)		<b>4322264</b>

11. Out of the total number of shares held by Mr. P. Sudhakar & Mrs. P. Sailaja, 20% of the post issue paid up capital i.e. [\* & \*] number of shares would be locked in for 3 years and remaining (\*&\*) shares respectively would be lock in for 1 year.

**12. Details of Capitalization of Reserves by our company in the past**

We have not issued any equity shares by way of bonus shares by capitalization of free reserves and surplus

**13. The details of Sale/Purchase/financing of securities by Promoters /Promoters Group / Directors/ Directors of the Corporate promoters:**

The promoters /promoters group / directors/directors of the corporate promoters have not purchase and/or sold/ financed any securities of our company during the past six months.

**14. Share holding pattern of our company before and after the issue.**

Particulars	PRE ISSUE		POST ISSUE*	
	No. of Shares	%	No. of Shares	%
<b>Promoter Group</b>				
<b>a) Promoter:</b>				
Mr. P. Sudhakar	2341201	43.58	(●)	(●)
Mrs. P. Sailaja	1180619	21.98		
<b>b) Relatives of Promoter</b>	665944	12.39	(●)	(●)
Sub total (a+b)	4187764	77.95		
Persons Acting in Concert				
c) Private Corporate Bodies	100000	0.94	(●)	(●)
d) Others	1084286	21.11	(●)	(●)
Sub Total ( c+d)	1184286	22.05	(●)	(●)
Public	-	-	(●)	(●)
<b>Grand Total</b>	<b>5372050</b>	<b>100.00</b>	(●)	(●)



The above do not qualify as part of promoter/promoter group as per explanation II of clause 6.8.3.2 (m) of the SEBI guidelines. They have been classified as Persons Acting in Concert in the above table as stipulated by BSE while granting in-principle approval for listing. They are not Person Acting in Concert / qualify as Persons Acting in Concert for any purpose like compliance with SEBI Takeover code.

(\*) The post issue share holding pattern of our company will be subjected to change depend upon the allotment in the issue including the promoter's contribution. The promoters are contributing to the issue an amount of Rs. 300.00 Lacs by way of promoters contribution.

**15. Share holding pattern of the Promoter / Promoter group of our Company before and after the Issue.**

PARTICULARS	PRE ISSUE		POST ISSUE (*)	
	No. of Shares	%	No. of Shares	%
<b>Promoter Individuals:</b>				
Mr. P. Sudhakar	2341201	43.58	(*)	(*)
Mrs. P. Sailaja	1180619	21.98	(*)	(*)
<b>Promoter Group</b>				
Mr. P. Venkateswara Rao	323445	6.02	(*)	(*)
Mrs. P. Bala Tripura Sundari	224499	4.17	(*)	(*)
Mr. G. Mohan Rao	132000	2.47	(*)	(*)
Mr. G. Lalitha	120500	2.24	(*)	(*)
	<b>4322264</b>	<b>80.46</b>	<b>(*)</b>	<b>(*)</b>

(\*) The post issue share holding pattern of our company will be determined after the Book Building Process also promoters are contributing to the issue an amount of Rs. 300.00 Lacs by way of Promoters Contribution, and the promoter group has been identified strictly as per SEBI (DIP) Guide lines.

**16. Particulars of Top ten shareholders as on the date of filing of the Red Herring Prospectus with ROC are as follows: (will be updated at the time of filing the prospectus with the ROC)**

Sr. No.	Name of the Shareholder	Number of Shares	% of paid up Capital
1	P. Sudhakar	23,41,201	43.58
2	P. Shailaja	11,80,619	21.98
3	P. Venkateswara Rao	3,23,445	6.02
4	Dr. T. Ram Babu	3,04,456	5.67
5	Tamilnadu Agro Indu. Cor. Ltd.	2,58,300	4.81
6	P. Bala Tripura Sundari	2,24,499	4.17
7	M. Ramakrishna Prasad	1,42,552	2.66
8	G. Mohan Rao	1,32,000	2.45
9	G. Lalitha	1,20,500	2.24
10	Dr. P. Raja Sekhar	80,500	1.50
	<b>TOTAL</b>	<b>51,08,072</b>	<b>95.09</b>



**17. Particulars of Top ten shareholders as on 10 days prior to the date of filing of the Red Herring Prospectus with ROC are as follows:**

Sr. No.	Name of the Shareholder	Number of Shares	% of issued Capital
1	P. Sudhakar	23,41,201	43.58
2	P. Shailaja	11,80,619	21.98
3	P. Venkateswara Rao	3,23,445	6.02
4	Dr. T. Ram Babu	3,04,456	5.67
5	Tamilnadu Agro Indu. Cor. Ltd.	2,58,300	4.81
6	P. Bala Tripura Sundari	2,24,499	4.17
7	M. Ramakrishna Prasad	1,42,552	2.66
8	G. Mohan Rao	1,32,000	2.45
9	G. Lalitha	1,20,500	2.24
10	Dr. P. Raja Sekhar	80,500	1.50
	<b>TOTAL</b>	<b>51,08,072</b>	<b>95.09</b>

**18. Particulars of Top ten shareholders two years prior to the date of filing of this Red Herring Prospectus with ROC are as follows:**

S.No.	Name of the Shareholder	Number of Shares *	% of issued Capital
1	P. Sudhakar	22366740	45.37
2	P. Shailaja	11406190	23.14
3	P. Venkateswara Rao	2834450	5.75
4	Dr. T. Ram Babu	3044542	6.18
5	Tamilnadu Agro Indu. Cor. Ltd.	2583000	5.24
6	P. Bala Tripura Sundari	1844990	3.74
7	G. Mohan Rao	920000	1.87
8	G. Lalitha	805000	1.63
9	Dr. P. Raja Sekhar	805000	1.63
10	Dr. P. Padmawathi	605000	1.23
	<b>TOTAL</b>	<b>47214912</b>	<b>95.78</b>

\* Face value of Re.1.00

19. Our Company, Promoters, Directors and the BRLMs to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of our Equity Shares from any person.
20. Our Company has not raised any bridge loan against the proceeds of this Issue.
21. In the Net Issue to the Public, in case of over-subscription in all categories, up to 50% of the Net Issue to the Public shall be allocated on a proportionate basis to QIBs (including specific allocation of 5% within the category of QIBs for Mutual Funds). Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above this Issue Price. Under-subscription, if any, in any of the categories would be allowed to be met with spill over from any other category at our sole discretion in consultation with the BRLMs.
22. An over-subscription to the extent of 10% of the Net Issue to public can be retained for the purpose of rounding off to the nearest integer during finalizing the allotment, subject to minimum allotment being equal to [●] Equity Shares, which is the minimum application size in this Issue.



23. 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 Red Herring Prospectus with SEBI until the Equity Shares offered through this Red Herring Prospectus have been listed.
24. We presently do not have any intention or proposal to alter our capital structure for a period of six months from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly, for our Equity Shares) whether preferential or otherwise, or, if we go in for acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
25. A Bidder cannot make a Bid for more than the number of Equity Shares offered through this Issue, subject to the maximum limit of the investments prescribed under the relevant laws applicable to each category of investors.
26. Our Company undertakes that at any given time, there shall be only one denomination for the Equity Shares of our Company and our Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
27. As on the date of filing of this Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.
28. The entire Issue Price for the Equity Shares offered through this Red Herring Prospectus is proposed to be received along with application. Hence the shares would be fully paid up at the allotment.
29. We have not revalued our assets since inception of our company and we have not issued any shares out of the revaluation reserves
30. No payment, direct or indirect in the nature of discount, commission and allowance or otherwise shall be made either by us or our promoters to the persons who receive firm allotments, if any, in this issue.
31. Our Company does not have any ESOS/ ESPS for our Employees and do not intend to allot any shares to our Employees under ESOS/ ESPS from the proposed Issue. As and when, options are granted to Our Employees under the ESOP scheme, Our Company shall comply with SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guideline 1999.
32. We confirm that at the date of filing of the Red Herring Prospectus the entire share capital of our Company is Fully Paid up.
33. We have 27 members as on date.
34. There are no partly paid up Equity Shares as on the date of RHP.



## SECTION V

### OBJECTS OF THE ISSUE

The Issue is being made to raise funds for the following purposes:

#### 1. Bio Pharma Unit:

- To setup a state of the art Bio Fermentation and Protein Purification Unit
  - To setup a modern Bio-Parenteral unit of Global Standards adhering to latest International Good Manufacturing Practices (GMP)
  - To carry on the R&D Activities in Biotechnology and to develop and commercialize new and cutting edge technologies
2. To finance the Working Capital Requirement of Pharma Operations
  3. To list the Equity Shares offered through this Issue on the Stock Exchanges

The objects clause of the Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present Public Issue.

### COST OF PROJECT(S) AND MEANS OF FINANCE

The Cost of the Projects and Means of Finance are given below:

(Rs. in Lacs)

Sl.No	Description	Amount
1.	Bio tech Division (*)	3757.00
2.	Pharma Division (**)	1000.00
	Total	4757.00

(\*)- The total cost of the project was appraised by Andhra Pradesh Industrial and Technical Consultancy Organisation Limited, Hyderabad (APITCO).

(\*\*)- The Pharma Division project estimate is based on management's own assessment.

#### Means of Finance

The project is to be funded through a mix of Equity and Debt. The means of finance for the project is presented below.

(Rs. In Lacs)

Sl. No	Sources of funds	Amount
1.	Equity from Promoters / IPO	3757.00
2.	Term Loan from Banks/Financial Institutions	1000.00
	<b>TOTAL</b>	<b>4757.00</b>

#### 1. Bio Pharma Unit

### PROJECT APPRAISAL

Pochiraju Industries Limited (PIL) approached Oriental Bank of Commerce (OBC) for financial assistance to set up a project for manufacturing biogenics, powder parenterals and liquid injections at S.P. Biotech Park, Hyderabad. OBC referred the proposal to Andhra Pradesh Industrial and Technical Consultancy Organisation (APITCO) Limited, Hyderabad for conducting Technical and Economic viability study, vide their letter dated 14th October 2005.

#### Scope and Purpose of appraisal:

Andhra Pradesh Industrial and Technical Consultancy Organisation Limited, Hyderabad (APITCO's) scope included

- Assessing the company and promoter's background
- Presentation of manufacturing process and raw material requirements
- Appraisal of project cost & means of finance
- Appraisal of project Economics
- Appraisal conclusions

#### Location Advantages

Our company proposes to buy 5 acres of land in 3rd phase of Shapoorji Pallonji Biotech Park 25 kms from Secunderabad. SP Biotech park is taking shape as an International Biotech park as it is tied up with triangle technology park North Carolina USA and Heidelberg park, Germany. ICMR is also setting up centre for international product evaluation in technical tie up with NIH USA.





Hyderabad City in southern part of India is known as the drug capital of India with major pharma companies, producing 30% of drugs manufactured in India in addition the city has abundant cheap relevant technical manpower with world renowned scientific research organizations, like CCMB, IICT, NIN, CDFD, ICRISAT, University of Hyderabad, etc. plant location has many advantages in producing cost effective products.

The production plant is planned with all cGMP facilities containing all the latest equipment used for maintaining and production of recombinant bacteria and recombinant therapeutic proteins. This plant also incorporated with a sterile facility for the formulation and production of protein injectables. The total planned production floor is about 18,000sft area.

Our company has applied to Shapoorji Pallonji Biotech Park Pvt Ltd (SPBPPL) i.e. vendor for allotment of land / plot and received provisional allotment of 5 acres land/plot from them vide their letter dated 27.3.2006. Subsequently, vide their letter dated 28th September, 2006 have informed us that the said plot now would be registered and handed over to us on completion of infrastructure facilities on or before 31.12.2006.

#### **Shapoorji Pallonji (S.P) Biotech Park Advantages:**

##### **Fiscal Benefits:**

- Nominal sales Tax of 1% for products manufactured in the park for period of 10 years.
- Waiver of Land registration stamp duty
- Labor incentives based on the no of people employed
- Preferential allocation of venture and biotech funds

##### **Common and Support facilities:**

- Animal house for clinical trials
- Cold Storage and cold rooms
- Warehouse, bonded warehouse & Green house
- Common ETP & secondary boiler house.
- Communication centre with optical fiber Cable
- Common meeting rooms, Cafeteria
- Common transport, Bank, Township, Dispensary & Schools
- Incubator facility
- Uninterrupted power supply with separate feeders and transformers for park users and water supply with dedicated pipelines and bore wells.

##### **Regulatory approval facilities:**

- Single window clearance for project approvals
- DBT office for speedy approvals
- Exclusive services for patenting, FDA approvals and other regulatory matters.
- Approvals from pollution control board, town planning panchayat approvals etc.

#### **THE COST OF THE PROJECT - BIO TECH DIVISION**

The project cost of the proposed project works out to Rs.3757.00 Lacs and the details are given in the following table.

<b>(Rs. Lacs)</b>		
<b>Sl.No</b>	<b>Description</b>	<b>Amount</b>
1	Land	122.00
2	Buildings & Civil Works	810.00
3	Plant & Machinery - Imported & Indigenous (Imported- 521.29 + 250.88 & Indigenous 622.29=1394.46)	1394.00
4.	Technical Know-how	450.00
5	Pre-Operative Expenses	225.00
6	Public Issue Expenses	375.00
7	Market Development Expenses	120.00
8	Contingencies 5% on Fixed Assets	134.00
9	Margin money for Working capital	127.00
	<b>Total Project Cost</b>	<b>3757.00</b>



**BREAKUP OF THE COST OF THE PROJECT (BIOTECH DIVISION) IS AS UNDER: -**

**1. The cost breakup for Land is given below.**

	<b>Rs. Lacs</b>
Land	65.00
Land and Site Development	4.50
Compound wall	19.20
Security room	3.00
Metal & CC roads	30.00
<b>Total</b>	<b>121.70</b>
<b>Total (Round off)</b>	<b>122.00</b>

**2. The cost breakup for Building & Civil works is given below.**

	<b>Rs Lacs</b>
Illumination	5.00
Land Scaping	3.75
Effluent Plant	7.80
Fencing	2.00
Chilling Pond	2.50
Over head water tank	4.00
Earth work	2.19
PCC	10.37
RCC 1.2.4	195.05
CRS Masonry	3.53
Brick Masonry	5.68
Plastering	21.82
Granite Flooring	330.08
Ceramic flooring	5.76
Aluminium Partitions	81.70
Color washing	25.45
Water supply and sanitary	58.38
Electrification	41.70
Bore well with pump set	0.75
Kitchen Platform	0.35
Railing and parapet walls	2.00
<b>Total</b>	<b>809.86</b>
<b>Total (Round off)</b>	<b>810.00</b>



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### 3. The Cost breakup for Plant & Machinery Building & Civil works is given below.

#### **Plant & Machinery:**

PIL has obtained quotation for civil estimates from a certified civil engineer. Based on the requirements given by PIL, civil estimates can be considered reasonable.

PIL has proposed to setup manufacturing facilities for the production of Biogenetic products, sterile powder parenterals and liquid injections. The requirement study for the Plant & Machinery has been carried out by PIL and they have obtained quotations for most of the equipment. The requirement of various Plant & Machinery identified for setting up of the project is given below.

#### **Indigenous**

- Fermenters of different capacities
- R.O. and D.M. plants
- Auto fill and seal machine
- Ampoule and vial washing machine
- AHU systems
- Generator
- Air ducting
- ETP

Computer hardware & software.

- Furniture & Fixtures
- Vehicles

#### **Imported**

- Automated process chromatography
- Superflo pilot scale & accessories
- Variable high-speed homogenizer
- Refrigerated micro centrifuge with rotor
- Refrigerated table top centrifuge
- Ultra centrifuge
- Rotor assembly
- Lab equipment and systems
- Vacuum degassing HPLC system
- PH meters of different kinds
- Electrode care kit
- PH Analyzer
- Conductivity meter
- Fisher titrator
- Filtration systems

PIL identified reputed suppliers of plant and machinery. The cost of plant equipment is worked out to Rs.1394.00 Lacs. The estimated are in line with the industry norms and considered reasonable.

**Raw Materials:**

PIL has identified reputed suppliers of raw materials for the proposed products. Following are details of chemicals required per annum along with the suppliers.

S. No.	Chemical name	Supplier	Quantity / annum
1	Tryptone certified	Hi Media,Mumbai	900 kg
2	Peptone Certified	Hi Media,Mumbai	900 kg
3	Yeast Extract Certified	Hi Media,Mumbai	800 kg
4	Terrific Broth	Hi Media,Mumbai	300 kg
5	Acetonitrile LR	Leonod ,Bangalore	400 Liters
6	Sodium acetate LR	Sigma , USA	100 kg
7	Sodium chloride LR	Glaxo, India	45 kg
8	Sodium Hydroxide LR	Glaxo, India	45 kg
9	Glucose 99.9%	Leonods	850 kg
10	Glycerine LR	Ranbaxy	250 ltrs
11	L-Arginine HCL	Ajinomoto,Japan	600 kg
12	Guanidine HCL Biotechnological grade	Sigma	300 kg
13	Human serum albumin	Mitshibishi,Japan	65 ltrs
14	Mannitol LPS free	Temor, Brazil	50 kg
15	Glacial acetic acid LR	Ranbaxy	35 ltrs
16	Cestine	Sigma	8 kg
17	Cestene	Sigma	9.2 kg
18	Diatameceous earth	Leonod	1 tonn

**BREAKUP OF THE COST OF PLANT AND MACHINERY AS APPRAISED BY APITCO (Biotech Division) IS AS UNDER**  
**Imported Items - 1**

S.No.	Description	Supplier	Capacity /Specifications	No. of units	Basic Price Currency	Customs Duty	CVD	Education Cess	Insurance (Transit)	Freight (Ocean)	Net FC Price	Equ. INR	Freight (Surface)	Clearing & Forwarding	Handling Charges	Pkg. & Forwarding	Insurance (onsite)	Bank Charges	Unit Price (Rs.)	Total Price (Rs. Lacs)
1	Quantasep 100 Automated Process Chromatography	Sepragen		1	US\$ 78500	3925	3297	79	0	0	85801	3861023	0	19305	1931	0	0	40777	3923055	39.23
2	Quantasep 1800 Automated Process Chromatography	Sepragen		1	US\$ 173427	8671	7284	173	0	0	189556	8530007	0	42650	4265	0	0	90087	8667009	86.67
3	Superflo Pilot Scale & Accessories	Sepragen		1	US\$ 26925	1346	1131	27	0	0	29429	1324306	0	6622	662	0	0	13986	1345576	13.46
4	Fermenter	Sartorius		1	Euro 29482	1474	1238	29	0	0	3222383	1710763	0	8554	855	0	17202	23478	1760852	17.61
5	Emulsiflex-C160A Variable High-speed Homogenizer Pressure	Avestin, Canada		1	US\$ 102960	5148	4324	103	0	0	112535	5064088	0	25320	2532	0	0	53483	5145423	51.45
6	Refrigerated Micro centrifuge with Rotor	Beckman Coulter		4	US\$ 2190	110	92	2	0	0	9575	430861	0	2154	215	0	0	1138	434368	4.34
7	Refrigerated Tabletop-centrifuge 230V 50Hz	Beckman Coulter		2	US\$ 10760	538	452	11	0	0	23521	1058461	0	5292	529	0	0	5589	1069872	10.70
8	Optima L-90K Ultracentrifuge 50Hz, 220 V	Beckman Coulter		1	US\$ 66470	3324	2792	66	0	0	72652	3269327	0	16347	1635	0	0	34528	3321836	33.22
9	Type 70 Ti Rotor Assembly	Beckman Coulter		1	US\$ 16550	828	695	17	0	0	18089	814012	0	4070	407	0	0	8597	827086	8.27
10	Type 50.2 Ti Rotor Assembly	Beckman Coulter		1	US\$ 16550	828	695	17	0	0	18089	814012	0	4070	407	0	0	8597	827086	8.27
11	Avanti J-20XP Centrifuge 230V 50Hz	Beckman Coulter, USA		2	US\$ 34490	1725	1449	34	0	0	75395	3392781	0	16964	1696	0	0	17916	3429357	34.29
12	Fixed Angle rotor	Beckman Coulter, USA		2	US\$ 19300	965	811	19	0	0	42190	1898541	0	9493	949	0	0	10025	1919008	19.19
13	Lab Equipment & systems	Bio-world, USA		1	US\$ 302493	15125	12705	302	0	0	330625	1487818	0	74391	7439	0	0	157130	15117078	151.17
14	UV/VIS System with Vacuum Degassing HPLC System	Perkin Elmer		1	US\$ 32936	1647	1383	33	0	0	35999	1619957	0	8100	810	0	0	17109	1645976	16.46
15	Diode Array Sys with Vacuum degasser			1	US\$ 53929	2696	2265	54	0	0	58944	2652498	0	13262	1326	0	0	28013	2695100	26.95
					<b>Total</b>							<b>51318754</b>	<b>0</b>	<b>256594</b>	<b>25659</b>	<b>0</b>	<b>17202</b>	<b>510452</b>	<b>52128661</b>	<b>521.29</b>





## Imported items - 2

S.No.	Description	Supplier	Capacity/ Specifications	Basic Price (Rs.)	Excise Duty	Sales Tax	Education Cess	Unit Price (Rs.)	Insurance & Freight	Pckg. & .Forwarding	Erection cess	Qty. (Nos.)	Tot. Price (in Lacs)
1	Ph Meters without data logging 3 point	Lab India		29150	4664	1352.56	93.28	35259.84		0	0	4	1.41
2	Ph Meters with data logging			36850	5896	1709.84	117.92	44455.84		0	0	4	1.78
3	Optional items			17250	2760	800.4	55.2	20810.4		0	0	1	0.21
4	Electrode Care Kit			3700	592	171.68	11.84	4475.52		0	0	1	0.04
5	pH Analyser			22550	3608	1046.32	72.16	27276.48		0	0	4	1.09
6	Optional Items			20950	3352	972.08	67.04	25341.12		0	0	1	0.25
7	Conductivity Meter			38720	6195.2	1796.608	123.904	46835.71		0	0	4	1.87
8	Optional Items			30850	4936	1431.44	98.72	37316.16		0	0	1	0.37
9	Micro Processor controlled Karl Fisher Fisher Titrator (KAFI)	Lab India		151250	24200	7018	484	182952.00		0	0	2	3.66
10	Visual Melting Range Apparatus MR-VIS with 14" Colour Monitor			332750	53240	15439.6	0	401429.60		0	0	1	4.01
11	Sartocoon 2 Plus Micro /Ultra Filtration Systems	Sartorius		1512800	242048	70193.92	0	1825041.92		0	0	1	18.25
12	Automated Micro /Ultra Filtration Systems	Sartorius		5702500	912400	264596	0	6879496.00		0	0	1	68.79
13	Bio-stat B Plus CC Cell culture Fermenter	Sartorius		2000000	320000	92800	0	2412800.00		0	0	1	24.13
14	Freeze Drier	Virtis, USA		10000000	0	0	0	10000000.00		0	0	1	100.00
	<b>Total Value</b>												<b>225.88</b>
	<b>Cost of Plant &amp; Machinery - Indigenous</b>												<b>225.88</b>
	Add: Erection & Transport Charges												25.00
	<b>Total cost of P &amp; M - Indigenous -2</b>												<b>250.88</b>





## Indigenous

S. No.	Description	Supplier	Capacity / Specifications	Basic Price (Rs.)	Excise Duty	Sales Tax	ED cess	Unit Price (Rs.)	Insu. & Freight	Pckg. & Frwg	Erection charges	Qty. (Nos.)	Tot. Price
1	Fermenters Design, Fabrication & supply of PLC-1000 L	Sartorius		5994800	959168	278158.7	0	7232126.72		0	0	1	72.32
2	Fermenters Design, Fabrication & supply of PLC -1000 L	Sartorius		4952800	792448	229809.9	0	5975057.92		0	0	2	119.50
3	Fermenters Design, Fabrication & supply of PLC -20 L	Sartorius		3874400	619904	179772.2	0	4674076.16		0	0	1	46.74
4	R.O. Plant & Mixed Bed Plant - 500 LPH	Thermax		2000000	320000	92800	0	2412800.00		0	0	1	24.13
5	300 LPH DM Plant	Thermax		1008000	161280	46771.2	0	1216051.20		0	0	1	12.16
6	Auto Fill & Seal Machine	Yogesh Pharma		6500000	1040000	301600	0	7841600.00		0	0	1	78.42
7	Ampule & Vial washing machinery	Yogesh Pharma		3400000	544000	157760	0	4101760.00		0	0	1	41.02
8	AHU Systems	NADI		7500000	0	0	0	7500000.00		0	0	1	75.00
9	Generator	Kirloskar		1100000	0	0	0	1100000.00		0	0	1	11.00
10	Air Ducting	Kriya, Chennai		2500000	0	0	0	2500000.00		0	0	1	25.00
11	Effluent Treatment plant	Clean Environs		2200000	0	0	0	2200000.00		0	0	1	22.00
12	Computer Systems & Soft-ware UPS												20.00
13	Furniture & Fixtures												25.00
14	Vehicles												20.00
	<b>Total Value</b>												<b>592.29</b>
	<b>Cost of Plant &amp; Machinery - Indigenous</b>												<b>592.29</b>
	Add: Erection & Transport Charges												30.00
	<b>Total cost of P &amp; M - Indigenous</b>												<b>622.29</b>

## Total Summary of Cost of Plant & Machinery is as follow:

S.No.	Description	Amount in Lacs
1	Imports - 1	521.29
2	Imports - 2	250.88
3	Indigenous	622.29
	<b>Total Cost of Plant &amp; Machinery</b>	<b>1394.46</b>
	<b>Rounded off to</b>	<b>1394.00</b>



#### 4. Technical Know-How

We have entered into the following technical assistance agreements for technical know-how, the details are as under: -

S.No	Particulars	Amount in Euros	Amount in Rs. Lacs
1	International Center for Genetic Engineering & Biotechnology (ICGEB)**	5,00,000	300.00
2.	Biofin Laboratories, S.R.L,**	2,50,000	150.00
	<b>TOTAL</b>	<b>7,50,000*</b>	<b>450.00</b>

\*1Euro = Rs. 60/-

\*\* The detailed terms & conditions please see the section titled "Other Agreements" of this Red Herring Prospectus.

#### 5. Pre-Operative Expenses

The management of our company has estimated that an expenditure of approximately Rs 225.00 Lacs would be incurred on various heads in connection with its expansion and diversification costs. The details of the pre-operative expenses are given below:

(Rs. in Lacs)

Particulars	Amount
Administration Expenses	42.00
Salaries	36.00
Traveling expenses	18.00
Interest during the construction period	75.00
Training charges	29.00
Documentation charges	10.00
Other expenses	15.00
<b>Total</b>	<b>225.00</b>

#### 6. Share Issue Expenses

Our company proposes to get its equity shares listed on BSE & NSE. The management estimates an expense of Rs. 375.00 Lacs towards issue expenses. The Break-up of issue expenses is given below:

(Rs. in Lacs)

Expenses	Amounts in Rs. Lacs	Amount as a % of total issue expenses	Amount as a % of total issue size
Advertising	35.00	9.33%	0.93
Printing, Dispatch & Stationery	40.00	10.67%	1.06
Issue Management Fees and Brokerage	260.00	69.33%	6.92
Registrars Expenses	10.00	2.67%	0.27
Other Statutory Costs	30.00	8.00%	0.79
<b>TOTAL</b>	<b>375.00*</b>	<b>100.00%</b>	<b>9.98</b>

\*All expenses with respect to the Issue would be borne by our company.



## 7. Market Development Expenses

The total Market Development Expenses of our company is estimated Rs. 120.00 lacs. The same has been arrived by the management as stated below:

S.No	Particulars	Amount in Lacs
1.	Traveling expenses	10.00
2.	Promotion expenses (Advertisement etc.)	20.00
3.	Free Samples	15.00
4.	Product Registration expenses	75.00
	<b>TOTAL</b>	<b>120.00</b>

## 8. Contingencies 5% on Fixed Assets

Provision for contingency has been assumed at 5% of Fixed Assets except miscellaneous fixed assets.

## 9. Margin money for Working Capital

The total Working Capital margin requirement of the project is estimated Rs. 127.00 lacs (\*). The same has been arrived by the management as stated below: -

S.No	Particulars	Amount in Rs.Lacs
1.	Raw Material	45.61
2.	Packing Material	17.48
3.	Work in process	39.23
4.	Finished Goods	87.38
5.	Bills Receivables (CA)	349.50
	Total Current Assets	539.19
	Less: Sundry Creditors (CL)	30.41
	<b>Working Capital (CA-CL)</b>	<b>508.78</b>
	Bank Finance (75%)	381.59
	<b>Promoters Margin (25) %</b>	<b>127.20</b>
	<b>TOTAL (Rounded off)</b>	<b>127.00</b>

(\*) As per the Techno Economic Viability Study Report of APITCO Limited

## Utilities Consumption

**Power:** The requirement of power for the proposed plant is 250 Kva. The power requirement has been evaluated on the basis of machinery finalized.

## Water Quality & requirement:

Water is essential part of any Parenteral and Biological plant. Large amount of water is consumed .The quality of water is described as per EMEA guidelines as:

- Raw water: The water supplied by the Biotech park or water harvested from ground or from rain water ponds
- Purified water: Water after treatment by the prescribed methodologies Through the DM plant, first pass Reverse osmosis. Second pass Reverse osmosis or by Ultra filtration.
- Distilled water: Purified water that is not stored more than 12 hours at 80°C and then distilled by Multiple columns to remove any bacterial or Endotoxins essentially used by all Biological and pharmaceutical practices for usage in Sterile areas. The steam used here is pure super heated steam at 121°C.



Water Type	Quantity required	Rejection	Price of production per liter	Usage place & Purpose
Raw Water	4000 ltrs/ day	25% by Reverse osmosis	22 paisa / liter	To make Purified water
Purified Water	2950 ltrs	Nil	67 paisa/ liter	Washing and cleaning before sterilization.
Distilled Water	900 ltrs	Nil	Rs 2.50/ liter	Final rinse of containers and for manufacturing all biological, pharmaceutical and allied intermediates.

Purified water can be only used in Boilers as this water increases the life of the boiler with out forming any scales. This is also a mandatory requirement to produce pure steam.

#### Effluent Treatment Plant:

Our company will install an Effluent Treatment Plant with latest technology and standards at an estimated cost Rs.22.00 Lacs.

**FIRM ARRANGEMENTS FOR THE MEANS OF FINANCE OTHER THAN THE ISSUE PROCEEDS HAVE BEEN BY US THE DETAILS WHICH ARE STATED AS UNDER:**

#### Details of the Bank Sanction Letters for the Projects

(Rs. in Lacs)

Sl. No.	Name of Bank	Sanction Letter and Date	Amount	Project
1.	Oriental Bank of Commerce	CN/706/LOANS/PIL/1833/2005 dt 4th January, 2006	1000.00	Bio-Tech Pharma Unit
	<b>Total</b>		<b>1000.00</b>	

Nature of Facility	Term Loan (FRESH)
Amount of Loan	Rs. 1000.00 Lacs
Purpose	Fro creation of Fixed Assets for the proposed Bio-tech Pharma Unit at Hyderabad with an estimated project cost of Rs.3757.00 Lacs
Margin	25%
Rate of Interest	2.00% below PLR (present PLR of the Bank is 11.00% which works out at 9.00% pa at present with monthly rests subject to changes in the PLR /Spread announced by the Bank and subject to changes by RBI from time to time.
Primary	First charge on all the fixed assets to be created for their proposed Bio-tech Pharma Unit at Hyderabad with an estimated project cost of Rs.3757.00 Lacs
Collateral Security	Equitable mortgage of the properties situated at: (1) Open land at Pennugudurupadu, Tenali, Guntur District, and AP standing in the name of Mr. P.Venkateswara Rao. (2) Plot No 936, Survey D, Group Employee Association, Bangalore standing in the name of Mr. P.Sudhakar (3) Open land at Pennugudurupadu, Tenali, Guntur District, AP standing in the name of Mr.P.Sudhakar (4) Residential Plot No 73/28, at Pedda Kanjarla Kalan, Sanga Reddy, Medak District standing in the name of Mr. P.Venkata Ramakrishna (5) Plot No 63/C, Ameenpur Village, Sanga Reddy Medak District standing in the name of Mr. P.Rajasekhar
Guarantor	Personal guarantee of Shri P. Sudhakar, P. Venkateswara Rao, P.Bala Tripura Sundari and P. Sailaja
Amount of Loan Outstanding As on date	Not applicable since the loan is not yet disbursed.



## Installed Capacity

The annual installed capacity of the plant is detailed below:

S.No	PARENTERALS	Installed Capacity	BIOTECH SECTION	Installed Capacity
1	Vilas (Lac Nos)	180	Hyaluroonica acid (Kgs)	20
2	Powders (Lac nos)	162	Interferon (Lac Nos)	6
3	Ampoules (lac nos)	180	Erethropoietin (Lac Nos)	18

## IMPLEMENTATION SCHEDULE

The implementation schedule of the Bio-Pharma Parenteral and Bio - Tech Unit is given below:

Particulars	Commencement	Completion as per Appraisal report	Commencement (Revised)	As per present situation (Revised)
Acquisition of land	01-08-2005	31-12-2005	01-08-2005	31-12-06
Land Development	01-01-2006	30-06-2006	01.01.2007	31.03.2007
Civil works	01-04-2006	31-08-2006	01.01.2007	30.06.2007
Plant and Machinery Order	01-03-2006	31-09-2006	01.01.2007	31.03.2007
Delivery	01-09-2006	31-12-2006	01.02.2007	31-03-2007
Installation	01-10-2006	31-12-2006	01.06.2007	30.09.2007
Utilities Civil	01-04-2006	30-09-2006	01.01.2007	31.03.2007
Equipment Order	01-04-2006	30-06-2006	01.01.2007	30.04.2007
Delivery	01-09-2006	30-11-2006	01.04.2007	30.06.2007
Installation	01-10-2006	30-11-2006	01.04.2007	30.09.2007
Trial production	01-12-2006		01.01.2008	
Commercial production	01-04-2007		01.04.2008	

### Revisions if any in the project cost and means of finance after the appraisal reports:

No revisions have been made after the appraisal reports for the said project.

### Weaknesses and Threats if any as per the appraisal reports.

As per the Appraisal report, the following have been identified as Weaknesses and threats inherent in the project.

#### ■ WEAKNESSES

Our company has to face tough competition from the existing domestic and multinational pharma companies.

#### ■ THREATS

Competition from the existing domestic and multinational pharma companies.

## 2. PHARMA DIVISION

Our company proposes to manufacture pharma formulations under loan licensing for which it had entered into Loan licensing agreement with M/s. Sunrise International Labs Limited - Hyderabad. Our company's loan licensing facility is situated at Plot No. 100, Phase II, IDA, Charla Pally, and Hyderabad and is constructed as per latest schedule M, cGMP and WHO standards. It consists of Tablet section with a capacity of 100 Million tablets per month and Capsule section with a capacity of 50 Million capsules per month and Liquid Orals section with a capacity of 20 Million bottles per month.



Our company proposes to manufacture the following products:

<b>Tablets</b>	<b>Capsules</b>	<b>Liquids</b>
Multipil	PILPEX-L	PILZYME
Gatipil	HEMO-PIL	PILDRYL
Cipropil	FLUPIL	PILCOLD
Pilcold		PILMAL
Pilmal		HEMOPIL
Serapil		
SERAPIL-D		
RABIPOCH		
PANTOPIL-D		
OPIL- 200MG / 400MG		
DICLOPIL		

Initially, our company proposes to launch its product in about 10 Southern and Western states of India with a work force of around 100 Marketing personnel.

Our company proposes to utilize Rs. 1000.00 Lacs out the issue proceeds for the working requirement of its Pharma business for which the breakup is as follows:

#### **DETAILS OF WORKING CAPITAL REQUIREMENT - PHARMA DIVISION**

<b>S.NO.</b>	<b>Particulars</b>	<b>Amount in Lacs</b>
1	Raw Materials (Imports & Indigenous & packing materials)	88.61
2	Work in Progress	29.54
3	Finished goods	307.35
4	Sundry Debtors	620.01
	Total	1045.51
	Less: Creditors	45.51
	Net Working Capital requirements	<b>1000.00</b>

\* the above estimates are based on our company's own projections and no Bank/independent organization has assessed the requirements. .





**Manpower:** PIL has planned to recruit technical personnel for the new plant. The total manpower required for the proposed plant would be 157. The detailed breakup is given below.

<b>Top Management</b>	<b>9</b>
<b>Middle Management</b>	
Managerial	8
Technical	20
Administration	5
<b>Supervisors</b>	
Technical	50
Non- Technical	30
<b>Workers</b>	
Skilled	25
Un skilled	10
<b>TOTAL</b>	<b>157</b>

#### DEPLOYMENT OF FUNDS

The details of the Deployment funds by us in the projects as described in the Object of the Issue are given below as certified by M/s. B. Rama Rao & Co. Chartered Accountants, Chartered Accountants vide certificate dated 28th November, 2006. On the basis of the books of accounts and other records provided to us we hereby certify that Pochiraju Industries Limited having registered office at 1/102, Sathya Mangalam Village, Bagalur - Berigai Road, Thummanapalli Post, Hosur Taluk, Krishnagiri District, Tamil Nadu have spent the following amounts on setting up of a Bio Pharma Unit at S.P. Bio Tech Park, Hyderabad upto 20.11.2006 as per the details given below:

<b>Deployment of Funds</b>	<b>Amount in Rs. Lacs</b>
Capital Issue Expenses	38.57
Advance for land	5.00
<b>TOTAL</b>	<b>43.57</b>

Break up of the Capital Issue Expenses is as follows:

<b>Particulars</b>	<b>Rs. in Lakhs</b>
Project Appraisal Fee paid to APITCO, Hyderabad	5.50
Advance to Lead Managers	10.00
Advance to Legal Advisors	2.00
Fees Paid to SEBI, BSC & CDSL	2.21
Travelling and Conveyance Expenses	11.98
Other Expenses	6.88
<b>TOTAL</b>	<b>38.57</b>



We further certify that the aforesaid amount spent has been financed as under:

Rs. In Lacs	
Sources of Funds	Total
<b>Term Loan</b>	0.00
Oriental Bank of Commerce	00.00
Promoter's Contribution	43.57
<b>TOTAL</b>	<b>43.57</b>

#### DETAILS OF BALANCE FUND DEPLOYMENT

Amount in Rs lacs

Item of expenditure	FY 2006-07			FY 2007-08				TOTAL
	Incurrred upto 20.11.2006	21.11.06 to 31.12.06	4th Qtr	Ist qtr	2nd qtr	3rd qtr	4th qtr	
Land	5.00	117.00	—	—	—	—	—	122.00
Buildings & Civil Works	-	150.00	300.00	210.00	150.00	—	—	810.00
Plant & Machinery)	-	175.00	400.00	450.00	225.00	144.00	-	1394.00
Technical Know-how	-	115.00	150.00	100.00	85.00	-	-	450.00
Pre-Operative Expenses	-	50.00	50.00	50.00	25.00	25.00	25.00	225.00
Public Issue Expenses	38.57	211.43	125.00	-	-	-	-	375.00
Market Development Expenses	-	-	50.00	50.00	20.00	-	-	120.00
Contingencies	-	-	-	-	-	-	134.00	134.00
Margin money for Working capital	-	-	-	-	-	-	127.00	127.00
Pharma working capital	-	-	350.00	500.00	150.00	-	-	1000.00
Sub Total	43.57	818.43	1425.00	1360.00	655.00	169.00	286.00	
Annual Total			2287.00				2470.00	4757.00

#### INTERIM USE OF FUNDS

Pending utilization of the issue proceeds will be deposited with the scheduled commercial bank or invested in Bank Deposits and/or Gilt Edged Government Securities, either directly or through Mutual funds.

#### SHORTFALL OF FUNDS

In case the Issue does not go as planned, we will make alternative arrangements like availing of fresh loans from bank and also internal accruals and / or other arrangements to meet the shortfall, if any.

#### MONITORING OF UTILISATION OF FUNDS

In terms of clause 8.17 of SEBI (DIP) guidelines, there is no requirement for appointing a monitoring agency, since the issue size is less than Rs. 50,000 Lacs. However, we have appointed Oriental Bank of Commerce as the monitoring agency to monitor the use of issue proceeds. Oriental Bank of Commerce vide its letter dated 17th June 2006 has given its consent to act as the monitoring agency for utilization of the Issue proceeds. Further, our Audit Committee will also monitor the utilization of the Issue proceeds. We will disclose the utilization of the Issue proceeds under separate head in our balance sheet for the Fiscal 2007 and 2008 and provide all the details, if any, in relation to all proceeds of the Issue that have not been utilized thereby, also indicating investments, if any, of such unutilized proceeds of the issue.

**WE WILL PAY NO PART OF THE PROCEEDS OF THE ISSUE AS CONSIDERATION TO OUR PROMOTERS, OUR DIRECTORS, KEY MANAGEMENT PERSONNEL OR COMPANIES PROMOTED BY OUR PROMOTERS EXCEPT IN THE USUAL COURSE OF BUSINESS.**



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## BASIC TERMS OF THE PRESENT ISSUE

### Principal Terms and Conditions of the Issue:

The Equity Shares being issued are subject to the terms of this Red Herring Prospectus, the terms and conditions contained in the Bid-cum-Application Form, the Memorandum and Articles of our company, provisions of the Act, other applicable acts and the letters of allotment/Equity Share certificates or other documents and the guidelines issued from time to time by the Government of India, SEBI and the Stock Exchanges.

### Terms of Payment:

Applications should be for a minimum of 200 Equity Shares and in multiples of 200 Equity Shares thereafter. The entire price of the Equity Shares of Rs. [●]/- per share (Rs. 10/- face value + Rs. [●]/- premium) is payable on application.

In case of allotment of lesser number of Equity Shares than the number applied, the excess amount paid on application shall be refunded by us to the applicants.



## **BASIS FOR ISSUE PRICE**

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

### **Qualitative Factors**

- We are a profit making Company with consistently growing PAT and details for the last 4 years are as under.

(Rs in lacs)

<b>PARTICULARS</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>30.09.2006 (6 Months)</b>
PAT	6.00	31.95	86.29	256.62	400.59

- Strong management team and motivated work force:** Our Management team is a mix bag of professional experience. One of our Promoters Sri P. Sudhakar, is a qualified chartered accountant and a company secretary; we have four technical experts and an experienced chartered accountant on the board. We also are proud of the fact that we have no labour union in our company. More specifically detailed in the paragraph on 'Key Managerial Personnel' on this Red Herring Prospectus.
- State of art manufacturing unit in Hyderabad possessing capability of manufacturing all possible dosage forms:** The capacities proposed to be built by us are across all possible dosage forms i.e.; Tablets, Capsules, creams, ointment, dry suspension, liquid orals, Injectables, Effervescent, caplets and powder. This allows us to offer to our clients any kind of dosage forms required by them. Further, our company has entered into Loan licensing agreement with Sunlife International Labs Limited and the manufacturing facilities are WHO compliant.
- Our company has entered into agreements with Biofin Laboratories, Italy and International Centre for Genetic Engineering and Bio technology (ICGEB) Italy, who will provide the Technical Know- How for production of Bio pharma Products.

### **Quantitative Factors**

#### **1. Adjusted Earnings Per Share ( Face value of Re 1/- per share )**

	<b>EPS (Rs.)</b>	<b>Weight</b>
a) 2003-04	0.07	1
b) 2004-05	0.18	2
c) 2005-06	0.48	3
Weighted Average EPS	0.32	
Half year ended 30th September, 2006 (Not annualised) (Face value of Rs 10/- per share)	7.46	

#### **2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [●]/- per share (with face value of Rs 10 each)**

<b>Particulars</b>	<b>P/E at the lower end of price band (no. of times)</b>	<b>P/E at the higher end of the price band (no. of times)</b>
a) Based on 2005-06 EPS of Rs. 0.48	5.20	6.25
b) Based on weighted average EPS of Rs. 0.32	7.81	9.37

(Note: The existing equity shares of face value of Re.1 have been consolidated into shares of Rs 10 each with effect from 17.4.2006 and now the shares are being offered with face value of Rs 10)



Accounting Ratios of some of the companies in the same Industry:

For the existing operations of Floriculture, a very few listed companies are in the business, as such aggregate Industry data is not available Peer group include Karuturi Net works Limtied, Classic Biotech and Exports Limited.

Companies	EPS * (Rs.)	P/E *	NAV * (Rs.)
Classic Biotech & Exports	Nil	NIL	5.1
Karuturi Net.	41.1	6.2	13.8
Pochiraju Industries Ltd (Face value of Re. 1/- each) 31.3.06	0.48	(*)	1.73
Pochiraju Industries Ltd for the half year ended 30-09-06 (Face value of Rs. 10/- each) Not Annualised	7.46	(*)	24.00

For the proposed operations industry classification would be Pharmaceuticals - Biotechnology. The Peer group include Anil Biotech, Biocon, Jupite Biosciences, Panacea Biotech and Titan Biotech.

Companies	EPS * (Rs.)	P/E *	BV * (Rs.)
Anil Biotech	4.90	NIL	5.50
Biocon	13.30	26.50	15.60
Jupite Biosciences	23.20	3.90	31.40
Panacea Biotech	10.70	26.70	13.90
Titan Biotech	0.70	NIL	1.10
Pochiraju Industries Ltd for the year ended 31-03-2006 (Face value of Re. 1/- each)	0.48	(*)	1.73
Pochiraju Industries Ltd for the half year ended 30-09-06 (Face value of Rs. 10/- each) Not Annualised	7.46	(*)	24.00

\*Source: Capitaline Plus dated 20/6/2006.

### 3. Return on Net Worth

	RONW (Rs.)	Weight
a) 2003-04	5.82	1
b) 2004-05	13.34	2
c) 2005-06	27.48	3
<b>Weighted Average</b>	<b>19.16</b>	
Half year ended 30th September, 2006	31.07	

Minimum Return on Total Net Worth needed after the Issue to maintain pre-Issue EPS of Rs. 0.48 (Face value of Re. 1/-) or EPS of Rs. 4.80 (Face value of Rs. 10/-) is [●] %

### 4. Net Asset Value

Particulars	NAV (Rs. per share)
a) As at March 31, 2006 (Face value of Rs 1 each)	1.73@
Half year ended 30th September, 2006 (Face value of Rs 10/- each)	24.00
b) After Issue	[●]
c) Issue Price	[●]

@ Note: The equity shares of Rs 1 each have been consolidated into face value of Rs 10 each w.e.f. 17.4.2006.

- The face value of our Equity Share is Rs.10/- per share and the Issue Price is [●] times (at the lower band of Issue Price of Rs. [●] per share) and [●] times (at higher band of the Issue Price of Rs. [●] per share) of the face value of our Equity Shares.



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6. The BRLMs believes that the Issue Price of Rs. [●]/- per share is justified in view of the above qualitative and quantitative parameters. The investors may also peruse the section on Risk Factors and our Financials as set out in the Auditors Report on [page no. 141](#) of this Red Herring Prospectus to have a more informed view about the investment proposition.
  7. The Issue Price of Rs. [●] has been determined by us in consultation with BRLMs and 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.



## TAX BENEFITS STATEMENT

Our Auditors, M/s. B. Rama Rao & Co. Chartered Accountants, have, vide their letter dated May,8 2006, certified that under the current provisions of the Income Tax Act,1961 and existing laws for the time being in force, the following benefits, inter-alias, will be available to us and the members:

### **BENEFITS AVAILABLE TO THE COMPANY UNDER THE INDIRECT TAX LAWS.**

#### **Floriculture Division (Hosur)-100% E O U**

The product of the unit has been exempted from sales tax and excise duty as the product of the unit is treated as agriculture product (floriculture is an agriculture operation).

**Bio-pharma Division— Nil**

**Pharma division (Hyderabad Division) — Nil**

### **BENEFITS AVAILABLE TO THE COMPANY UNDER THE DIRECT TAX LAWS.**

#### **A. To the Company:**

**FLORICULTURE**-The income from this division is exempted from income tax as the income is treated as agriculture income u/s10(1).However any trading in flowers will attract income tax at the normal rates applicable to the companies as per the Income tax act,1961

**BIO-PHARMA & PHARMA DIVISIONS:** The income from these divisions will attract income tax at the normal rates applicable to the companies as per the Income tax act, 1961.

1. The company will be entitled to deduction under the Sections mentioned hereunder from its total income chargeable to Income Tax calculated otherwise than under the provisions of Section 115JB of the Income Tax Act, 1961.
2. Section 35(1)(i) and (iv) of the Income Tax Act, 1961 in respect of any revenue or capital expenditure in the nature of cost of land or scientific research related to the business of the company.
3. Section 35(2AB) of the Income Tax Act, 1961 in respect of any expenditure, not being capital expenditure in the nature of cost of land and building or in-house research and development as approved by the prescribed authority and upon entering into an agreement with the prescribed authority for co-operation in such research and development to the extent of a sum equal to one and one-half times the expenditure so incurred.
4. Section 35(1) (ii) and (iii) of the Income Tax Act, 1961 in respect any sum paid to Scientific Research Association which has as its object the undertaking of scientific research or to any approved university, college or other institution to be used for scientific research or for research in social sciences or Statistical Research to the extent of a sum equal to one and one fourth times the sum so paid.
5. The above deductions would be available upon the company fulfilling requisite conditions.
6. Subject to compliance with certain conditions laid down in Section 32 & Section 35D to the Income Tax Act, 1961 the company will be entitled to deduction for depreciation and preliminary pre-operative expenses.
7. In respect of tangible assets and intangible assets in the nature of know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st Day of April, 1998 will be entitled for depreciation at the rates prescribed under the Income Tax Rules.
8. In respect of machinery or plant which has been acquired and installed after 31st March 2002 for the purpose of new industrial undertaking or in respect of the existing manufacturing facilities which results in increasing the installed capacity by not less than ten percent a further sum of fifteen percent of the actual cost of such machinery or plant.
9. Dividend (whether interim or final) received by the company from its investment in shares of another domestic company would be exempted as per the provisions of Section 10(34) read with Section 115O of the Act. Further, income received from units of a mutual fund specified under Section 10(23D) of the Act would also be exempted per the provisions of Section 10(35) of the Act.
10. Capital assets are categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other listed securities or units of Unit Trust of India (UTI) or Mutual Fund units or Zero Coupon Bonds) are considered long term capital assets if they are held for a period exceeding 36 months. Shares held in a company, any other listed securities, units of UTI, units of Mutual Fund and Zero Coupon Bonds are considered long term capital assets if these are held for a period exceeding 12 months.





11. Section 48 of the Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the capital gains. However, in respect of long term capital gains for resident shareholders, a benefit is permitted to substitute the cost of acquisition/improvement with the indexed cost of acquisition/improvement. The indexed cost of improvement adjusts the cost of acquisition/improvement by a cost inflation index, as prescribed from time to time.
12. As per the provisions of Section 112 of the Act, long term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and cess). However, proviso to Section 112(1) specifies that if the long term capital gains arising on transfer of listed securities or units, calculated at the rate of 20% with indexation benefits exceeds the capital gains computed at the rate of 10% without indexation benefit, then such capital gains are chargeable to tax at the rate of 10% without indexation benefit (plus applicable surcharge and cess).
13. Effective October 1, 2004 long term capital gains arising on sale of equity shares and units of equity oriented mutual funds as defined u/s 10(23D) are exempt from tax u/s 10(38) of the Act subject to Securities Transaction Tax being levied under Chapter VII of the Finance (no.2) Act, 2004.
14. As per Section 54EC of the Act subject to the conditions specified therein capital gains arising to the company on transfer of a long term capital assets shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However if the company transfers or converts the notified bonds into money (as stipulated therein) within a period of 3 years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year. The bonds specified for this section are bonds issued by National Bank of Agriculture and Rural Development (NABARD), the National Highway Authority of India (NHAI), the Rural Electrification Corporation Ltd (REC) and Small Industries Development Bank of India (SIDBI).
15. As per Section 54ED of the Act and subject to the conditions specified therein, long term Capital gains arising on listed securities or units shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an eligible issue of share capital. The investment is required to be made within 6 months from the relevant date of transfer. Eligible issue of capital means an issue of equity shares which satisfies the following conditions:
  - a. The issue is made by a public company formed and registered in India.
  - b. The shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty as to whether the benefits under this section can be extended to shares forming part of the offer for sale by the existing shareholders. It may be relevant to note that the Central Board of Direct Taxes (CBDT) has clarified vide its Circular No.7/2003 dated September 5, 2003 that the term public issue in the context of Section 10(36) of the Act shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

## **B. To the Members of the Company**

### **B1. Under the Income Tax Act, 1961 (IT Act)**

#### **Resident Members**

16. By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from domestic Company referred to in Section 115O of the IT Act, are exempt from tax in the hands of the shareholders.
17. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long term capital asset being an equity shares in a Company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
  - a) The transaction of sale of such equity share is entered into on or after October 1, 2004;
  - b) The transaction is chargeable to such securities transaction tax as explained below.
18. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a Company through the recognized stock exchange is liable to securities transaction tax at the rate of 0.1% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @ 0.02% of the value payable by the seller.



19. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to taxes capital gains, such amount paid on account of securities transaction tax.
20. In terms of section 10(23D) of the IT Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the Company.
21. Under section 48 of the Act, if the Company's shares are sold after being held for more than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
22. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of six (6) months after the date of such transfer for a period of at least three (3) years in bonds issued by:
  - a) National Bank for Agriculture and Rural Development established under section 3 of The National Bank for Agriculture and Rural Development Act, 1981;
  - b) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - c) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
  - d) National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987; and
  - e) Small Industries Development Bank of India established under section 3(1) of the Small Industries Development Bank of India Act, 1989
23. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of shares of the Company, as and when it is listed, will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of six (6) months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely
  - a) The issue is made by a public company formed and registered in India;
  - b) The shares forming part of the issue are offered for subscription to the public.
24. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
25. Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and education cess @ 2%) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge and education cess @ 2%) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
26. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares in the Company on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge and education cess @ 2%).

#### **Non-Resident Indians/Non Resident Shareholders (Other than FIIs)**

Apart from benefits as mentioned in points 18,19,20,21,22,23,24 and 25 above



27. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:-

- a) Under section 115E of the Act, where shares in the Company are acquired or 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 on a recognized stock exchange, shall (in cases not covered under section 10(38) of the Act) be concession ally taxed at the flat rate of 10% (plus applicable surcharge and education cess @ 2%) (Without indexation benefit but with protection against foreign exchange fluctuation).
- b) Under provisions of section 115F of the Act, long term capital gains (in cases 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 inconvertible Foreign Exchange (in cases not covered under section 115E of the Act) 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 into money within three years from the date of their acquisition.

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

Apart from benefits as mentioned in points 18, 19, 20, 21, 22 and 23 above

28. The income by way of short term capital gain or long term capital gains (not covered under section 10(38) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.

- a) Short term capital gains - 30% (plus applicable surcharge and education cess @ 2%)
- b) Long term capital gains - 10% (without cost indexation plus applicable surcharge and education cess @ 2%). (Shares held in the Company would be considered as a long-term capital asset provided they are held for period exceeding 12 months).

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

29. In terms of section 10(23FB) of the Income Tax Act, 1961 all Venture capital companies/funds registered with Securities and Exchange of India, subject to the conditions specified, are eligible for exemption from income on all their income, including dividend from and income from sale of shares of the company.

#### **Under the Wealth Tax Act, 1957**

30. Shares held in a Company will not be treated as an asset within the meaning of Section 2(ea) of Wealth Tax Act, 1957; hence Wealth Tax Act will not be applicable.

#### **Under the Gift Tax Act, 1958**

31. Gift made after 1st October 1998 is not liable for any gift tax and hence gift of shares of the company would not be liable for any gift tax.

#### **Notes:**

All the above benefits are as per the current tax law as amended by the Finance (No.2) Act, 2005. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile. In view of the individual nature of tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.



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## SECTION VI

### ABOUT US

#### INDUSTRY OVERVIEW

You should read the following summary together with the section on “Risk Factors”, the section on “Industry” and “Our Business”, and section on “Financial Data” included in this Red Herring Prospectus.

Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, please refer to the section on “Forward Looking Statements and Market Data” on page xii in this Red Herring Prospectus.

*The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries and has not been prepared or independently verified by the Issuer or the BRLM.*

#### I. FLORICULTURE INDUSTRY

Global floriculture industry: USD 80 bn Established players: Holland, USA, Japan

Upcoming players: Ethiopia, Ecuador, Columbia, India, China, Kenya, Tanzania

Major flowers under greenhouse: Rose, orchids, gerbera, carnation

Area under greenhouse: 50,000 hectares (worldwide) and In India: 500 hectares

#### GLOBAL CUT ROSE INDUSTRY

Industry size: USD 64 bn

Growth rate: 10-12.5 per cent annually

Major consuming nations: USA, Canada, Europe, Japan, Australia, Middle East and New Zealand

Major production nations: Europe, North America, South America, Africa and Asia

Total area under greenhouse: 40,000 hectares

#### INDIAN ROSE MARKET

Size of India’s exports: Rs. 250 cr (less than 0.5 per cent of the world’s floriculture turnover)

Total area of cultivation in India: 200 hectares

Bangalore’s share: 150 hectares

Floriculture industry in India comprises of flower trade, nursery plants and potted plants, seed and bulb production, micro propagation and extraction of essential oil from flowers. Even though traditional flower cultivation has been going on in India for centuries together, Indian cut flower industry for export purposes has been of recent origin. The policy of economic liberalization of the economy since 1991-92 had given an impetus to the Indian entrepreneurs for establishing 100% export oriented floriculture units under controlled climatic conditions. However, by their very nature, these units are high cost investments and hence these units have come up mostly under the corporate sector. The expert committee set up by Govt. of India for promotion of export oriented floriculture units has identified Bangalore, Pune, New Delhi and Hyderabad as the major areas suitable for such activity especially for cut flowers. APEDA is the registering authority for such units. More than 90 100% EOUs have been set up in the last five years with an investment of over 200 crores. Most of them however, are running into losses today, mainly because of infrastructural weaknesses like lack of cold storages and handling facilities at the airports, high air freight charges, and frequent disruption in time schedule of flights and lack of round the week cargo clearing facility at the airports. The reluctance of banks to fund projects because of poor past performance is also sighted by many as another major reason for the relative failure of the industry. Ironically, experts consider the quality of flowers produced in India excellent and having tremendous export potential.

Of the four zones identified as potential centers for flower production namely Bangalore, Hyderabad, Pune and New Delhi, the area around Bangalore and Pune have got the advantage of ideal climatic conditions where the temperature ranges between 15 to 30°C. In view of this, the units established in these locations do not require either cooling or heating system.

The units located around New Delhi, though are near to the international airport but have the disadvantage of high as well as low temperatures resulting in additional capital investment for installation of cooling and heating system, besides incurring additional running cost for the power and energy. Hyderabad has got the disadvantage of experiencing high summer temperature, necessitating the airport forcing the units to send flowers through Bangalore or Mumbai airport, which resulted in additional cost compared to the sectors like Pune and Bangalore.



Among the four major sectors from the point of view of agro-climatic conditions and cost effectiveness Bangalore is considered the most ideal location for setting up of floriculture units for export followed by Pune. This is evident from maximum number of units being established in these two sectors.

### **Production**

Mentioned below are the basic features of cultivation of rose flowers.

#### **Rose**

Plenty of light, humid and moderate temperature ranging from 15°C to 20°C is considered as an ideal condition for production of roses in the tropical and sub-tropical climate of India. When roses are grown at a temperature below 15°C, the interval between flushes becomes long. At higher temperature above 30°C roses can be grown provided high humidity is maintained and evaporation rate is brought down.

Rose crop requires to be grown in a soil with good drainage properties rich in organic matter and oxygen. Organic matter as high as 30% in the top 30cm of the growing beds is provided. The pH of the soil should be around 6 to 6.5 i.e. slightly acidic soil is considered more suitable for rose cultivation.

In case the plant is in green house, the area is normally divided into 2 parts A&B, consisting roughly 1/2 ha, each. When the green house area is 1 ha. Each area is having about 91 meters length is which 56beds of 1.2 meter each and 0.4 metres for furrow path area are provided. Therefore, the size of each bed is of 26.25-meter length, 1.2-meter width. The plants are planted in the bed by providing spacing of 0.6 meter between rows and 0.17 meter between the plants. With this spacing, the plant density comes to 700000 plants per ha. As against the 2 rows system of planting followed in many units, some of the companies like Unit-11, Unit-20, Unit-19 etc. established with the collaboration of M/s Flodac have gone for 3 rows system which has resulted in high rate of fungal disease and also difficulty faced in carrying out inter-cultural operations. These units have removed the 3rd row in the second year of planting hence; it is advisable to go only for 2 rows system of planting for better inter-cultural operation and also to avoid attack of fungal diseases.

Rose plants under protected green house condition require approximately 1 ltr of water per plant per day. Except for the very old units, most of the other units are adopting drip irrigation system from the reputed companies to deliver the above quantity of water. A drainage line is also provided below the beds for disposal of excess water.

Organic manure is required to be added so that top 30 cms of the soil has 30% of organic matter content. A dose of 25 kg of manure per square meter will take care of this requirement. Applications of inorganic fertilizers including micronutrients are supplied during irrigation time alongwith the Drip lines. Majority of the units are having fertigation tanks and supplying the required quantity of both major and minor nutrients as per the requirement of the plant based on the soil test reports.

Nutritional requirements, pruning methodology, planting distance and use of growth-regulating chemicals in field-grown roses cv. Super Star and Raktagandha for production of first grade flowers with maximum yield have been standardized at the IARI, New Delhi. A fertilizer dose comprising 520 kg N, 868 kg P<sub>2</sub>O<sub>5</sub> and 694 kg K<sub>2</sub>O has been recommended/ha. Among the secondary nutrients, application of 50 kg MgSO<sub>4</sub>/ha was found to be beneficial. Out of the several micronutrients, spray of FeSO<sub>4</sub> 1.0% and ZnSO<sub>4</sub> 0.5% during November and January was most effective. Plants pruned at 45 cm height from ground level retaining only 4 healthy shoots during mid-October to mid-November, and spaced at a distance of 30 cm x 40 cm gave maximum flower yield per unit area.

Cut roses are cultivated under controlled conditions using fairly sophisticated greenhouse technology. The gestation period planting to production is six months and in an 18-months period, 90 per cent capacity utilization is achieved. The average plant variety has a productive life span of 7-8 years. Production is round the year and harvests can take place daily, three times a day after which they are quickly chilled in cold rooms and then processed and packaged. Once the cut roses are processed and semi-packed in bunches of 10-20 roses, they can be stored for upto four days and reach the markets in less than 72 hours by air under controlled refrigerated conditions. The process starts at the production facility and the cold chain is broken once it reaches the customer. Cut rose's have no fragrances: the ethylene emission, which gives the fragrance, is eliminated in order to increase its shelf life. A cut rose has a shelf life of 15 days.

### **Institutional Support for Floriculture**

Government of India. plays a crucial role in physical planning, infrastructure creation, tax legislation and policies in respect of export oriented floriculture units through its various ministries and also provides subsidy through its specialized bodies like NHB and APEDA.





The tax legislative measures that are favorable to the Indian Floriculture industry are as follows:

- a. Zero import duties on import of plant materials and without the need of an import license.
- b. Duty free imports on certain components of green house structure.

### **Outlook**

The cut rose business has transformed into a trans-border trade with production bases shifting to the southern hemisphere and demand growing aggressively due to changing demographic patterns in the northern hemisphere with the EEC growing into a 25 nation bloc. This development coupled with the availability of affordable cut roses on account of declining production costs and improved logistics from production bases to consuming bases has resulted in a blooming cut rose market.

Given the importance that flowers hold in people's lives, it comes as no surprise that today floriculture has emerged as an attractive business opportunity estimated to be about \$80bn. The growing demand for flowers has resulted in a steady increase in the acreage under various flower crops. Currently, the developed countries account for more than 90 per cent of the total world trade in floriculture products with European countries accounting for the majority of the import.

India's share of the global floriculture market stands at a paltry 0.1%. But with production in the traditionally recognized centers - the Netherlands and the USA - reaching threshold level, developing countries such as Columbia, Israel, South Africa, Kenya and India have emerged as additional production centers over the past few decades. Since most of the flowers are grown under protected conditions in covered structures like greenhouses and poly/glass houses in European and other countries, high energy cost and intense climatic conditions have forced the European countries and US to depend largely on imports to meet their domestic demand.

India stands to gain from this trend on the basis of the following strengths it has in the floriculture business:

Climatic conditions are ideal during the winter months (October to April).

Lower labour cost.

Lower cost of inputs like water, electricity, fertilizers, pesticides, etc.

India is situated centrally in comparison to major flower consumption centers like Europe, Japan and Middle East countries helping it access these major cut rose-consuming nations.

India is a treasure house of tropical and temperate plants, particularly roses and orchids.

Wide choice of cut flower species and cultivars suitable for a successful growth in different climatic regions of the country.

Capability of generating gainful employment for a large number of youth in rural and urban areas.

With a booming demand for flowers around the world - the annual global turnover in roses is estimated to be over \$64 billion.

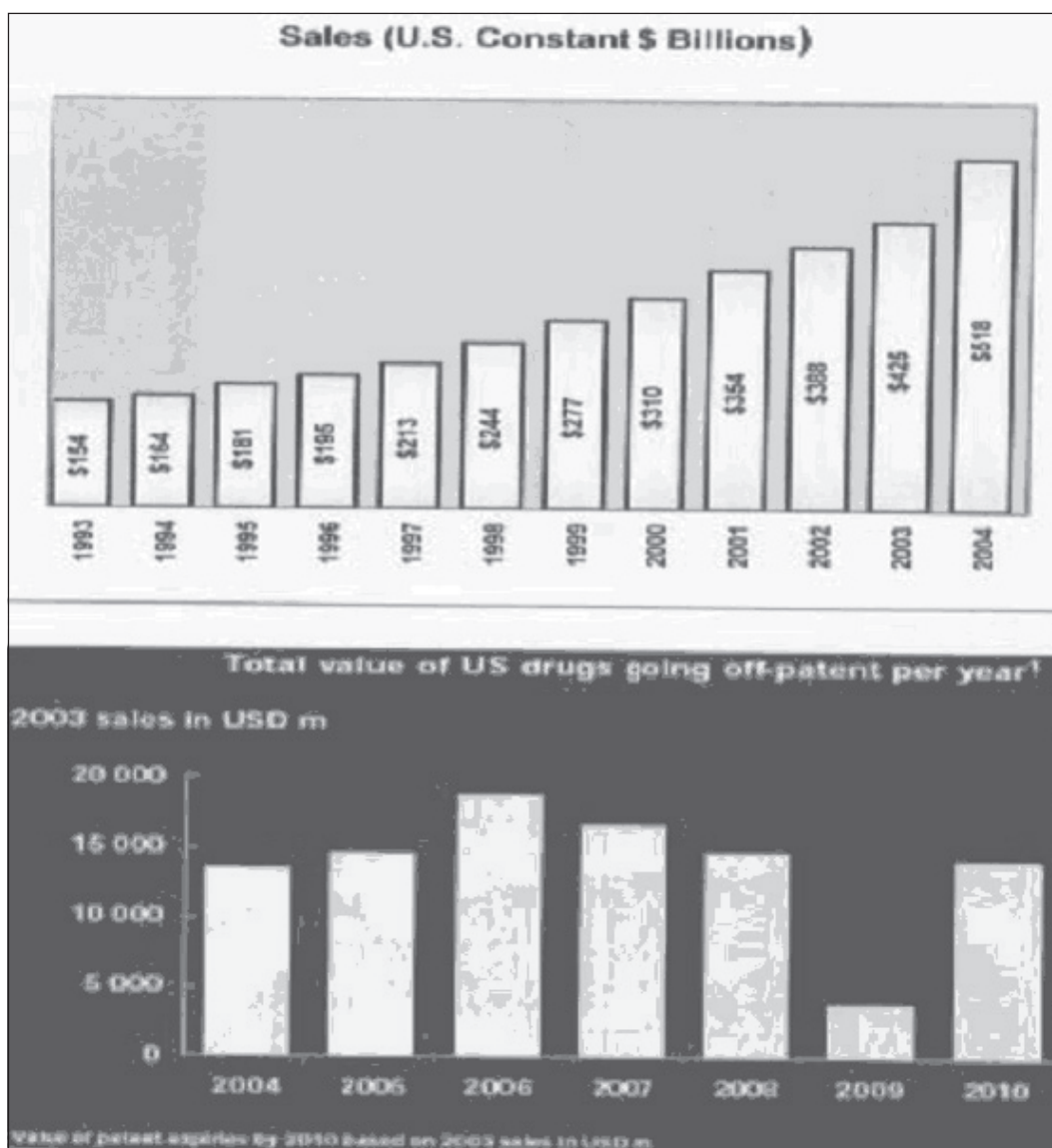
**SOURCE:** Agri. YellowPages Resources(**Floriculture**)

## **II. PHARMACEUTICALS INDUSTRY**

### **GLOBAL SCENARIO**

According to the data from IMS Health Incorporated or IMS, the global pharmaceutical industry has grown at the rate of 10% over the last seven years. The size of the global pharmaceutical industry is estimated at US\$518 billion and is concentrated in the developed world. Around 48% of the market is cornered by North America, 28% by the European Union and 11% by Japan as of December 2004. (Source: IMS Intelligence 360 Report). IMS Health projects that the global industry would register strong growth even in the face of continued government pressure on pricing and a number of widely used drugs going off patent.

- The pharmaceutical sector is the second largest global industry (banking is the largest)
- The US Federal Drug Administration (FDA) is the most powerful national regulatory body, driving the regulatory framework in which the sector operates globally.
- Global pharmaceutical players are facing expiry of patents on more than 75 percent of the drugs already in the streamline and their manipulation in getting these patents extended are facing with lot of resistance in the wake of hosts of drugs going off patent in the U.S, approximately US\$80bn, higher purchasing power, increasing healthcare costs and well developed health insurance and reimbursement system in developed countries,
- Indian Pharma companies can seize this opportunity and increase the market share in the global market.



(Source: EXIM Bank Publication Exporting Indian Healthcare, 2nd edition)

The global pharmaceutical industry is a very vibrant, high growth, highly technical and is highly lucrative industry. The most notable economic strong holds of the leading pharmaceutical companies are - High profit margins and Blockbuster drugs. The top 11 pharmaceutical companies each have sales of more than US\$ 10 billion with a profit margin of over 16%.

Having at least one or two block buster drugs on the market as well as a few in the pipeline is crucial if leading pharmaceutical corporations want to stay on top. In 2000 for example Astra Zeneca the fourth largest Pharmaceutical Corporation in the world - brought in sales of US \$6.3 billion with its blockbuster drug Lose (generic name Prisoletc), a treatment for gastrointestinal conditions. Losec is the biggest selling drug globally and made up almost half of the Astra Zenenca total drug sale during 2000. Merck's cholesterol drug Zocor is the second highest selling drug and was worth US\$5.28 billion in sales in 2000 that is almost on third of the company's total drug sales.

### **EMERGING TRENDS**

The pharmaceutical industry is always looking for opportunities for growth particularly since patents on many of their blockbuster drugs are soon to expire. Some of the emerging trends include

- Mega-mergers between leading pharma players
- Restructuring of operations
- Advancement of Biotech





## MERGERS:

Many patents of the Blockbuster drugs are very soon going to be expired. And there are very few potential blockbuster drugs in pipeline. In 2000 Glaxo Wellcome bought up Smith Kline Beecham and become Glaxo SmithKline the largest pharmaceutical company in the world. Pfizer bought Warner - Lambert etc. By merging the companies have been able to pool research and development resources and cut costs. Merging also enabled these companies to increase their product lines by gaining a broader range of products across multiple therapeutic areas such as cardiovascular, central nervous system, respiratory etc.

## RESTRUCTURING:

Another way by which the pharma giants are trying to increase their profitability is by restructuring their operations to focus on particular therapeutic areas. Pfizer, Glaxo SmithKline and Novartis have split their R&D efforts in to specific areas such as central nervous system, cancer and cardiovascular. These semi autonomous R&D units make R&D efforts more commercially viable.

(Source: IMS HEALTH)

## INDIAN PHARMACEUTICAL INDUSTRY

The Indian drugs and pharmaceuticals industry has made rapid strides over the years. Today the industry is manufacturing practically the entire range of the therapeutic products. It is capable of producing raw materials for the manufacture of a wide range of bulk drugs from the basic stage and a range of pharma machinery and equipment. The industry has achieved global recognition as a low cost producer of quality bulk drugs and formulations. Leading Indian companies have established marketing and manufacturing activities in over 60 countries including USA and Western Europe. The phenomenal progress made by the industry over the years is depicted below

### Progress of the Pharma Industry

Year		Status
1950s	Formulations	Mostly imported MNC dominance
1960s	Formulations	Domestic endeavor on imported bulk drugs
1970s	Formulations	Some imports
	Bulk Drugs	Indigenous manufacture by domestic companies
1980s	Formulations	Marginal Imports (<5%)
	Bulk Drugs	Significant indigenous manufacture (based on
	Domestic R&D)	
1990s	Formulations	Significant exports, minimal imports (2%)
	Bulk drugs	Self reliant (exports > imports)
2000s		Signatory to WTO and patent protection act
	Formulations	Contract Manufacture, launching of generics in
		International markets
	Bulk Drugs	Significant tie-ups in contract, research, drug
		Discovery and drug development, and biotechnology

The Indian pharmaceutical industry is a success story providing employment for millions and ensuring that essential drugs at affordable prices are available to the vast population of this sub- continent.

The Indian Pharmaceutical industry today is in the front rank of India's science - based industries with wide ranging capabilities in the complex field of drug manufacture and technology. A highly organized sector, the Indian Pharma Industry is estimated to be worth \$4.5 billion, growing at about 8 to 9 percent annually. It ranks very high in the third world, in terms of technology, quality and range of medicines manufactured. From simple headache pills to sophisticated antibiotics and complex cardiac compounds almost every type of medicine is now made indigenously.



Playing a key role in promoting and sustaining development, in the vital field of medicines, Indian Pharma Industry boasts of quality producers and many units approved by regulatory authorities in USA and UK. International companies associated with this sector have simulated, assisted and spearheaded this dynamic development in the past 53 years and helped to put India on the pharmaceutical map of the world.

The Indian Pharmaceutical sector is highly fragmented with more than 20,000 registered units. It has expanded drastically in the last two decades. The leading 250 pharmaceutical companies control 70% of the market with market leader holding nearly 7% of the market share. It is an extremely fragmented market with severe price competition and government price control.

The Pharmaceutical industry in India meets around 70% of the country's demand for bulk drugs, drug intermediates, pharmaceutical formulations, chemicals, tablets, capsules, orals and injectibles. There are about 250 large units and about 8000 Small Scale Units, which form the core of the pharmaceutical industry in India (including 5 Central Public Sector Units). These units produce the complete range of pharmaceutical formulations, i.e. medicines ready for consumption by patents and about 350 bulk drugs, i.e. chemicals having therapeutic value and used for production of pharmaceutical formulations,

Following the delicensing of the pharmaceutical industry, industrial licensing for most of the drugs and pharmaceutical products has been done away with. Manufacturers are free to produce any drug duly approved by the Drug Controller Authority. Technologically strong and totally self-reliant the Pharmaceutical industry in India has low costs of production, low R&D costs, innovative scientific manpower, strength of national laboratories and an increasing balance of trade. The Pharmaceutical industry, with its rich scientific talents and research capabilities supported by Intellectual Property Protection regime is well set to take on the international market.

### **PRODUCT PATENT REGIME**

The industry has entered the product patent era and enhanced drug regulation. As a result, the large players in the domestic market will constantly seize opportunities to achieve critical mass, which will be essential for funding their international forays and R&D pursuits. Under the World Trade Organization agreement, member nations (especially developing countries, including India) were given a transition period, up to 2005, to enforce product patents in their countries (but only for patents registered after January 1995). In the interim, these countries were expected to enact relevant laws and stopgap measures (including the granting of exclusive marketing rights) to ensure a smooth transition to the new patent regime. India has enacted legislation and laws to move from a process patent regime to a product patent regime. After the implementation of the product patent regime in India in 2005, Indian companies will be unable to launch new molecules patented post-1995. Since more than 60 per cent of the growth in the 2000-2003 periods came from new product launches, Indian companies operating only in the domestic markets will find it difficult to sustain growth. Also, their margins are expected to be under pressure on account of pricing pressures among the existing portfolio of drugs due to increased competition. Growth in the Indian formulation market is expected to slow down to 5-6 per cent till 2008.

### **EXPORT IN PHARMACEUTICALS**

Pharmaceutical products rank amongst India's top export items. The country's exports of pharmaceutical products increased at a CAGR of 22.9% during the period FY1994-2003. While formulations account for over 50% of the pharmaceutical exports, share of bulk drugs has also increased since mid-1990s. The rate of growth in bulk drugs was relatively high at 29.8% (estimated) during FY1994-2003 as against formulations, which increased at the rate of 18.9% in the same period. Various factors that facilitated exports from India include cost competitiveness, established quality, and certification of manufacturing facilities by the United States-Food and Drug Administration (USFDA) and United Kingdom Medicines and Healthcare products Regulatory Agency (UKMHRA).

The share of bulk drugs in pharmaceutical exports increased from 24% of pharmaceutical exports in FY1981 to 45% in FY2000. The Indian industry manufactures around 400 bulk drugs belonging to several therapeutic segments. Factors such as the industry's cost competitiveness, the established quality of its products and its internationally approved manufacturing facilities have enabled the industry to make a place for itself in the international market.

India has a presence in all the therapeutic segments in the export market. However, antibiotics still form the major part (around 25%) of the total pharmaceutical exports from the country. Drugs for the treatment of respiratory diseases, especially anti-asthmatic drugs, account for 5% of the total pharmaceutical exports. Exports of analgesics and non-steroidal anti-inflammatory drugs (NSAIDs) consist of both bulk drugs and formulations, with drugs based on old molecules (like Ibuprofen and Paracetamol) dominating the export basket from this segment.

### **EXPORT DESTINATIONS**

The Indian pharmaceutical industry exports to both the developing and developed countries. The US is the largest market for Indian pharmaceutical exports, followed by Germany, Russia, China and Hong Kong. Although bulk drugs are exported to both the developed as well as developing markets, a large proportion of formulations are exported mainly to the developing countries



North America and Western Europe account for a considerable portion of the exports of pharmaceutical products from India. Moreover, the share of these regions in India's total pharmaceutical exports is on the rise, while the share of the other regions has been declining.

## **IMPORTS**

Imports of pharmaceutical products into India increased at annualized rate of 20.4% during the period FY1994-2003. The major import items include organic compounds, micro-organism culture, antibiotics, vaccines and vitamins. Bulk drugs account for over 70% of imports of pharmaceutical products into the country. Bulk drugs imports have increased in recent times mainly on account of the price differential. In certain cases, the manufacturing technology for some drugs in India is comparatively inefficient, which has led to higher production costs (and therefore prices). The availability of lower priced bulk drugs in such cases in the international market (from countries like China, Korea) has led to the increase in their imports. Some amount of formulations imports into India is accounted for by multinational companies with a presence here. In certain cases, where the market size for a new product is not sufficient to justify a new facility, imports from affiliates are made. In few cases, multinationals resort to imports from their affiliates in other countries irrespective of the price differential. Additionally, there are drugs that are present both in the export and import list. This is because, quite often, certain Indian companies import bulk drugs to utilize the benefits offered by Government policies. Also, with China and other South Asian countries offering bulk drugs at lower prices, imports of bulk drugs have increased place in the recent past.

## **KEY GROWTH DRIVERS**

Exports offer a major growth opportunity for Indian companies. In the domestic market, increasing demand for lifestyle drugs is the key driver for growth. Indian pharmaceutical manufacturers are increasingly tapping the export market. Export revenues account for almost half the total revenues of the top three Indian pharmaceutical companies, Ranbaxy Laboratories, Dr.Reddy's Laboratories and Cipla.

Drugs worth approximately \$60 billion are expected to go off patent by 2010 in the US and Europe. This spells great opportunity for the Indian companies. The attractive prices of generics combined with spiraling healthcare costs has forced governments in countries like USA to be more receptive to generics. Indian pharmaceutical companies have traditionally concentrated on generic drugs and years of reverse engineering given the industry enough competence to be able to quickly develop generic drugs. The biggest importer of pharmaceutical goods from India is USA, accounting for 16 per cent of total pharmaceutical exports during 2002-03. Contract manufacturing and contract research are emerging fields and the Indian industry is well poised to capitalize on this.

The domestic market is witnessing an increasing demand for lifestyle drugs. These drugs mainly cater to the cardiovascular, Central Nervous System, diabetes and respiratory segments. The demand for these drugs is primarily on account of change in food habits leading to an increase in the risks of CVS, CNS, diabetes, and other lifestyle related diseases such as obesity. Since the demand for lifestyle drugs emerges from high income groups, it is not price sensitive thereby yielding higher prompt margins to pharma companies catering to this segment.

### **Bulk Drug Industry:**

The Indian pharmaceutical industry manufactures over 400 bulk drugs belonging to several therapeutic segments. Bulk drug production in the country recorded a CAGR of 19.5% during the period FY1994- 2004, which is higher than the growth in the overall production of pharmaceuticals (CAGR of 15.8%) during the same period. Ability of the Indian manufacturers in chemical synthesis and reverse engineering, cost competitiveness of Indian producers, established quality of products, and approval of manufacturing facilities by international regulatory authorities like the USFDA and UKMHRA) have resulted in export orders coming from both developed and developing markets. Besides, low cost of production, flexible manufacturing infrastructure that allows the players to change product mix in response to changes in the customer demand and expertise in scaling up production from lab scale quantities to commercial production also indicate the manufacturing competence of the Indian pharmaceutical companies. Although formulations still account for a large share of the overall pharmaceutical production (in value terms), the proportionate share of bulk drugs has increased, and went up from 16% in FY1991 to 22% in FY2004.

### **Formulation Industry:**

The production of formulations in India increased at a CAGR of 15% during the period FY1994-2004. The exports of formulations from India increased at a CAGR of 19% during FY1994-2003. The strong growth in formulation exports during the 1990s can be attributed to exports made to the developing markets and the access gained by Indian players to the generics markets of developed countries. Moreover, with the Indian players strengthening their presence in the generic markets of regulated countries, formulation exports to such countries has increased. Formulations account for over 50% of the total pharmaceutical exports from India.

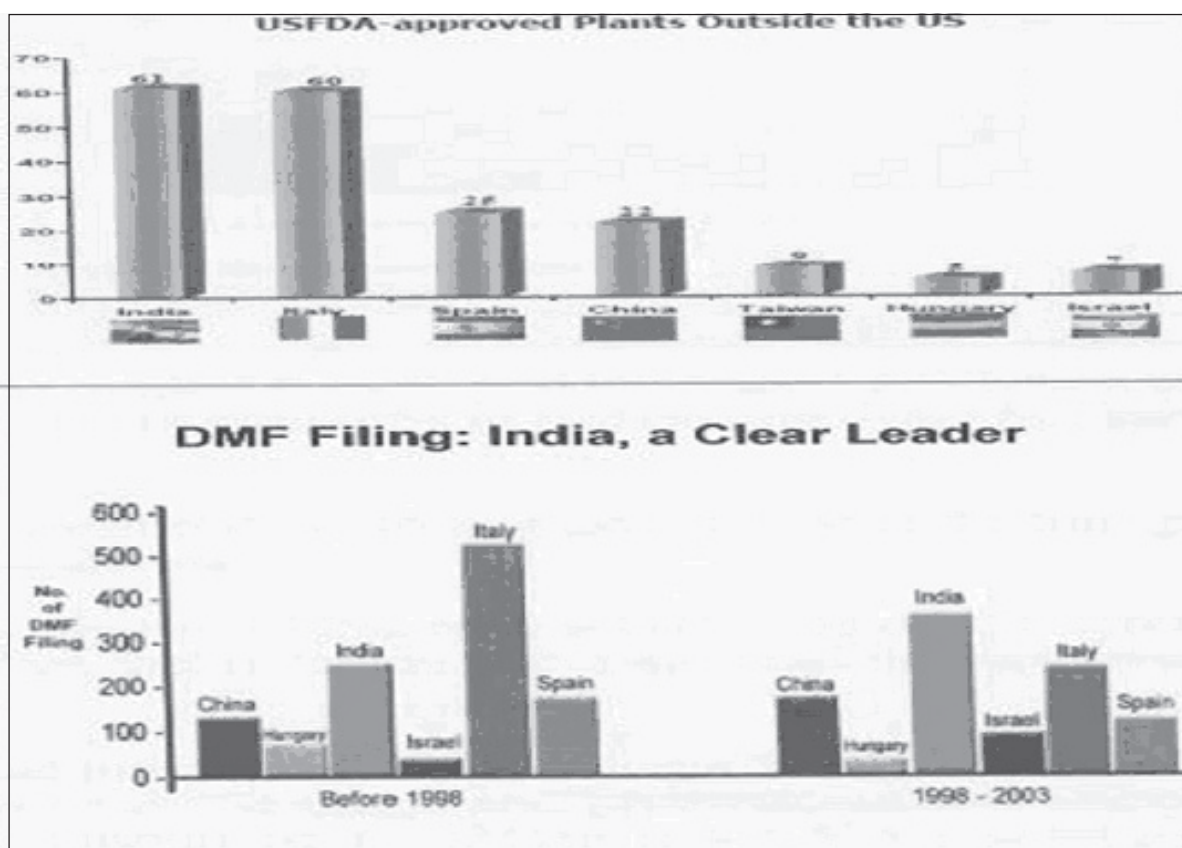


India has been offering affordable medicines with high quality to African countries and will keep supplying them, following the stringent regulatory norms. Not all African Countries have quality laboratories and quality control systems in place. It allows exporters to dump poor quality drugs. India can extend its support in setting up quality labs in the African region so that drug quality testing can be ensured and no substandard and poor quality drugs are marketed.

The achievements of the Indian Pharmaceutical industry during the last three decades are spectacular by any standards. The Indian pharmaceutical industry with its rich scientific talent and research capabilities, supported by Intellectual Property Protection regime, is well set to take a great leap forward. With US\$ 4 Billion in domestic sales and over US \$3 Billion in exports in 2004-05, the Indian pharmaceutical industry is showing satisfactory progress in terms of infrastructure development, technology base and product use emerging as one of the major producers of the pharmaceuticals in the world.

- Indian Pharmaceutical Industry has a global ranking of 4th in terms of volume and 13th in terms of value. Reflecting both, high production capacity and price competitiveness, exporting to 65 countries around the world.
- The total Indian production constitutes about 8% of the world market in volume terms and manufactures over 350 APIs (Active Pharmaceutical Ingredients)
- The Indian pharmaceutical industry has come a long way from being almost non-existent before 1970 to a prominent provider of healthcare products, meeting 95% of the Country's pharmaceuticals needs.\_
- The industry has increased from nearly US\$ 100 mn in 1970-71 to US \$ 6.6 bn in 2003, at a compounded annual growth rate of 13.7% per annum.
- Presently, Indian Pharma industry has the highest number of plants approved by then US Food and Drug Administration (FDA) outside the US. It also has the largest number of Drug Master Files (DMFs) filed which gives it access to the high growth generic bulk drugs market.

(Source: Directorate General of Commercial Intelligence and Statistics (DGCIS))

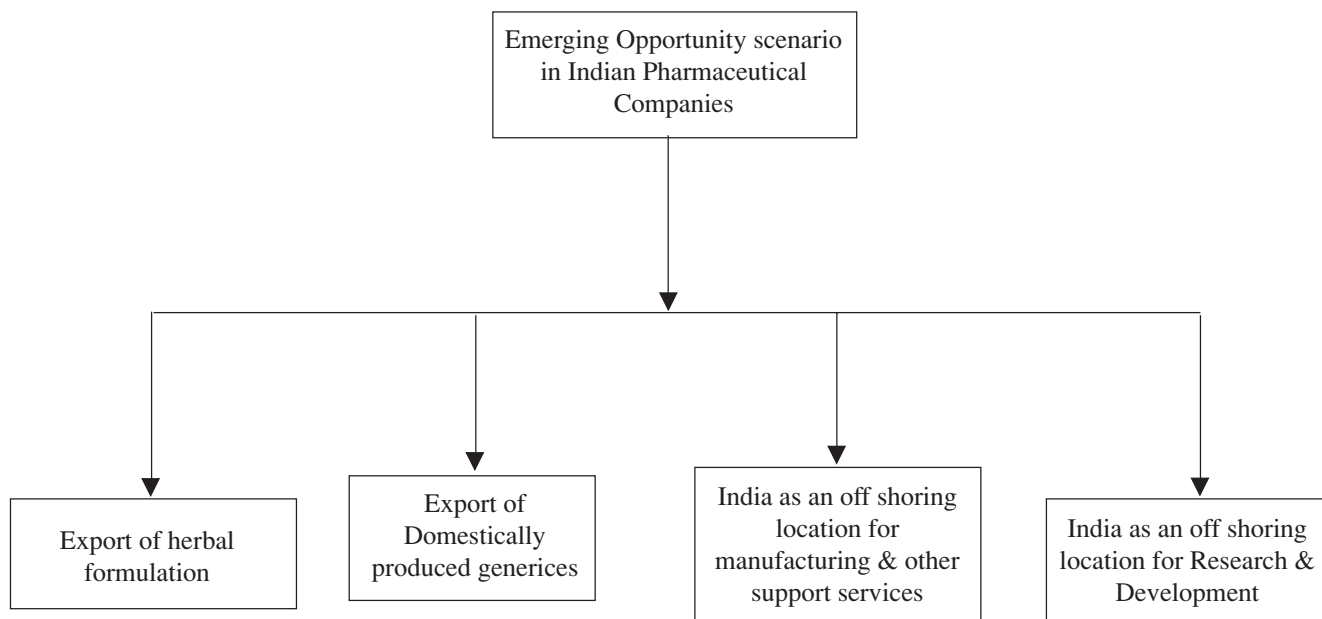


(Source: Department of Commerce, Ministry of Commerce & Industry)








## Emerging Trends in the Indian Pharmaceutical Industry:

### Global Markets - the big opportunity



**India Advantage:** India offers a unique value proposition for offshore manufacturing and other support services.

<b>Cost Savings</b> <ul style="list-style-type: none"><li>• 40 – 50% net savings</li><li>• Higher productivity</li><li>• Scalable – workforce size</li><li>• Wide scope of functions – low to high value skills</li><li>• Process re-design potential</li><li>• Shared infrastructure / cheaper real estate</li><li>• Government fiscal benefits.</li></ul>	<b>COST</b> 
<b>Quality</b> <ul style="list-style-type: none"><li>• Lower error rate, quicker turnaround</li><li>• Specialization</li><li>• Greater quality visibility and enhanced ability to manage quality</li></ul>	<b>SCALE</b> 
<b>Time</b> <ul style="list-style-type: none"><li>• Faster turnaround using time zone differences (US 12 hrs, Europe 4-6 hrs)</li></ul>	<b>SCOPE</b> 
<b>Revenue Enhancement</b> <ul style="list-style-type: none"><li>• Sales life / higher customer retention</li><li>• Revenue protection / reconciliation activity.</li></ul>	<b>QUALITY</b> 
	<b>TIME</b> 

(Source: Department of Commerce, Ministry of Commerce & Industry)





## FUTURE TRENDS -INDIAN MARKETS

<b>Market Trend 1</b> <b>Increasing focus on healthcare</b>	<ul style="list-style-type: none"> <li>• Health insurance is expected to drive demand in healthcare</li> <li>• Increasing number of corporates entering healthcare space</li> </ul>
<b>Market Trend 2</b> <b>Change in Disease Profile</b>	<ul style="list-style-type: none"> <li>• Market is gradually shifting towards the life style related segment due to increasing awareness, detection and treatment.</li> </ul>
<b>Market Trend 3</b> <b>India as an offshoring location</b>	<ul style="list-style-type: none"> <li>• Increasing cost, expiring patents and market dynamics are driving the MNCs to outsource both manufacturing and research activities.</li> <li>• Estimated savings of upto 50% to be derived by off-shoring to India.</li> </ul>
<b>Market Trend 4</b> <b>Drugs going off patent in the US</b>	<ul style="list-style-type: none"> <li>• The US market will remain the most lucrative market for the Indian companies bled by its market size and the intensity of blockbuster drugs going off patent.</li> <li>• An estimated US\$45bn of drugs expected to go off patent by 2007 in US alone.</li> </ul>

(Source: Department of Commerce, Ministry of Commerce & Industry)

### Summary of the Emerging Trends:

The global pharmaceutical markets present growth opportunities to Indian companies. There are essentially three model choices available to Indian Companies -

- The first model is to compete with innovator companies through patent challenges and early to market generics in the regulated markets.
- The second model is to partner with innovator companies worldwide for manufacturing and research across segments of the pharma value chain.
- Third, Work out a model which is non infringing say, Herbal Formulations / OTC.

The Other Models of Survival & Growth for Indian Pharmaceutical Companies are:

- Contract Manufacturing (CM)
- Contract Research (CRO)
- Contract Sales & Marketing (CSO)
- Increasing focus on specialty drugs.
- Increasing focus on R&D

(Source: CMIE Quarterly Industry Review March 2006)

## SIGNIFICANT DEVELOPMENTS IN DRUGS & PHARMACEUTICALS INDUSTRY

Following are the significant developments in the sector during January: 2006

- The Controller General of Patents granted the first product patent in pharmaceuticals to Roche India for its biotech drug Pegasys (Pinterferon apha-2a). Accordingly, no other company will now be allowed to launch a generic version of the drug in India, although drugs introduced prior to January 2005 will not be affected. Roche had applied for the patent under the Mailbox facility for post-1995 inventions.
- API and intermediates manufacturer Matrix Laboratories plans to raise USD 200 million by way of Foreign Currency Convertible Bonds (FCCBs).



- GlaxoSmithKline Pharmaceuticals (GSK India) plans to launch Carvedilol, its blockbuster cardiovascular drug licensed from the Swiss pharma company Roche in India after July. There are \_ve generic brands of the drug available in the country at the moment. The company follows a strategy of lowering dependence on price controlled drugs as the margins are thin. It also plans to bring to India three of its own products, two vaccines and an asthma product. GSK also plans to bring in two of its pediatric vaccines, Boostrix and Infanrix. It is developing an .affordable range of the globally available asthma drug, Seretide. The product is being developed with Zydus Cadila. GSK is doing clinical work in areas such as cancer, diabetes, central nervous system and cardio-vascular products. It is likely to tie up with Ranbaxy for malaria drugs. It has also applied for registration of its bird flu drug, Relenza.
- Uttaranchal.s pharma city, developed by the State Industrial Development Corporation of Uttaranchal (SIDCUL) on 50 acres on the outskirts of Dehra Dun was inaugurated on 3 March 2006. Drug companies in Uttaranchal enjoy zero excise status.
- Forty plots have been allotted to 36 companies including Natco Pharma and India Glycols.
- Lupin signed a 50-50 joint venture agreement with South Africa-based Aspen Pharmacare to develop, manufacture and globally market anti-tuberculosis (TB) drugs.
- They also plan to investigate opportunities in the malaria market.
- Lupin is strong in the anti-TB formulations and APIs while Aspen is strong in the anti-retro viral (ARV) area. Himalaya Drug Company plans to enter the Saudi Arabian market in March 2006 followed by Lebanon and Jordan.
- The herbal medicines company already has a strong presence in the Middle East and exports 20 formulations to that geography. Hyderabad-based Suven Life Sciences, engaged in the manufacture of APIs, intermediates and \_ne chemicals, plans to merge Asian Clinical Trials, a clinical research organization, with itself. This arrangement will ensure that all activities catering to the life sciences industry can be done under one roof.
- Wockhardt received USFDA approval to market ulcer drug Ranitidine (75 mg tablets) as an over-the-counter (OTC) product in the US market, estimated at USD 61 million for the drug. Its 150 mg and 300 mg tablets are already in the US prescription market. Ranitidine is the generic version of Pfizer Zantac 75 tablets.

#### Duty Structure for Drugs & Pharmaceuticals

Particulars	Customs Duty			Excise Duty		
	Basic	CVD	Effective	Basic	Addl.	Effective
Antisera and other blood fractions and modified immunological products	12.50%	Nil	17.26%	Nil	Nil	
Vaccines	12.50%	Nil	17.26%	Nil	Nil	Nil
Medicaments consisting of two or more constituents which have been mixed together for therapeutic or pro phylactic uses, not put up in measured doses or in forms or packing for retail sale	12.50%	16.00	36.74%	16.00	Nil	16.32%
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms or packing for retail sale	12.50%	16.00	36.74%	16.00	Nil	16.32%
Medicaments including those used in Ayurvedic, Unani, Siddha, Homeopathic or Bio-chemic systems	12.50%	16.00	36.74%	16.00	Nil	16.32%
Life saving drugs and medicines including their salt and esters specified diagnostic kits	Nil	Nil	Nil	Nil	Nil	Nil

(Source: CMIE Quarterly Industry Review March 2006)

Customs: Two per cent education cess levied on CVD as well as on the aggregate customs duty. Effective duty in the table above is inclusive of the cess and additional customs duty of four per cent. Credit is available for CVD, additional customs duty and cess paid on CVD.





Excise: Two per cent education cess levied on the aggregate excise duty, including additional duty. Effective duty in the table above is inclusive of the cess.

\*Medicaments containing didanosine, Efavirenz, Indinavir, Insulin, Lamivudine, Nel\_navir, and Nivrapine, ritonavir, saquinavir, stavudine and zidovudine are nil.

Medicaments other than penicillins, ampicillin, amoxycillin, becampicillin, cloxacillin, ampicillin & cloxacillin combinations, and streptomycin will attract a CVD of 16%. Excise Duty will be charged on maximum retail price after an abatement of 40 per cent.

### **UNION BUDGET 2006-07- IMPACT ON INDIAN PHARMACEUTICAL INDUSTRY**

The Union Budget 2006-07 provided only marginal relief to the Indian drugs and pharmaceuticals industry leaving most of their direct demands unmet. It reduced customs duty on 10 anti-AIDS and 14 anti-cancer drugs to five per cent. The duty cuts, according to media reports, are unlikely to result in any revision in their domestic prices. Besides, the prices of these are under the control of the DPCO. Market share of these products is also negligible at present. Multinationals selling oncology products in the country include Aventis Pharma, Novartis, and Roche while those planning to enter India in this area include Bristol-Myers Squibb (BMS), Merck Sharpe & Dohme, GSK and P\_zer. The budget reduced customs duty on certain life saving drugs, kits and equipment from 15 per cent to five per cent and also exempted them from excise duty and countervailing duty (CVD). Reduction in peak customs duty to 12.5 per cent (peak rate) from 15 per cent will reduce cost of some imported raw materials. So will the lower duties on chemical intermediates. Removal of fringe benefit tax on free samples given to doctors is another positive though it will not make any material impact on the industry. The sector will also indirectly benefit from the 22 percent increase in healthcare spending by the government. Technical testing and analysis services including clinical testing of drugs and formulations have been brought within the ambit of service tax. Small and medium pharma units, especially from Andhra Pradesh, Gujarat and Punjab, who are unable to withstand competition from companies enjoying tax free environments in Uttaranchal and Himachal Pradesh are unhappy that the budget did not take any steps to provide any relief in this regard. Reduction in excise duty from 16 per cent to eight per cent was one of the persistent demands particularly of the small scale drugs sector. The sector's demand for increasing the SSI investment limit for excise exemption from rupees one crore to Rs.5 crore too was unmet. The budget also ignored the industry demand for sops on research and development and intellectual property related expenses, particularly now that the country has embraced the product patent regime.

*(Source: CMIE Quarterly Industry Review March 2006)*

### **3. BIOTECH INDUSTRY**

Pharma Companies are also looking to keep up with their profits and sales growth through what they call the revolutionary breakthroughs of biotech.

#### **BIOTECHNOLOGY:**

Biotechnology comprises techniques applied to organisms or parts thereof to produce, identify or design substances, or to modify organism for specific applications. Cell fusion techniques, hybridomas recombinant DNA technology protein engineering and structure based molecular design are considered as modern biotechnology.

Emanating from the above the structural and functional genomics complemented with computer-aided informatics and biochips are making fast inroads into the frontiers of modern biotechnology. Differentiated stem cell proliferation and animal cloning techniques are developing very fast. In addition, several technology platforms that have emanated from increased understanding of signal transduction pathways of cells and tissues, cell based immune rejections, tissue engineering, proteomics, bio-informatics including bio-chips and genomic sequencing of organisms, all these areas hold enormous hope for providing new biotech products that would have wide applications.

Conventional biotechnology includes fermentation or conversion of substrates into desired products by biological processes, downstream processing for recovery of metabolites, use of microbes or enzymes for producing value added products, serums vaccines and diagnostics produced by conventional methods, reproduction, artificial insemination and embryo transfer technology, plant cell or tissue culture,. Plant breeding for producing better seeds or plants cultivars, bio-fertilizers, bio-pesticides, plant growth stimulants, extraction and isolation of active principles from plants or animals or parts thereof.

World over, no sector of industrial activity was specifically designated as biotechnology industry per se so before the early seventeen's although conventional fermentation based industry was at its peak especially in the production of antibiotics, enzymes, fermented beverages, certain organic chemicals and biochemicals. Viral and bacterial vaccine were also produced by multiplying the target microorganisms(viruses) in specific pathogen free eggs or in certain safe cell lines or in defined biological media. The products were used as such or after inactivation.



This scenario fast altered with the rapid advances in genetics, microbiology and immunology at the molecular level. The techniques of splicing and recombination of nucleotide sequences at specific sites, the discovery of vectors for transporting trans-nucleotide sequences to organisms and stably integrating composite cassettes comprising promoters, genes, enhancers, markers, terminators, etc. into the chromosomes or through shuttle vectors, thereby enabling the expression of transgenes into unrelated hosts brought revolution to the understanding of biology of organisms.

The polymerase Chain Reaction and the accompanying knowledge about the methods of magnification of Nucleotide sequence enabled the production of large quantities of hereditary material at ease. The combined effects of these developments resulted in the birth of modern biotechnology industry which started during the mid seventies and spanned up to the late nineties at a hurricane speed by the production of a large number of high potent bioactive proteins including hormones, cytokines, thrombolytic agents, growth promoters and regulatory molecules of several vital physiological functions that revolutionized human therapy.

In the agriculture sector, transgenic plants emerged that were resistant to pests, herbicides, viral and some microbial diseases, besides improving certain traits like enhancement in vitamins, certain amino acids, reduction in unwanted materials/metabolites etc. This situation continues to unfold newer frontiers of knowledge and technology in pharmaceuticals, agriculture, biochemicals, foodstuffs and environment management issues. Presently the advancement in stem cell research, production of biochips to understand genomics and proteomics, advances in bio-informatics, xeno-transplantations and organ/tissue revival methods in pharmaceuticals are bringing about newer hopes of prolonging healthier lives with enhanced longevity in human. Transgenic plants also hold enormous potential of increasing agriculture productivity and reducing production costs.

### **Biotechnology Overview - India:**

India is on the threshold of a biotechnology revolution. Vast changes to facilitate growth are taking place in the country. The advantages the country has are the large pool of scientific talent available at a reasonable cost, a wealth of R & D institutions, rich and varied bio-diversity, strong IT skills and an English speaking population. Venture capitalists are now keenly studying the sector for opportunities.

While India has been practicing conventional methods of biotechnology, the use of modern biotechnology is relatively new and therefore several vital issues such as Intellectual property rights, Bio-diversity bill etc need immediate attention.

India is taking steps to rationalize its policies in order to conform to WTO provisions. This has not been an impediment to working with foreign institutions and companies jointly on projects that are mutually beneficial.

The Department of Biotechnology (DBT), under the Ministry of Science & Technology, Government of India, set up in 1986 has promoted and accelerated the pace of development of biotechnology in India.

The Department has funded several R & D projects, demonstrations and infrastructure facilities around the country. One of the most important projects is the Indian Genome Initiative (IGI) to study the genetic variation of the diverse Indian population.

The 5 years programme has a funding support of US \$ 20 million. Several State Governments such as Karnataka, Tamil Nadu, Andhra Pradesh, Maharashtra and Delhi have taken initiatives to encourage entrepreneurs to set up biotech industries in their States.

Some of the key steps taken by the State Governments include: announcing separate Biotechnology Policy for their States, setting up of exclusive Biotechnology Parks, setting up of Task Forces with experts to guide them on policy issues. Bangalore in Karnataka, the IT capital of India, is emerging as the hub of Biotechnology in India.

The Technology Development Board (TDB) is partnering the Unit Trust of India, a leading financial institution, to float a US \$ 40 million tech venture fund, aimed at promoting entrepreneurs in the field of biotechnology. India is expected to emerge as a strong player in the consumption market of biotech products in the coming years.

### **Future Investments would be in the following field:**

- a) Vaccines, diagnostics, molecular medicines, separation of blood components in the health care products and Recombinant proteins;
- b) Developing hybrids, varieties and genetically modified seeds, bio-fertilizers, bio-pesticides and plant growth stimulants in agriculture
- c) Industrial enzymes, organic acids including amino acids, specialty materials including biodegradable plastics etc.



One gap in the Indian biotechnology scene has been the absence of big players from the pharmaceutical industry taking a serious interest in the field. India is emerging force in biotechnology in recent times.

There is now a scope for Indian entrepreneurs to harness low-cost innovations to create platform technologies. There is also the opportunity to undertake contract research for the global biotechnology industry. This capability stands on several legs. One is the investment made by the government through the creation of the department of biotechnology in 1986 and the support of basic research in the field through around a score of government laboratories.

Coming right down to the present, several of the more forward-looking state governments have undertaken programmes to support this new industry in their attempt to host the successes of tomorrow. But government support by itself cannot deliver in its entirety. A host of small, medium and now large companies have been active in this field for various periods with the earliest players going back to more than a decade.

Perhaps the first to start was Biocon which is now a leading player in industrial enzymes. Another early player has been Shantha Biotech which has become prominent with its Hepatitis B vaccine. And now Biocon and Shantha Biotech are collaborating to produce human insulin. One gap in the Indian biotechnology scene has been the absence of big players from the pharmaceutical industry taking a serious interest in the field.

The exception among the bigger players and the one which began early and persevered, as the odd industry leader didn't, is Wockhardt. It has invested in over half a dozen products, the patents for all of which will expire in the 2005-07 period. The company is looking at a global market of \$15-17 billion in which it does not expect too much competition. As Wockhardt, which is already present on the domestic scene, is likely to emerge as a significant player in the global generic biotechnology market, it is useful to use its perception to understand what Indian companies are capable of doing and what they are not.

Significantly, the E&Y study notes that despite, biotechnology companies had no difficulty in finding various types of funding over the last year. The funding has also benefited Indian companies. Bharat Serum, Shantha Biotech, Biocon and Avestha Gengraine have between themselves raised close to \$20 million. One reason for this is that various venture capital funds in India have sought to support the sector. Important among them are ICICI Venture Capital, IL&FS Venture Capital, the Technology Development Board in partnership with UTI and the department of biotechnology with its own corpus.

Until not so long ago, there was a body of work at the government research laboratories, there were startups doing pilot feasibilities but there was little interest among the well-placed pharma companies to upscale and commercialize the opportunities identified. Some of this is changing. Dr Reddy's has a growing interest in the entire space through several ventures and Ranbaxy, an early starter whose interest had waned in the middle, is reportedly back in the area with keen enthusiasm.

Another major development is mainstream software companies deciding to pay serious attention to bioinformatics. High tech startups like Strand Genomics have been present for some time now but it is only in the last couple of months that a software leader like Wipro has announced its decision to go into bio-informatics. It will now be more difficult to argue that the move from conventional software to bioinformatics is not easy by citing the absence of big software players in the field.

( SOURCE: INDIAN BIOTECH SECTOR- A STATUS PAPER TIMES RESEARCH GROUP 2004)

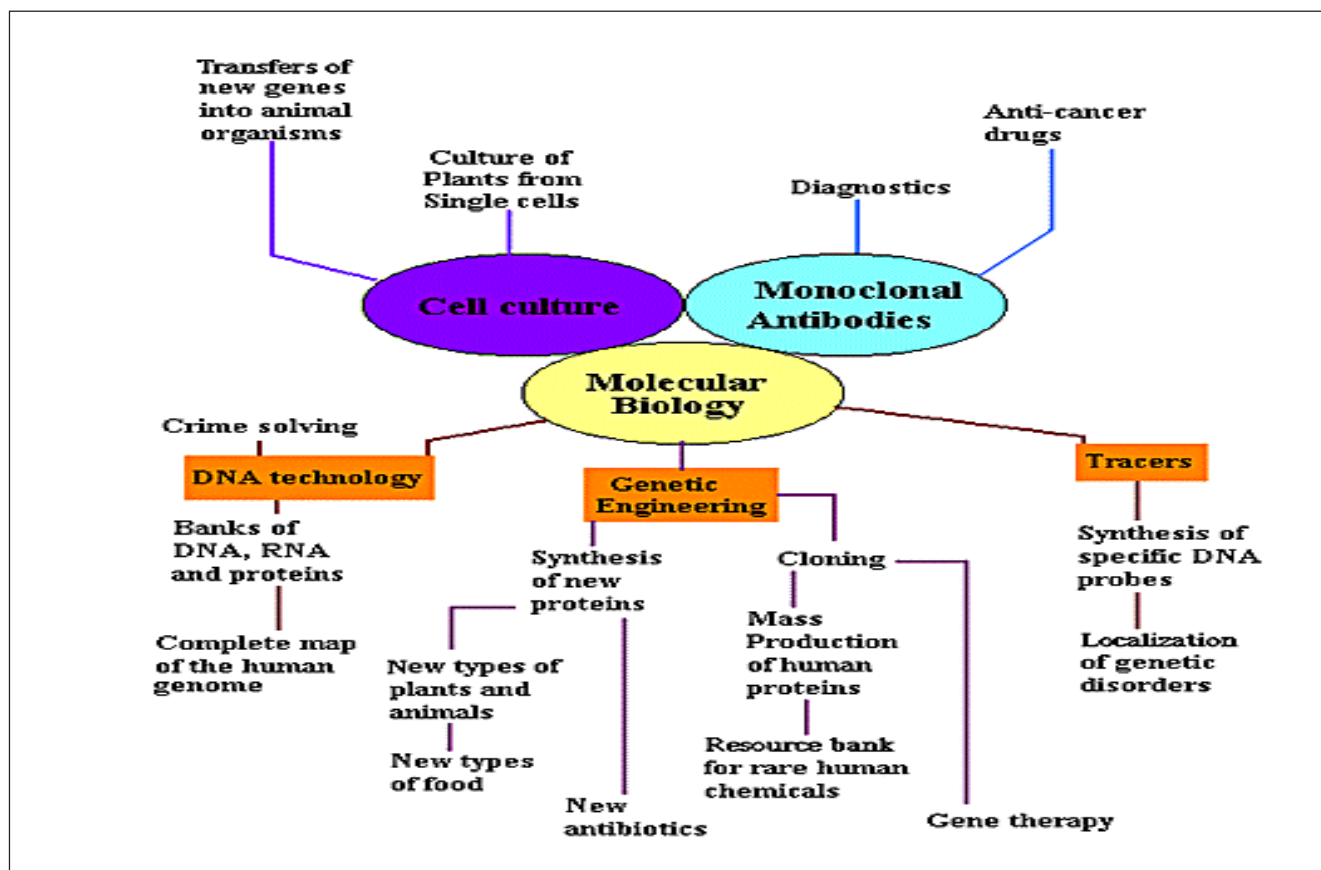
### **Biotechnology and Its Applications:**

In 1885, scientist Roux demonstrated embryonic chick cells could be kept alive outside an animal's body. For the next hundred years, advances in cell tissue culture have provided fascinating glimpses into many different areas such as biological clocks and cancer therapy.

With genetic engineering, new proteins are synthesized. They can be introduced into plants or animal genomes, producing a new type of disease resistant plants, capable of living in inhospitable environments (i.e. temperature and water extremes,). When introduced into bacteria, these proteins have also produced new antibiotics and useful drugs.



Techniques of cloning generate large quantities of pure human proteins, which are used to treat diseases like diabetes. In the future, a resource bank for rare human proteins or other molecules is a possibility. For instance, DNA sequences which are modified to correct a mutation, to increase the production of a specific protein or to produce a new type of protein can be stored. This technique will probably play a key role in gene therapy.



#### Market Potential:

**BIOTECHNOLOGY:** India has tremendous and growing potential for biotech business. In 1997-98, the total biotech market in India was valued at US \$ 500 million, growing to US \$ 1 billion in 1998-99. It is estimated that the Indian biotech market should witness a growth of 150% and valued at US \$ 2.5 billion by the end of 2005. The growth is expected in the following segments of the industry: Agri-biotech - 60% Diagnostic and therapeutics - 25% Vaccines - 15%

India is expected to emerge as a strong player in the consumption market of biotech products in the coming years. At the year end, 2005, the consumption market for health care products are expected to have a market share of about 40%, biotech in agriculture would be nearly 33% and industrial and other products would be about 25%.

#### Indian Biotechnology Market Overview:

India practices conventional as well as modern biotechnology. The present consumption market is reasonably large. Out of the total consumption market of Rs. 71540 million in 1997, the health care products comprised nearly 37% in value, followed by agriculture at about 28%, while the industrial and other products represented 35%. This trend has changed in 2005 where as, while the health care products dominate the scene at about 40% on at consumption base of Rs. 145600 million, agriculture moved to 33% while the other products shall constituted 27%.

India comprises a large market for biotech based products; however most of these products are not developed here but are imported by domestic and foreign firms. As seen in the graph, the Indian biotech industry is set to touch 11,000 Crores in 2001. Of this \$1.5 billion (60%) would be for health biotech alone, with agricultural & veterinary accounting for 20% each. The industry is subsequently expected to reach 4, 40,000 Crores in 2020.



Biotech Industry in 2003-04					
SEGMENT	Biotech Revenues (in Rs crore)		Share of Each Segment (%)		
	2002-03	2003-04	2002-03	2003-04	
Bio Pharma	1790	2480	76.33	75.96	
Bio Industrial	235	250	10.02	7.66	
Bio Services	135	275	5.76	8.42	
Bio Agri	110	180	4.69	5.51	
Bioinformatics	75	80	3.2	2.45	
Total Industry Size	2345	3265	100	100	
Sector-wise Growth					
SEGMENT	Biotech Revenues (in Rs crore)		Growth (%)		
	2002-03	2003-04			
BioPharma	1790	2480	38.55		
Bio Industrial	235	250	6.38		
Bio Services	135	275	103.7		
Bio Agri	110	180	63.64		
Bioinformatics	75	80	6.67		
Total Industry Size	2345	3265	39.23		
Exports Vs Domestic Business in 2003-04 (As percentage share within the Segment)					
SEGMENT	Total Biotech Revenues	Exports (Rs crore)	Exports Share (%)	Domestic (Rs crore)	Domestic Share (%)
BioPharma	2480	1390	56.05	1090	43.95
Bio Industrial	250	88	35.2	162	64.8
Bio Services	275	250	90.91	25	9.09
Bio Agri	180	20	11.11	160	88.89
Bioinformatics	80	69	86.25	11	13.75
Total Industry Size	3265	1817	55.65	1448	44.35
Segment-wise Share of Total Exports & Total Domestic Business					
SEGMENT	Exports (Rs crore)	Sector's Share of Total Biotech Exports (%)	Domestic (Rs crore)	Sector's Share of Total Biotech Domestic Business (%)	
BioPharma	1390	76.5	1090	75.28	
Bio Industrial	88	4.84	162	11.19	
Bio Services	250	13.76	25	1.73	
Bio Agri	20	1.1	160	11.05	
Bioinformatics	69	3.8	11	0.76	
Total Industry Size	1817	100	1448	100	



<b>Manpower by Qualification</b>				
<b>BY QUALIFICATION</b>	<b>FY2000-01</b>	<b>FY2001-02</b>	<b>FY2002-03</b>	<b>FY2003-04</b>
Graduates & Post Graduates	1425	2165	3545	4200
BTech/MBA	705	1025	1695	1700
MTech/MPhil	150	265	560	1900
PhD	70	130	285	400
Others	150	215	315	700
<b>TOTAL</b>	<b>2500</b>	<b>3800</b>	<b>6400</b>	<b>8900</b>
<b>How the Regions Fared!</b>				
<b>Region</b>	<b>Biotech Revenues (Rs Crore)</b>		<b>Region's Share (%)</b>	
	<b>2002-03</b>	<b>2003-04</b>	<b>2002-03</b>	<b>2003-04</b>
West	1205	1695	51.39	51.91
South	880	1285	37.53	39.36
North	260	285	11.09	8.73
<b>Total Biotech</b>	<b>2345</b>	<b>3265</b>	<b>100</b>	<b>100</b>

The share of modern biotech products shall also rise from the present Rs. 2500 million. India is taking steps to rationalize its policies to be in conformity with the provisions of the World Trade Organization (WTO). There are several advantages in the setting up of modern biotech industries in India as it has core competence in some areas, besides it's having large skilled manpower and several R&D institutes.

The future years are expected to witness major investment in vaccines, diagnostics, molecular medicines, separation of blood components and devices for drug deliveries in health care products; developing hybrids, varieties and genetically modified seeds, bio-fertilizers, bio-pesticides and plant growth stimulants in agriculture; and industrial enzymes, organic acids including amino acids, specialty materials including bio-degradable plastics etc. in other areas.

The flow sheet depicts the activities undertaken by the bio-technologists the world over to create wealth in different sectors such as health care products, agriculture, bio-industrial products and sustainable environment management practices.

India has been practicing conventional biotechnology for several decades. Products manufactured by the use of genetic engineering, immunological techniques, cell culture methods and hybridoma technology are increasingly being used during the last 5 years and local research in these areas has been intensified. The following table-1 gives the current consumption and future demand of biotech products in value in India, as compiled and computed by the author.

**Table 1**  
**(Past Consumption of Biotech Products in India and Future Consumption Estimates)**

(Rs. In Million)

<b>Particulars of Biotech Sub-sectors</b>	<b>Estimated Average Consumption 1997</b>	<b>Consumption Estimate 2000</b>	<b>Future Consumption Estimate 2007</b>
<b>1. Human &amp; Animal Health care</b>	26370(36.9)	35320(37.6)	57480 (39.5)
<b>2. Agriculture (including seeds)</b>	20270 (28.3)	28880 (30.7)	47680 (32.8)
<b>3. Industrial Products</b>	24470 (34.2)	28500 (30.3)	36470 (25.0)
<b>4. Other Biotech Products</b>	430 (00.6)	1300 (01.4)	3970 (02.7)
<b>Total</b>	<b>71540 (100)</b>	<b>94000 (100)</b>	<b>145600 (100)</b>
In million US Dollars	<b>1789</b>	<b>2186</b>	<b>3236</b>

SOURCE : CAPITAL MARKETS.COM)

(figures in brackets indicate contributions in % of the total)





Modern biotechnology is rather new to this country. There is little doubt however, that the applications of modern biotechnology would increase very fast as the products or processes hold great potential for providing much better solutions to improve the health of people or quality of life, improve agricultural productivity significantly, produce industrial bio-products at much cheaper prices. The current (2005) consumption of Rs.3900 million would rise significantly.

World wide USA would lead the people in modern biotechnology, but developments in other countries especially in Europe would also be significant. The countries such as UK, Germany, France, Sweden, Switzerland, Belgium, Denmark, Italy, Finland, Ireland, Russia, Hungary and Poland would make significant progress. Among the Asian countries Israel, Japan, China, India and South Korea shall have several modern biotech companies.

Australian developments in certain sectors are also expected to be substantial. Besides, significant progress is foreseen from Canada, Brazil, Argentina, Mexico, Cuba and Columbia. Among the African countries maximum developments are expected from South Africa. Globally, main developments are expected in health care products followed by agriculture.

Coming back to Indian developments, while there exists over 800 companies operating in all sectors of biotechnology, there are only about 15 companies that are working in modern biotech sectors. None of these Indian companies have introduced any product of original research for the first time in the world but some have introduced known products in Indian market that tantamount to effective imports substitution; some others have teamed up with foreign companies for sourcing technologies and are experimenting with new products produced by foreign technologies with a view to introduce them into the Indian market within the frame work of Indian laws.

Developing a modern biotech product from scratch and testing its efficacy to be effective and safe within the framework of law in any country including in India is a time consuming process and an expensive affair. Concerned people would have to have patience and would have to look for sufficient funds for completing the research and developmental work. Before going further into these aspects of long term planning in biotechnology by the entrepreneurs, it is prudent to turn our attention to the current government policies to understand in what directions these policies are moving.

#### **Future trend of development of biotechnology in various sub-sectors:**

India already has developed competence in selected areas that provide the entrepreneurs an edge over other countries to set up viable and competitive biotech industry in certain areas. The areas of core competence in India in the context of biotechnology are as under:

- Capacity in handling sterile fermentation processes
- Skills in handling microbes and animal cells
- Capacity in downstream processing and isolation methods
- Skills in extraction and isolation of plant and animal products
- Competence in plant and animal breeding
- Infrastructure in fabricating bio-reactors and processing equipment

With the above strengths in view and having regard to the market demand of products and processes in Indian context, the investment opportunities in various sub sectors of biotechnology is thought to be as under:

#### **Human and animal health products:**

The human and animal health care products would grow substantially. There would be increase in the production of more effective vaccines. There is immediate demand for cocktail vaccines of DPT with hepatitis B, Tetanus toxoids with hepatitis B, hepatitis A with B, influenza, vericella and meningitis vaccines; technical solutions exist in all these areas and can be gainfully exploited. There is need for increased availability of effective typhoid vaccines. There is an unmet demand for several animal and poultry vaccines. It is roughly estimated that investment to the tune of Rs. 300 to 400 million can come in vaccine area during the next five years if local opportunities are availed of.

There are also opportunities for developing vaccines against hepatitis C, hepatitis E, HIV, Malaria, Tuberculosis and Leishmaniasis; these developments are closely related with a long term planning on research. There are also opportunities for developing recombinant viral vector vaccines and DNA vaccines against specific ailments.

The area of production of therapeutic recombinant proteins is growing locally, but the speed of development is slow. Local skills can be sharpened by prioritizing, the activities, and with the removal of certain impediments it is possible to create a viable and globally competitive industry in the India, and investment to the tune of Rs. 0.8 to 1.00 billion could be attracted. Opportunities exist for taking up production facilities for Interferons, Insulin, Human growth hormone, G-CSF, GM-CSF, Erythropoietin, Blood factors VIII and IX, Urokinase, Tissue Plasminogen activator, Streptokinase, Interleukins and Tissue necrosis factors.





Disease diagnostic areas are growing fast although the country has kept investment opportunities for production neglected. Most of the diagnostic products are imported and used although local skills could be sharpened and used as competitive global advantage. Diagnostics based on monoclonals, synthetic peptides and recombinant antigens or antibodies could be made locally, as skills exist; the requirement of membranes could be met from local sources by providing encouragement to the skillful local producers. The requirement of specialty plastics could also be met from local capabilities.

The intervention in policies could play a vital role in developing this industry locally. With a little readjustment to provide for equal level playing grounds to the local producers compared to advantages available to the direct importers of certain products, it is possible to enable the deployment of investment to the tune of over Rs.500 million in diagnostic business in next five years to create a globally competitive local industry. Opportunities exist for the setting up of facilities for developing diagnostics devices for detecting HIV, HCV, HEV, Papilloma, Malaria and Tuberculosis.

Further, opportunities exist for quantitative estimation of hormones such as T3/T4/TSH, hCG, LH, FSH, Progesterone, Testosterone, Corticosteroids, Alpha fetoprotein and prostatic inhibin. Further, opportunities exist for setting up facilities for producing monoclonals and antibodies, recombinant antigens/antibodies for various conditions, peptides, nucleotides, specialty plastics, membranes of different cut offs, polyclonal antisera, conjugates and specialty enzymes.

In antibiotics area, opportunities for future investment is not bright, specially keeping in view the core competence of some Asian countries, and the policies adopted by such countries to push their products globally. However, in order to protect the local industry on scientific considerations such as maintenance of high quality standards affected by vigilant and authoritative monitoring, and introduction of stringent procedures for registration of products, it is possible to create environment for further growth of antibiotics industry locally.

Without disturbing the terminal prices of formulations, it should be possible to readjust strategies within the core of the antibiotics production setup, starting from the high investment bulk producers to the low investment formulators, to share certain cost elements rationally within the sector, such as the costs of electricity and the costs at capital servicing, with a view to improve the health of the core bulk production sector. If such considerations are brought into play, it should be possible to induct fresh investment to the tune of over Rs. 1 billion during the next five years, besides reassuring the survival of local antibiotics industry.

There also exists opportunities for fresh investment in setting up facilities for the fractionation of blood and blood products into cellular and non-cellular components, and sensitized immunoglobulins. Separately significant demand exists for the production of different monoclonals, peptides, hyaluronic acid and other animal products, besides effective biotechnological drug delivery systems, for all of which over Rs. 1 billion could be invested for creating local production facilities.

India is expected to emerge as a strong player in the consumption market of biotech products in the coming years. By 2007 AD, the comparative contributions of consumption from health care products are expected to be about 40% from the present 37% (1997), while agriculture may rise from 28% to nearly 33%; the other products would however get reduced from 34% to about 25%, although in monetary terms, there would be substantial rise in the consumption in these products as well.

By adopting appropriate government interventions it should be possible to attract sizeable investment in this sector in near future to create competitive global industry locally. Wisdom lies in taking proactive steps within the provisions of the WTO and other international laws that are in place to develop a competitive local industry than to create demand for a consumption market that is fed by products from abroad.

## **BIO PHARMA BUSINESS IN INDIA**

The total BioPharma industry, comprising of vaccines, therapeutics, other products like statins, and diagnostics Registered 29.72 percent growth in 2004-05 and the segment still is the single largest contributor to the Indian biotech industry. The total biopharma industry grew from Rs 2,752 crore in 2003-04 to Rs 3,570 crore. The vaccines business is the prime contributor, accounting for close to 47 percent of the total biopharma business, which also includes the diagnostics market. The vaccines business grew from Rs 1,295 crore in 2003-04 to Rs 1,669 crore in 2004-05. While the human vaccines business saw close to 28 percent growth, the animal vaccines business has grown by over 75 percent. In fact, Venkateshwara Hatcheries' poultry vaccines business grew by over 113 percent to Rs 188 crore in 2004-05. Indian Immunologicals, another major animal healthcare manufacturer, registered a strong 29 percent growth to end the year at Rs 72.38 crore. Interestingly, these animal health care companies now are expanding the manufacturing expertise to human health care in a big way. The therapeutics market recorded 20 percent growth and grew to Rs 500 crore in 2004. The competition in the human insulin segment has increased with the launch of human insulin products by Biocon and Shreya Life Sciences. As a result of this pricing pressure is expected in this segment.



<b>Top 20 BioPharma Companies*</b>				
<b>Rank</b>	<b>Company</b>	<b>Turnover in Rs Crore (2003-04)</b>	<b>Turnover in Rs Crore (2004-05)</b>	<b>Growth %ge in 2004-05</b>
1	Biocon	435.37	556.67	27.86
2	Serum Institute of India	491.00	505.00	2.85
3	Panacea Biotech	149.00	217.28	45.83
4	Venkateshwara Hatcheries	88.00	188.00	113.63
5	Novo Nordisk	110.00	135.00	22.73
6	Aventis Pharma	73.00	84.30	15.48
7	Bharat Serums	79.68	81.00	1.66
8	Chiron Behring Vaccines	70.00	78.00	11.43
9	GlaxoSmithKline	61.00	77.82	27.57
10	Indian Immunologicals	56.70	72.38	27.65
11	Shantha Biotechnics	36.50	68.85	88.63
12	Eli Lilly and Company	67.40	68.38	1.45
13	Wockhardt	52.00	67.00	28.85
14	Serum International	64.00	65.00	1.56
15	Bharat Immunological & Biological Corp.	21.59	53.25	146.64
16	Bharat Biotech International	30.00	41.00	36.67
17	Biological E	38.37	36.80	-4.09
18	Haffkine Bio-Pharmaceuticals	29.90	33.50	12.04
19	Krebs Biochemicals	56.88	30.00	-47.26
20	Dr Reddy's	23.50	30.00	27.66
	<b>Others</b>	<b>311.00</b>	<b>481.00</b>	<b>55.31</b>
	<b>Total BioPharma Business*</b>	<b>2344.89</b>	<b>2970.23</b>	<b>26.67</b>

SOURCE: BIOSPECTRUM | JUNE 05 | biospectrumindia.com | A CyberMedia Publication

Biocon was the largest biopharma company with total pharma sales of Rs 556.67 crore. Serum Institute of India was the second largest player with total sales of Rs 505 crore. While Biocon recorded 27.86 percent growth, Serum registered 2.85 percent growth in its sales. Panacea was the third largest company with total sales of Rs 217 crore. It registered 45.8 percent growth over that in 2003-04. Venkateshwara Hatcheries was the No. 4 company with total sales of Rs 188 crore. This is the first time that an animal health care company is entering the Top 5 club. Further, the Indian (home grown) manufacturers today account for 62 percent of the total Bio-Pharma sector (excluding the diagnostics Market which is valued at Rs 601 crore). Among the top five companies, Novo Nordisk is the only MNC. Most of the biotech companies today are focusing on discovery-led innovation and investing in infrastructure and R&D. During 2004-05, Biocon's total investment increased to Rs 103.24 crore from Rs 64.44 crore the previous year, a 60 percent growth in its R&D investments.

Biological E has invested about 36 percent of its total turnover on infrastructure and R&D. While Rs 35 crore went into the infrastructure development, Rs 1.1 crore was for R&D. Panacea has recently developed and launched several other vaccines, which include Recombinant Hepatitis B (Enivac HB), Enivac HB Safsy, Ecovac (DPT+Hib B), Ecovac safsy, Easy Four (DPT+Hib) and Easy Five (DPT-Hib-HepB). It also entered into collaboration with UK-based Cambridge



Bio stability, for manufacturing of vaccines in India using the Stable Liquid Technology. This is a sample list of some of the developments. Clearly, one is seeing increased collaborations, mergers and acquisitions, and newer investments. Most companies expect their investments to yield the returns in another two years time.

SOURCE: BIOSPECTRUM | JUNE 05 | biospectrumindia.com | A CyberMedia Publication

## Market Share of BioPharma Companies\*

Company	% Share
Biocon	18.74
Serum Institute of India	17.00
Panacea Biotec	7.32
Venkateshwara Hatcheries	6.26
Novo Nordisk	4.55
Aventis Pharma	2.84
Bharat Serums	2.73
Chiron Behring Vaccines	2.63
GlaxoSmithKline	2.62
Indian Immunologicals	2.44
Shantha Biotechnics	2.32
Eli Lilly and Company	2.30
Wockhardt	2.26
Serum International	2.19
Bharat Immunological & Biological Corp.	1.79
Bharat Biotech International	1.38
Biological E	1.24
Haffkine Bio-Pharmaceuticals	1.13
Krebs Biochemicals	1.01
Dr Reddy's	1.01
Others	16.26
	100.00

SOURCE: BIOSPECTRUM | JUNE 05 | biospectrumindia.com | A CyberMedia Publication




Top Indian Manufacturers*		
Rank	Company	Turnover in Rs Crore (2004-05)
1	Biocon	556.67
2	Serum Institute of India	505.00
3	Panacea Biotech	217.28
4	Venkateshwara Hatcheries	188.00
5	Bharat Serums	81.00
6	Indian Immunologicals	72.38
7	Shantha Biotechnics	68.85
8	Wockhardt	67.00
9	Bharat Immunological & Biological Corp.	53.25
10	Bharat Biotech International	41.00
Top 10 Indian Manufacturers		1848.43
Others		1119.8
Total BioPharma		2970.23

Top 10 Indian Manufacturers Account for 62 percent of the total BioPharma Sector  
 \*Excluding Diagnostics Companies

Total BioPharma Sector including Diagnostics			
BioPharma	Revenues in Rs Crore (2003-04)	Revenues in Rs Crore (2004-05)	Percentage Growth
Vaccines	1295	1669	28.88
Therapeutics	415	500	20.48
Others	635	800	25.98
Total	2345	2969	26.61
Diagnostics	407	601	47.67
Total Pharma	2752	3570	29.72

Contribution of BioPharma Companies*		
Club	2004-05 Revenues in Rs Crore	% Contribution
Top 5	1599.95	53.87
Top10	1993.45	67.11
Top15	2315.93	77.97
Top 20	2487.23	83.74

\*Excluding Diagnostics Companies





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## OUR BUSINESS

### A. FLORICULTURE- PRODUCTION OF CUT ROSES

Pochiraju Industries Ltd. was setup in the year 1995 with a capital investment of Rs.600 Lacs and is in production and marketing of cut flower roses since October 1999. The company during the last seven years has established its brand image for its flowers in domestic and European Auctions. The customers are wholesalers, importers and retail outlets.

Pochiraju Industries Ltd. is a closely held limited company promoted by P. Sudhakar a first generation professional entrepreneur. P. Sudhakar and his family are the majority holders with very few outside equity holders.

The Company is located in 23.5 acres land at Satyamangalam village, Hosur Tq., Krishnagiri District, Tamil Nadu, a noted Agri Export Zone for floriculture. It has 6 hectares of covered green house area under which different varieties of Dutch roses are grown under controlled environment.

It has three cold rooms each of 150 sq. mt. Capacity with packing and grading hall facilities of another 500 sq. mts. Utilities include sump tank of 3.5 Lacs lts. Capacity with a pump house attached for irrigation and fertigation, a DG. room with a standby generator of 89.5 Kva, stores, employee's canteen, administrative office and staff quarters.

The Company employs about 200 regular and casual labours for its agricultural operations available in surrounding villages. Presently our company grows the fifteen varieties of Dutch roses. Our company's flowers and varieties are known for their quality, stem length, bud size with good foliage and free from any pest and disease.

Our company proposes to outsource other varieties of roses and other flowers from different growers in India as well as from Malaysia, Singapore and Australia for its international marketing. Currently it proposes to expand another 3 hectares with the following varieties of roses and other flowers: Roses: Passion, Hollywood, Bianca, Polo, Tropical Amazon, Royalbaakara, etc. Coronations, Chrysanthemums, Tube roses, zeberas, etc.

### TECHNOLOGY FOR GREEN HOUSE CULTIVATION

Production of roses for export is carried out in green houses primarily to protect the plants from unfavorable elements such as excessive sunshine, rains, humidity, frost and various pests and diseases. In addition the quality i.e. demanded in export markets can be achieved under controlled conditions.

Roses which are the most important cut flower crop in the world are grown in green houses at high density (7 plants/ sq. mt) and are supplied with precise quantities of water and nutrients. The soil in the green houses is suitably modified with amendments such as gypsum, organic manure, paddy husk etc before the rose plants are planted inside the green houses. There are various types of planting materials available such as dormant eyes, winter grafts, 6 months old bushes and one year bushes. Depending on the planting material the rose plants start producing flowers in 3 to 5 months. During this period of 3-5 months the framework of the plant is built up so as to obtain continuous production of quality stems for the next 4-5 years.

There are thousands of varieties of roses available but only a few are grown commercially for cut flower production. Depending on the variety and the method of growing short stem varieties yield up to 350 stems/sq.mt/year, medium stemmed up to 150 to 200 stems/sq.mt/year. Based on the market demand roses can be produced in flushes or continuously throughout the year.

The required quantities of water (generally 5-7 liters /sq.mt) are supplied through a drip system. Also calculated quantities of fertilizers are dissolved in water and supplied to the plants through the same drip system from time to time; Plants are protected from various pests and diseases by sprays of fungicides & insecticides.

When the flower stems have completed maturity they are harvested at a bud stage and immediately placed in water containing preservative. The flowers are pre-cooled at temperature of 6 - 8 degrees centigrade for 5 to 6 hours, which prevents them from any further opening. Later they are graded based on the stem length and bunched into bunches of either tens or twenties depending on the market requirement. Bunches are stored at 2 degree centigrade in water until they are exported to overseas markets. In order to maintain the cold chain the flowers are transported by air at a temperature of 5 -10 degree centigrade. These roses upon reaching various overseas markets are either sold in the auctions or to wholesale and retailers which ultimately reaches the consumer where they are used for various purposes such as flower bouquets, flower arrangements, wreaths or simply into flower vases.

All these activities are carried by skilled labours with supervision of supervisors and Production manager.

### Existing Products:

Presently our company is growing many varieties of the following varieties of roses

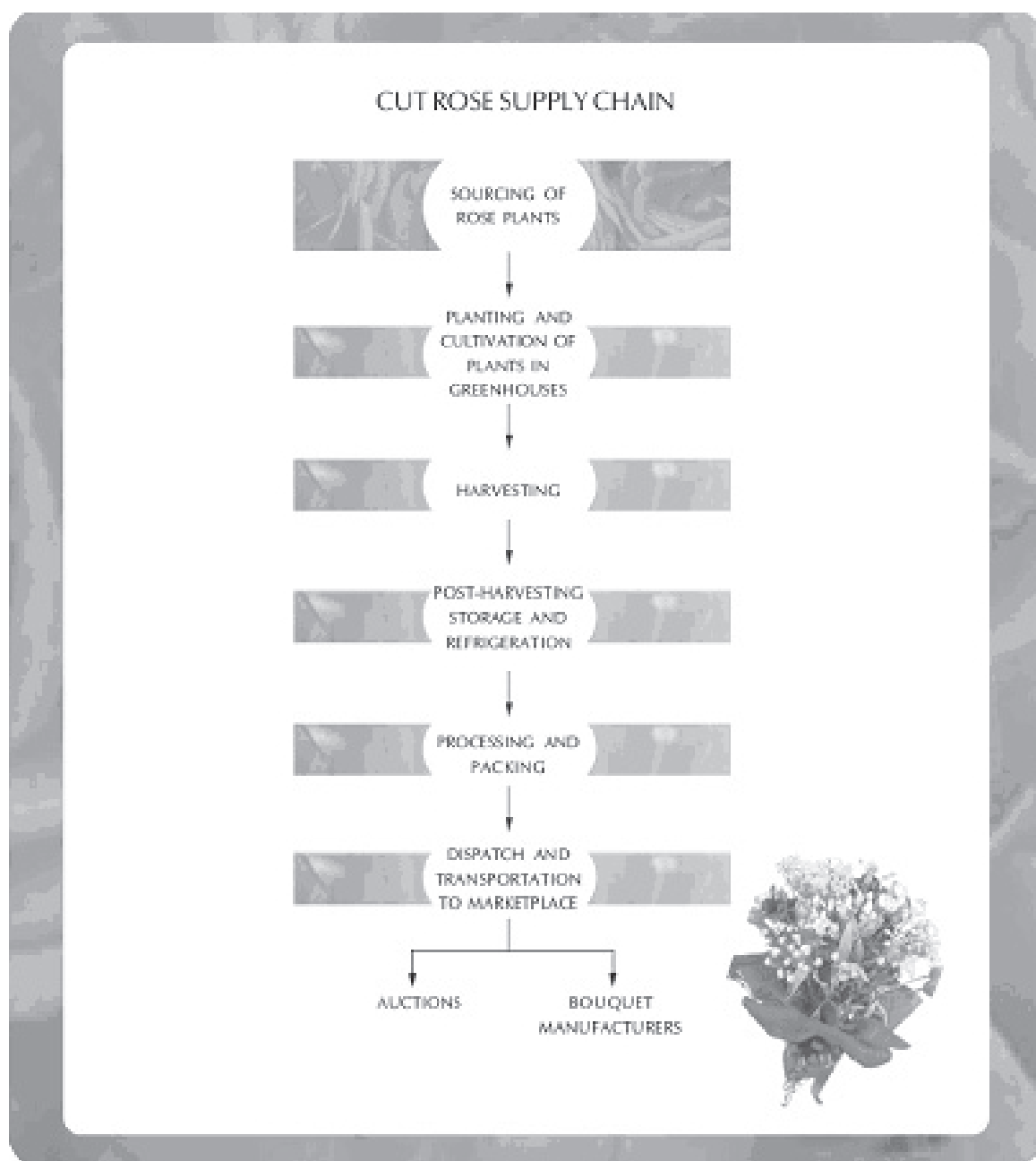




Our company's flowers and varieties are known for their quality, stem length, bud size with good foliage and free from any pest and disease.

### BRIEF DETAILS ABOUT THE PROJECT

For details about the Project, please refer section titled "Brief Details about the Project" beginning from [page 67](#) of this Red Herring Prospectus.





**B. BIO-PHARMA BUSINESS (PROPOSED):** Having stabilized in its present operations our company for its future growth plans has identified Bio-pharma as a potential area for diversification

Our company's main focus is on the Development and production of cost effective Plant based botanical drugs and Bio-generics or Follow-on Biologics as per quality guidelines specified by the WHO and USFDA.

**I. BIO TECH DIVISION: The products are**

- i. Erythropoietin
- ii. Interferon Alpha Pegylated
- iii. Hyaluronic acid

**II. BIO PARENTERAL DIVISION**

- i. Vials
- ii. ampoules
- iii. powder parenterals

The PRODUCT range include

- Recombinant Therapeutic proteins
- Fermentations based Bio pharmaceuticals
- Marketing of Pharmaceutical Formulations

The proposed Bio -Pharma facility will be designed to house in addition to production facilities a Research lab attached to a common Quality control, Documentation, Quality assurance lab

- Integrated Q.C lab for all products
- Regular assessment of Quality from Research products
- Cost reduction is repetition of lab facilities and equipments
- Scale-up and Scale-down studies done for Validation

**RECOMBINANT THERAPEUTIC PROTEINS:**

**Erythropoietin: (EPO)**

This product is a recombinant therapeutic protein which is having glucose molecules. Its molecular weight is 44kda. This has just come out of the patent in 2004 January. It is obtained from the Chinese Hamster Ovary cell lines (CHO). It is used in anemia that is generally resulted after cancer therapy and even in normal anemic disorders.

It is available in market as a 3ml vials which is in liquid form. Its world market is 230 million\$. In India the market size is 110 crore Indian rupee and is presently manufactured by Wockhardt and Shanta biotech in India with a pricing of Rs 400-00.

The world leader is Amgen of USA. Our company proposes to manufacture about 1, 50,000 doses per month with a cost of Rs325-00/ dose with a targeted annual turnover of Rs 30 crore in India.

**Technology providers are:**

**ICGEB, TRIESTE, ITALY.**

**Interferon 2  $\beta$**

This is the latest version of interferon peptide which is not yet released in India.

Schering Plough make an annual sales of 240million\$ alone in Europe. Its market potential is US \$ 50 millions. It's used for Hepatitis A and B and for breast and colon cancers. It's also used for Sars. Our company proposes to manufacture about 50,000 doses in a month at a price of Rs 900-00.





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**Technology providers are:**

**ICGEB, TRIESTE, ITALY.**

**Fermentation based Biopharmaceuticals:**

The other main product is **HYALURONIC ACID**. Traditionally this is produced by fermentation process by using Cock's Combs. Since the epidemic of bird flu spread in South East Asian countries the WHO is constantly discouraging the use of the Animal source Hyluronic acid. Chemically Hyaluronic acid is a Polysaccharide or Sugar containing molecule which is highly viscous. Our company develops in its lab the **NASHA (Non-Animal Source Hyluronic acid)** which is produced from a bacterial species isolated from soil samples optimized by our scientists.

This product is having following advantages on a large scale production

- Higher expression levels and safe to handle
- Higher stability
- Accepted by World Health Organization and European Medical Agency
- Constant Higher Molecular weigh HA (80-100 kd)
- Simple Fermentation and cost efficient chemicals

Following dosage forms available in world with Hyaluronic acid

- Injections
- Gels
- Creams
- Capsules

Uses of Hyaluronic acid;

- ARTHRITIS-Joint pains
- Major knee joint operations
- The only available therapeutic adjuvant in Corneal transplantation
- Ant-aging agent in form of Cream
- Anti wrinkle agent in form of Gel
- As a glow enhancer in body in form of capsule

**TECHNOLOGY**

Our company has tied up with Biofin Labs Srl Italy for manufacturing technology of Hyluronic Acid.

**Collaborations**

Except availing financial assistance from the banks and others, we have not entered into any technical or financial agreements. Further, we have not entered into collaboration, any performance guarantee or assistance in marketing with any collaborators.

**INJECTABLE FACILITIES**

This is unique in construction with current WHO guidelines consisting

- A line for filling Vaccines capacity of 45,000 vials/ day
- A line consisting of manufacturing Freeze dried proteins 20,000 vials/ week.
- A line consisting of 45,000 sterile powder injections/ day.
- A line consisting of 2ml Or 30 ml injections about 50,000 vials/day

All these divisions shall have independent and separate optical testing lines, quarantine and packing lines and an independent raw material and packing material stores .This is mainly used for contract filling of vaccines and protein therapeutics which needs high degree of technical expertise.



Our company had preliminary discussions with two leading bulk manufactures that are intended to outsource the contract manufacturing of their vaccine and protein product. The plant shall have independent Q.C lab for testing these sterile dosage forms as per new Good Laboratory Practices. This facility shall have approvals from Indian FDA and WHO

### **Recombinant Biologicals**

Traditionally Chemical drug entities are generally known for various cancer therapies since emergence of potential Pharmaceutical companies in India and around the world. But since last decade the whole scenario has changed and given a special insight and growth for Recombinant Biotechnological therapeutic protein products. FDA too in USA has cleared various molecules for Human use for this purpose.

The main advantages of Biotherapeutic products over traditional products are given below

- Biological products are natural in origin and they elicit site specific action which will be accepted by human body quickly than the conventional Chemical drugs.
- More stringent quality control and clinical trials are also done for Recombinant biotherapeutics.
- Recombinant proteins are used more safely than chemical drugs in prolonged therapy with limited side effects.
- During the production comparatively less toxic waste is released in the environments as they are manufactured in more stringent GMP and GLP conditions than conventional chemical drugs.
- Recombinant Therapeutic proteins elicit effective clinical responses even in smaller prescribed dosages; For example Interferon will start showing its action at a dosage of 20 microgram.  
(1 milligram (mg) = 1000 microgram ((g)).
- Recombinant therapeutics will be produced in minute quantities in microorganisms in more confined and to cleaner environments. (Quality matters not Quantity in Kilo grams).

### **Applications of recombinant DNA technology in the pharmaceutical field**

Drug therapy, genotype analysis, receptor function analysis, and drug development. Major utility of recombinant DNA is in the production of protein drugs: peptide hormones (insulin, growth hormone), therapeutic enzymes (tissue plasminogen activator, DNase), and cytokines and hematopoietic factors (interferons, erythropoietin). The first recombinant protein, human insulin, was marketed in 1982. By mid-1995, 234 recombinant proteins were being investigated in clinical trials. It is predicted that by the year 2001,125 protein drugs will be on the market.

An example of the application of recombinant DNA technology for the production of protein drugs is human insulin (Humulin). Insulin is destined to be exported from the mammalian cells of synthesis. Thus, the protein contains extra 15-30 amino acids at the N-terminus (signal sequence). During passage through the membrane, the sequence is removed. In E. coli, the presence of a signal sequence does not usually result in export of the protein. Thus, the signal sequences are removed from the genes prior to transformation of the bacteria by the recombinant vector. Moreover, insulin is modified post-translation ally by cleavage, which does not occur in E. coli. Thus, pro-insulin is isolated from the fermentation broth and cleaved to insulin in vitro.

### **Recombinant DNA technology products:**

The biotechnology drug market has grown dramatically since the launch of the first two agents produced using rDNA technology in 1982. Currently, almost 125 biotechnologically derived drugs and vaccines are available. Most of these agents were approved for use in the second half of the 1990s and are used in the treatment of many diseases, including blood disorders, cancer, autoimmune disorders, endocrine disorders and cardiovascular disorders.

### **Cytokines:**

Cytokines represent a key group of proteins developed through rDNA technology for therapeutic use. These proteins regulate the growth and differentiation of immune system cells and include interleukins, colony-stimulating factors and interferons. Two interleukins are approved for use in treating cancer, and a number of interleukins are being evaluated for their potential to treat blood cell deficiencies and to inhibit the growth of cancer cells. Colony-stimulating factors (CSFs) regulate the growth and development of blood cells. The Food and Drug Administration has approved four CSFs for clinical use in treating blood disorders. IFNs are used to treat cancer, multiple sclerosis and the inherited autoimmune disease chronic glaucomatous disease.



## Vaccines:

Biotechnology can also be employed to create vaccines. Vaccines created using rDNA technology introduce plasmid DNA directly into individuals to elicit an immune response. Because a single gene rather than the entire organism induces the immune response, infection of the vaccinated individual or infection spreading to others is not likely. Available data also indicate that immunity conferred by rDNA vaccines is of longer duration than that seen with conventional vaccinations.

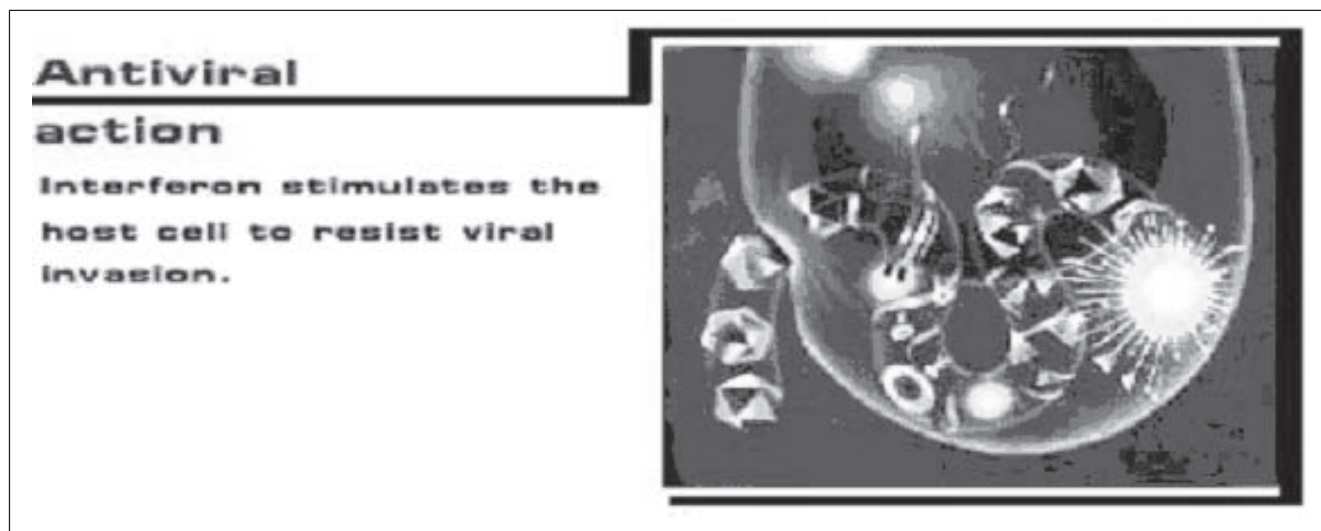
### Recombinant Human Interferon Alpha 2a:

Cytokines are small soluble proteins (usually glycoproteins) produced by one cell that alters the behavior or properties of another cell. Sometimes the cytokines are sub classified according to which cell type primarily produces the protein. For example, monokines would be cytokines produced by mononuclear phagocytes in natural immunity and lymphokines would be molecules produced by activated T lymphocytes in specific immunity. Colony-stimulating factors (CSF) are cytokines produced by both lymphocytes and mononuclear phagocytes which stimulate growth and differentiation of immature leukocytes in the bone marrow, providing a source of additional inflammatory cells. Interleukins (IL) are cytokines produced by leukocytes that primarily act on other leukocytes.

Human cytokine proteins play an important role as messengers of intercellular communication during health and disease and some of them are well-established drugs which are marketed by leading pharmaceutical companies. As some of them will become generic in the next few years, a growing interest in their production by new or existing pharmaceutical companies is anticipated. This project proposes the development of novel proteins and the protocols for mass production to supply this need.

**Interferons (IFN)** consists of a family of naturally occurring proteins that were first recognized for their ability to confer on cells resistance to viral infection. In addition to antiviral action of interferons, they have been found to have a number of other effects including anti-proliferative, regulator of differentiation, modulator of lipid metabolism, inhibitor of angiogenesis, antitumoral, and immunoregulatory actions.

Interferon is a class of cytokines or cell signaling proteins with immune stimulating/modulating activity. The interferons are a family of small proteins and glycoproteins with molecular weights of approximately 15,000 to 27,600 Daltons (15-17 kDa) produced and secreted in vivo by cells primarily in response to viral infection, and also in response to synthetic or biological inducers.



### The process of recombinant DNA products production

The production of rDNA products involves several steps:

**Isolation of the gene.** The first step involves isolating the gene for a specific protein either directly from the cell or by creating a “copy” DNA segment. Once the desired gene sequence is available, it is necessary to identify a vector that is capable of receiving the foreign gene and carrying it into a host cell for massive replication. A vector is a DNA molecule that is capable of replicating independently of the host chromosome in at least one organism, and additional DNA can be inserted into it. The vector is also able to pass easily between cells.



**Creation of a hybrid vectors.** Next, a vector that contains the gene for the desired DNA is created using either a plasmid or a viral particle. Plasmids are circular fragments of DNA found outside of the chromosome in bacteria and yeasts; they are used as vectors for bacterial or yeast host cells. Viral particles are fragments of viruses composed of a protein outer coat that surrounds DNA or mRNA; they are often used in gene therapy. (Because only particles of the virus are used, these vectors cannot transmit disease.) This hybrid vector is created through the use of restriction enzymes to cut the required piece of DNA, and DNA ligases that join the new gene and the plasmid or viral vector together. This results in the creation of rDNA.

**Inserting rDNA into host cell.** The vector is then placed into a host cell where it can replicate rapidly. There are three major types of host cells used in rDNA technology -bacteria, yeasts and mammalian cell lines. While bacteria and yeasts are easy to grow and are relatively inexpensive, mammalian cell lines are required to produce more complex proteins.

**Ferment cells to produce protein.** The goal of fermentation is to generate the ideal conditions for the host cells to replicate into millions of genetically identical cells capable of producing the desired protein. On an industrial scale, this often takes place in a vessel holding thousands of gallons of culture medium harvest and purifies protein from cell culture. The final step in rDNA production involves harvesting the protein from the culture medium. The protein is purified and formulated into the final commercial product.

#### **LOCATION OF THE PLANT:**

Our company proposes to buy 5 acres of land in 3rd phase of Shapoorji Pallonji Biotech Park 25 Kms from Secunderabad. SP Biotech park is taking shape as an International Biotech park as it is tied up with Triangle technology park North Carolina USA and Hiedelberg Park, Germany. ICMR is also setting up Centre for International product evaluation in technical tie up with NIH USA.

Hyderabad City in southern part of India is known as the drug capital of India with major Pharma companies, producing 30% of drugs manufactured in India. In addition the city has abundant cheap relevant technical manpower with world renowned Scientific Research Organizations, like CCMB, IICT, NIN, CDFD, ICRISAT, University of Hyderabad, etc. Plant location has many advantages in producing cost effective products.

The production plant is planned with all CGMP facilities containing all the latest equipment used for maintaining and production of Recombinant Bacteria and Recombinant therapeutic proteins. This plant also incorporated with a sterile facility for the formulation and production of protein Injectables. The total planned production floor is about 18,000sft area.

Our company has applied to Shapoorji Pallonji Biotech Park Pvt Ltd (SPBPPL) i.e. vendor for allotment of land / plot and received provisional allotment of 5 acres land/plot from them vide their letter dated 27.3.2006. Subsequently, vide their letter dated 28th September,2006 have informed us that the said plot now would be registered and handed over to us on completion of infrastructure facilities on or before 31.12.2006 .

#### **S.P. Biotech Park Advantages:**

##### **Fiscal Benefits:**

- Nominal Sales Tax of 1% for products manufactured in the park for period of 10 years.
- Waiver of Land Registration Stamp Duty
- Labor incentives based on the no of people employed.
- Preferential allocation of Venture and Biotech funds.

##### **Common and Support facilities:**

- Animal house for clinical trials
- Cold Storage and Cold rooms
- Warehouse, Bonded Warehouse & Green House.
- Common ETP & Secondary Boiler House.
- Communication Centre with Optical Fiber Cable.
- Common Meeting Rooms, Cafeteria
- Common Transport, Bank, Township, Dispensary, & Schools.
- Incubator Facility



- Uninterrupted power supply with separate feeders and transformers for park users and water supply with dedicated pipe lines and Bore wells.

Regulatory approval Facilities:

- Single Window clearance for project approvals
- DBT Office for speedy approvals
- Exclusive services for patenting, FDA approvals and other regulatory matters.
- Approvals from Pollution Control Board, Town Planning, Panchayat approvals etc.

## **UTILITIES**

### **WATER**

There is sufficient ground water available in the surroundings.

There is enough ground water for use through Bore wells in Emergency. The Plant requires 100 KL water per day.

### **POWER**

Our requirement of Power of 250 KVA for production purpose is proposed to be taken from the State Electricity Board. entirely. We also have Backup arrangement through Generator, UPS.

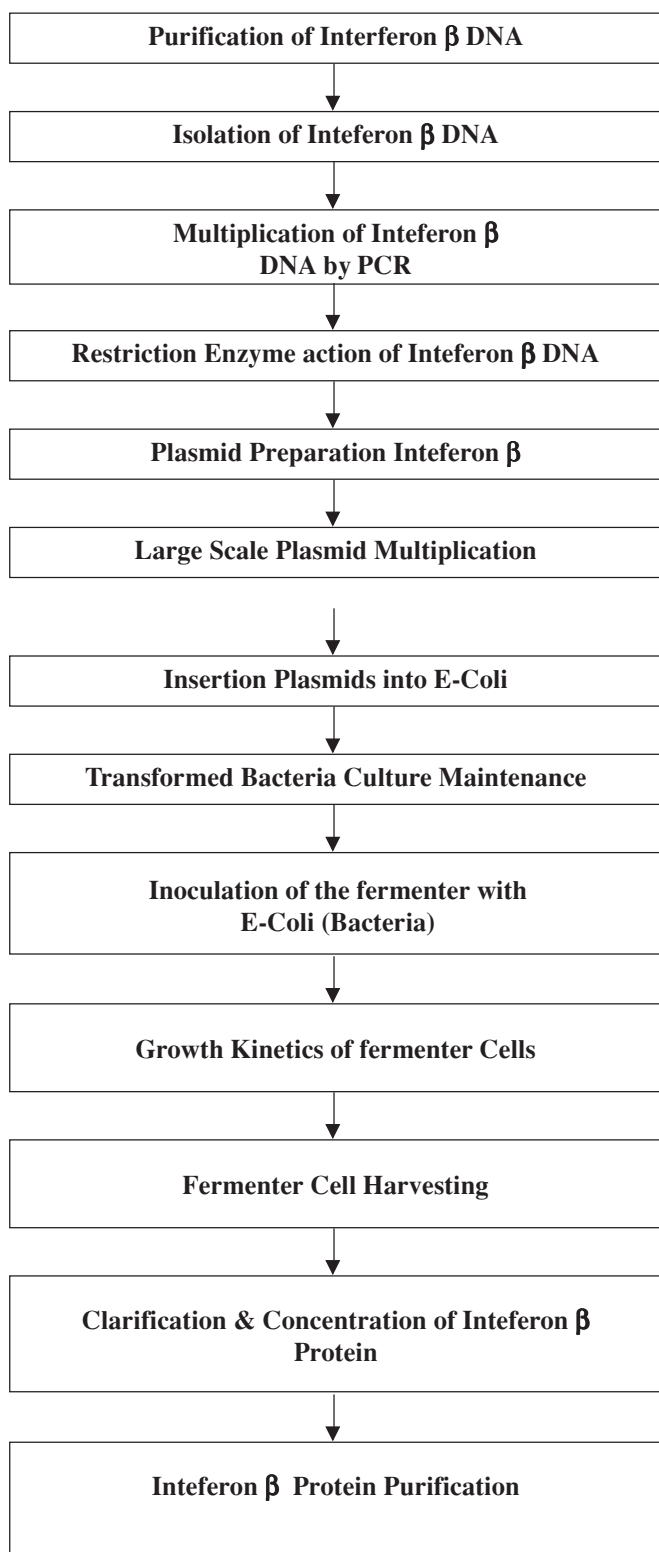
### **Biotechnology and recombinant DNA:**

Biotechnology is a major growth area in medicine and business. Currently, there are approximately 1,800 biotechnology companies in the United States, and other parts of the world. Most of these are small firms that are expected to seek alliances with large pharmaceutical companies. It is also expected that, in the near future, biotechnology will be the major force driving development of new pharmaceutical products. In presenting these innovative products to physicians, pharmacists and other key healthcare decision-makers, healthcare representatives will require a firm understanding of the complexities involved in biotechnology. This article provides an overview of biotechnology and looks at its regulation and costs. This is followed by a description of basic cellular biology. It concludes with a focus on DNA and the products available through DNA technology.



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**PRODUCTION PROCESS OF HUMAN INTERFERON  $\beta$  ( BY  
RECOMBINANT DNA TECHNOLOGY**





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### **Isolation of the Interferon $\beta$ DNA:**

The first step involves isolating the gene for IFN- $\beta$  protein either directly from the cell or by creating a “copy” DNA segment. After this PCR Technique multiplies the DNA segment to large copies:

### **Multiplication of the Interferon $\beta$ DNA by PCR Techniques:**

Polymerase Chain Reaction of (Multiplication of the DNA of Interferon):

### **Purification of Interferon $\beta$ DNA:**

Purification of the PCR Multiplied DNA of IFN  $\beta$  By Poly Acrilamide Gel Process: By using the following procedures PCR multiplied DNA is purified before inserting in to the VECTORS.

PEG precipitation and Sequencing of the PCR Product: It is for removing excess primers and Nucleotides from PCR products.

### **Stablising and Validating a Master Cell Bank**

Each production run begins with cells of comparable passage numbers. This is achieved by the expansion of the original production cell line clone to a master cell bank. The master cell bank must then be studied for cell line identity, free from adventitious agents, accuracy of the heterologous product gene, consistency of growth and productivity, quality, and potency. Microscopy methods, product activity assays, or DNA analysis are used for validation.

### **Preparing a Working Cell Bank**

From the master cell bank, a working cell bank is prepared. The working cell bank is then cultured to a primary seed that will be inoculated into the fermenter. Cells are grown in hollow-fiber bioreactors in which fresh medium are per fused through the cells. Antibiotics are also added into the medium to reduce the chance of bacterial contamination.

### **Characterizing the Primary Seed Of Bacteria Cells:**

The primary seed is characterized with microscopy methods, optical density determinations, and plate counts. To demonstrate sufficient stability under manufacturing conditions, the production cell line shall be maintained in free cell culture.

### **Inoculation of the Fermenter with Transformed Bacteria Cells.**

Once the effective colonies of transformed E. coli with IFN( DNA plasmids are ready, the next step is to inoculate these colonies in to the fermenter, which already contains the sterilized LBM media and kept ready for the inoculums.

### **The process involves the following steps:**

Setting Up and Inoculating the Fermenter. The fermenter is filled with nutrient medium and heat sterilized. Upon cooling to the desired temperature, the inoculum is introduced. The two primary types of fermentation methods are batch and fed-batch processing. We are adopting the batch processing method for the production of IFN-2a. In the batch method, the culture is established, and the product is harvested after cell growth reaches its peak.

### **Culture Growth Monitoring:**

Monitoring the Culture by Cell Kinetics: The Bacteria cells grow and metabolize, depleting nutrients from the medium and producing the protein of the product (Interferon2a), as well as by-products. The culture is sampled at regular intervals to verify data provided by monitoring probes and to determine cell or product concentration and integrity. Sample is taken from valves whose ports are sterilized with steam, also termed clean in place.

During the fermentation process, cells go through four phases called lag, log, stationary, and death. Density of cell growth during the phases of a typical fermentation process, from lag, to log, to stationary, to death. The majority of the IFN-2a protein is produced during the latter part of log phase and during stationary phase. So this is stage for harvest. After this stage, Catabolic by-products and molecules related to cell lysis not only contribute to cell death but often break down the protein of Interferon2a product. So the protein is harvested immediately between log and Stationary phases. The estimated time period to reach Bacteria (E-Coli) to these particular stages is about 76 hours at 37oC.

In lag phase, the number of cells does not increase. However, toward the end of this phase the cells will increase in size. Cells are synthesizing the enzymes and transport systems needed to grow in the new medium. In log phase, the cells begin to multiply. Cells reproduce at a maximum rate for a given set of growth conditions.

In the stationary phase, the essential nutrients have been depleted from the medium, or there is buildup of a toxic metabolite that causes the growth rate to slow. When cell growth ceases, the culture has entered the stationary phase. Although they are not growing, the cells continue to metabolize, producing energy that maintains basic cell functions.





Once the energy of the cells has been exhausted, cells begin to die. Cell death follows the same first-order kinetics as log phase. In the production of therapeutic products, fermentation is halted before the onset of death.

#### **Cell Harvesting:**

The fermenter is chilled immediately after run termination in order to slow metabolic processes and promote product stability prior to downstream processing.

Downstream processing consists of clarification and concentration and, ultimately, purification of the product. The finished product shall be purified to homogeneity without affecting potency or quality.

#### **Clarification and Concentration of the protein:**

The fermenter liquor must be separated from the cells and debris in processes known as clarification and concentration. During these steps, large volumes of dilute product are reduced to highly concentrated liquors to facilitate further downstream processing. The clarification of the cell is accomplished by means of filtration, and purification of the final product is performed through by using affinity columns.

#### **Protein Purification:**

Purification of the material shall protect the homogeneity of the product without affecting product potency or quality. The Interferon  $\beta$  protein is purified in two stages. First step involves the purification of Interferon  $\beta$  by size-exclusion chromatography; the proteins are eluted as a function of their size in the elution buffer that is continuously pumped through the column. In adsorption chromatography, the product binds to the purification matrix. Unbound contaminants are then washed out with rinsing buffer, after this the purified product is released with product elution buffer. By the end of this process the protein we get will contain some traces of impurities.

These traces removed by using column chromatography method. In this process, the column is completely filled with the polyacilamide gel as protein purification matrix. The unpurified protein of Interferon  $\beta$  sample is pumped onto the column. The protein Interferon2a is eluted from the column using buffers of varying acidity levels and ionic strength. To attain proper purity, the material will be passed through additional columns in an effort to achieve higher purity.

#### **Lysis Solution:**

1 N NaOH	2.0 Lit
10 % S D S	1.0 Lit
Sterile DD Water	7.0 Lit
Total:	10.0 Lit

#### **E.Coli Expression System:**

*Escherichia* belong to a large bacterial family known as the Enterobacteriaceae, or enteric bacteria. All enteric bacteria are facultatively anaerobic Gram-negative rods that live in the GI tract of animals. Of all *Escherichia* species, *E. coli* are by far the best known and studied as its entire genome has been sequenced. *E. coli* are is the predominant facultative organism in the human GI tract. They are very important organisms from a medical stand point as they provide us with a source of vitamins K and B. Though *E. coli* can be considered benign, there are a few strains which cause disease in humans. One such rare strain is *E. coli* O157:H7, a member of the enterohemorrhagic *E. coli* group. These bacteria can cause hemorrhaging which can eventually lead to death. *E. coli* has been used as an indicator of fecal pollution in water (as a fecal coliform) for over 100 years.

#### **E.COLI CHARACTERISTICS:**

- Facultative anaerobe.
- Cells stain Gram negative.
- Rod shaped.
- Enteric bacteria.
- Can produce potent enterotoxins.
- 1.0 um x 2 um in size.
- Most species are motile.
- Oxidize negative.
- Lactose positive.



Members of this genus are almost universal inhabitants of the intestinal tract of humans and warm-blooded animals. *Escherichia* play an important nutritional role in the synthesizing of vitamins, especially vitamin K. Wild-type strains show no growth-factor requirements and can grow on many different energy and carbon sources. As enterics they can ferment glucose (and many other carbohydrates), and transform them into all of the macromolecular components that make up the cell. Colonization and attachment of the small intestine is accomplished through the production of *K antigen*. Motility is achieved by means of peritrichous flagella that it can use to respond to changes in pH, temperature, and osmolarity to name a few.

There are over 700 serotypes of *E. coli* alone, of which some are pathogenic. All of these different antigenic types can be characterized by means of their O, H, and K antigens. Of all pathogenic strains O157:H7 has become the best known. This particular *E. coli* strain is an enterohaemorrhagic pathogen, is responsible for hundreds of deaths each year, worldwide, and is spread primarily through contaminated meat and poultry products.

*Escherichia* can be cultured on different highly selective media, and upon isolation will look off-white, dark blue, cream, or metallic green. *Escherichia* are easily isolated on Eosin Methylene Blue Agar on which they demonstrate a greenish metallic sheen.

### **E.Coli- Derived Alpha Interferon 2a production process:**

The production is divided in to two phases A) Upstream processing B) Down stream processing. And the process time is 7 days and they are depicted as follows.

#### **A) Upstream Processing consists:**

1. Seed Fermentation
2. Main Fermentation

**First Day**

#### **B) Downstream process consists:**

1. Cell harvest
2. Cell disruption

**Second Day**

3. Clarification
4. Refolding and Unfolding

**Third & Fourth Days**

5. Ion exchange chromatography
6. Ultra-filtration

**Fifth Days**

7. Gel filtration
8. Sterile filtration.

**Six & Seventh Days**

### **Culturing Bacteria**

To culture bacteria, the following media should be used to prepare agar plates:

Growth Media: 1/10-strength Trypticase Soy Agar (TSA) Media:

**Ingredients:** 2 g Trypticase Soy Agar

7.5 g Bacto Agar

500 ml distilled water

Mix the ingredients, autoclave for 20 minutes, and pour into sterile petri dishes.

Plate out the bacteria using a 10<sup>-7</sup> dilution starting with 5 g dry weight of the compost in 45 ml of an autoclaved .06M NaHPO<sub>4</sub>/NaH<sub>2</sub>PO<sub>4</sub> buffer of 7.6 pH. (approximately 4:1 dibasic: monobasic). Put this first dilution in a blender for 40 sec. at high speed.



Perform serial dilutions to  $10^{-7}$  and add 0.1 ml of the dilution per plate. Incubate at 28°C for 4 days. Count the colonies as colonies per unit after 4 days. Prepare slides of specific colonies the same day.

***The first step in any purification is the development of a specific assay for the protein of interest***

The specific assay can be based upon some unique characteristic of the protein of interest

- Enzymatic activity
- Immunological activity
- Physical characteristics (e.g. molecular mass, spectroscopic properties, etc.)
- Biological activity
- Ideally, an assay should be

*Specific* (you don't want a false positive) *rapid* (you don't want to wait a week for the results)

*sensitive* (you don't want to consume your entire sample in order to assay it)

*quantitative* (you need an accurate way to measure the quantity of your protein at each step in the purification)

**Growth, Maintenance & Preservation of Bacterial Cells**

Cells that contain a plasmid must be properly maintained or they may lose their transforming plasmid and may even lose their viability. There are several long and short term storage methods that can be used. The conditions for growing bacterial cells are dependent on many factors. *Escherichia coli* that are to be used for transformation should be streaked onto an appropriate agar medium in order to isolate single, discrete colonies. This process, known as **streaking for purity** allows the isolation of genetically distinct colonies. A colony is the result of a single cell that has undergone multiple divisions. All the bacterial cells within that colony are genetically identical, i.e. they are **genetic clones**. The appropriate growth medium should be used based on the known or determined genotype of the strain being used. A good general purpose growth medium for *E. coli* strains used for recombinant DNA work is **Luria-**

**Bertani broth (LB):**

<b><u>Luria-Bertani broth (LB)</u></b>	
<b><u>Ingredient</u></b>	<b><u>Amount</u></b>
<b>Tryptone</b>	<b>10 g</b>
<b>Yeast Extract</b>	<b>5 g</b>
<b>NaCl</b>	<b>10 g</b>
<b>H<sub>2</sub>O</b>	<b>q.s. to 1000 ml</b>

tated 90° and the sterile loop are dragged across the previously streaked quadrant one time to pick up a few bacterial cells. The next quadrant is then streaked using the same pattern as the first. This is repeated until all four quadrants have been streaked. The purpose is to dilute the cells so that in one of the quadrants isolated colonies will be obtained. Alternatives to streak plates are spread plates or pour plates. For spread plates a series of dilutions are made (usually 10-fold dilutions to  $10^{-6}$ ).

A small volume (100 µl) is placed on the plate and spread evenly using a bent glass rod that has been sterilized in 70% ethanol and flamed to burn off the alcohol. Alternatively, a sterile disposable plastic needle can be bent against the inside lid of

the plate and used to spread the bacterial cells. The plates are then incubated and the dilution is chosen that produces well isolated colonies. Pour plates are similar to spread plates except that the 100 µl aliquot of the dilution is added to an overlay agar and poured over the surface of the growth medium. The overlay agar is similar to the growth medium except that the agar is only 0.7%. After the overlay agar hardens the plates are incubated until well-isolated colonies are observed.

**Maintenance & Preservation of Bacterial Strains -**

Short term storage (6-8 weeks) can be achieved in either liquid medium or on agar plates @ 4°C. However, due to depletion of nutrients and accumulation of waste products bacteria must be inoculated into or onto fresh medium every 6-8 weeks if viability is to be maintained. Agar slants or stabs can be maintained in sealed tubes in the dark @ 15-22°C for periods up to a year. Long term storage however, is best accomplished by freezing the cells @ either -20°C or -70°C, the latter being preferred. This method is recommended for strains harboring a plasmid of importance.

A 5-10 ml liquid culture (supplemented with the appropriate antibiotic if a plasmid is present) is inoculated with a single bacterial colony and grown for 8-12 hours with good aeration. An aliquot (0.85 ml) is added to 0.15 ml of sterile 100%



glycerol or 0.15 ml of sterile 70% dimethyl sulfoxide (DMSO). The glycerol (or DMSO) helps prevent ice crystal damage during the freezing and thawing process. The cultures can then be frozen and stored for years without loss of viability. Viable bacteria can be recovered from the frozen culture by simply scratching the surface of the frozen culture with a sterile loop and transferring the cells to a liquid medium for growth.

### **Interferon ( Applications:**

- |  |   |
|--|---|
| 1. Hairy Cell Leukemia   | 10. Chronic Myelogenous Leukemia        |
| 2. Condylomata acuminata   | 11. Lymphoma                            |
| 3. AIDS-related kaposi's Sarcoma   | 12. Melanoma                            |
| 4. Chronic Hepatitis C   | 13. Multiple Myeloma                    |
| 5. Chronic Hepatitis B   | 14. Ovarian Cancer                      |
| 6. Bladder tumor or recurrent papillary tumor cancer in situ, not responding to standard therapy | 15. Pancreatic Cancer                   |
| 7. Carcinoid Syndrome  | 16. Skin Cancer                         |
| 8. Cervical Cancer   | 17. Brain Cancer                        |
| 9. Renal Cell Carcinoma  | 18. RecurrentRespiratory Papillomatosis |

### **Administration of Interferon alpha $\beta$ :**

Interferon  $\beta$  is a sterile, clear, colorless, preservative-free liquid formulated with 100 mM sodium chloride and 25 mM sodium phosphate at pH 7.0 $\pm$ 0.2, with no side effects. The product is available in single-use vials containing 9 mcg and 15 mcg interferon 2a at a fill volume of 0.3 mL and 0.5 mL, respectively. Interferon alpha 2a is to be administered undiluted by subcutaneous (SC) injection.

This recombinant Biotherapeutic molecule has been already proved for its clinical effectiveness to fight against dreaded diseases like cancer and hepatitis B and C, with out side effects compared to commercially available chemical molecules..

This is a recombinant Human biotherapeutic Molecule that is manufactured in a Parenteral or Injectable dosage form complying with all the regulatory requirements of Quality for Human usage, both for the Manufacturing Facility and for Final dosage form.

### **IFN $\beta$ Applications as proved:**

#### **Alpha Interferon Approval for Kaposi's Sarcoma**

*By Food and Drug Administration - 21, 1988*

The Food and Drug Administration today approved the use of alpha interferon to treat Kaposi's Sarcoma — **a systemic cancer which primarily affects AIDS patients.**

The approval is based in part on a study by scientists at the National Institute of Allergy and Infectious Diseases.

Alpha interferon is a natural protein present in the body in small amounts. In recent years, gene-splicing techniques have permitted enough of the substance to be produced for research and therapy. Alpha interferon treatments have previously been shown effective against a rare leukemia and genital warts.

The interferons, or hormone-like proteins, were discovered in the late 1950s as naturally occurring anti-infective agents present at low levels within the body. Quantities for research and treatment were made possible by recombinant DNA or gene-splicing techniques. In gene-splicing, a gene containing the code for alpha interferon is inserted in harmless bacteria, which then produce large amounts of the substance. Through the classification of different types of interferons, the identification of their specific receptor sites in the human body, and the development of gene-splicing techniques in the last decade, it is now possible to produce the amounts of the specific substance needed to make alpha interferon a practical therapeutic agent.

Schering Corp. of Kenilworth, N.J., and Hoffmann-La Roche of Nutley, N.J., will market slightly different molecular versions of the licensed alpha interferon treatment for this indication under the Intron-A and Roferon brand names, respectively. Both of these genetically engineered alpha interferon products were first approved in June 1986 as **treatments for hairy cell leukemia — a rare adult form of leukemia.**



In June 1988, Zalcitabine was also approved **for treating genital warts**. Kaposi's Sarcoma is ordinarily a rare cancer that affects older men of Mediterranean descent. However, the incidence dramatically increased in the early 1980s, with nearly all the newly reported cases involving young, homosexual men. This rise in the incidence of Kaposi's Sarcoma was one of the first important clues that led to uncovering the spread of AIDS.

Kaposi's Sarcoma is most often manifested by the appearance of large purplish lesions on the skin, but internal lesions can also develop. The form of Kaposi's Sarcoma associated with AIDS tends to spread far more extensively throughout the body. Although the disease is rarely the actual cause of death for AIDS patients, it can spread throughout the body and greatly weaken the patient's physical condition.

Standard treatments for Kaposi's Sarcoma have included chemotherapy and radiation treatments. In AIDS patients, however, chemotherapy can further raise the patient's risk of acquiring severe opportunistic infections. Radiation therapy can treat localized tumors, but not the systemic tumor growth that often occurs in AIDS patients.

In several human studies, 40 to 45 percent of certain patients with Kaposi's Sarcoma who received high doses of alpha interferon responded with a significant reduction in the size of their tumors. These patients tended to be at less advanced stages of AIDS — they tended to have T4-helper cell counts of above 200 — and tended to not have experienced any of the severe opportunistic infections that are often associated with AIDS.

T4-helper cells are the blood cells that play an essential role in the body's immune system. Healthy people normally have T4-helper cell levels of 800 to 1,000, while people at advanced stages of AIDS can have T4-helper cell counts of less than 200.

### **Interferon $\beta$ - Cleared for Marketing by FDA**

NUTLEY, N.J., Oct. 20, 1995 — Interferon  $\beta$  - has received marketing clearance from the U.S. Food and Drug Administration (FDA) for the treatment of chronic phase Philadelphia chromosome positive **chronic myelogenous leukemia (CML)**. This new indication specifies treatment with Interferon in patients either previously untreated or minimally pretreated, preferentially within one year from diagnosis.

Interferon will provide many **CML** patients with another treatment alternative, especially those for which bone marrow transplantation is not an option.

IFN therapy significantly prolonged the median survival of **CML** patients by 14\* months compared to conventional chemotherapy (hydroxyurea or busulfan). In addition, the treatment slowed disease progression and elicited a higher cytogenetic response. CML accounts for 20-25% of all adult leukemias and, according to the Leukemia Society of America, occurs in 5,000 patients each year in the U.S.

"Treatment with interferon alfa-2a in **CML** patients has resulted in a significant survival advantage and increased cytogenetic response compared to patients who received traditional chemotherapy treatment. A positive correlation also exists between the length of time a patient remains on interferon alfa-2a therapy and the cytogenetic response achieved".

Cytogenetic response is achieved when Interferon alfa-2a causes the abnormal cell (Philadelphia chromosome positive) to disappear, sometimes completely. In an exploratory analysis, patients who achieved a cytogenetic response lived longer than those who did not. Cytogenetic responses were observed only in patients who had complete hematologic responses.

### **CML**

CML is characterized by progressive leukocytosis, anemia, marrow hypercellularity and splenomegaly. Historically, CML occurs in three phases (chronic phase, accelerated phase and blast crisis). The majority of patients are diagnosed in the chronic phase. In approximately 90% of patients suffering from CML, a distinctive chromosomal translocation (the Philadelphia chromosome) is found in up to 100% of proliferating marrow cells at the time of diagnosis.

### **Fermentation based Biopharmaceuticals:**

Our other main product is **HYALURONIC ACID**.

Traditionally this is produced by fermentation process by using Cock's Combs. Since the epidemic of bird flu spread in South East Asian countries the WHO is constantly discouraging the use of the Animal source Hyluronic acid. Chemically Hyaluronic acid is a Polysaccharide or Sugar containing molecule which is highly viscous.

We have in our lab the NASHA (Non-Animal Source Hyluronic acid) which is produced from a bacterial species isolated from soil samples optimized by our scientists.



This product is having following advantages on a large scale production

- Higher expression levels and safe to handle
- Higher stability
- Accepted by World Health Organization and European Medical Agency
- Constant Higher Molecular weigh HA (80-100 kd)
- Simple Fermentation and cost efficient chemicals

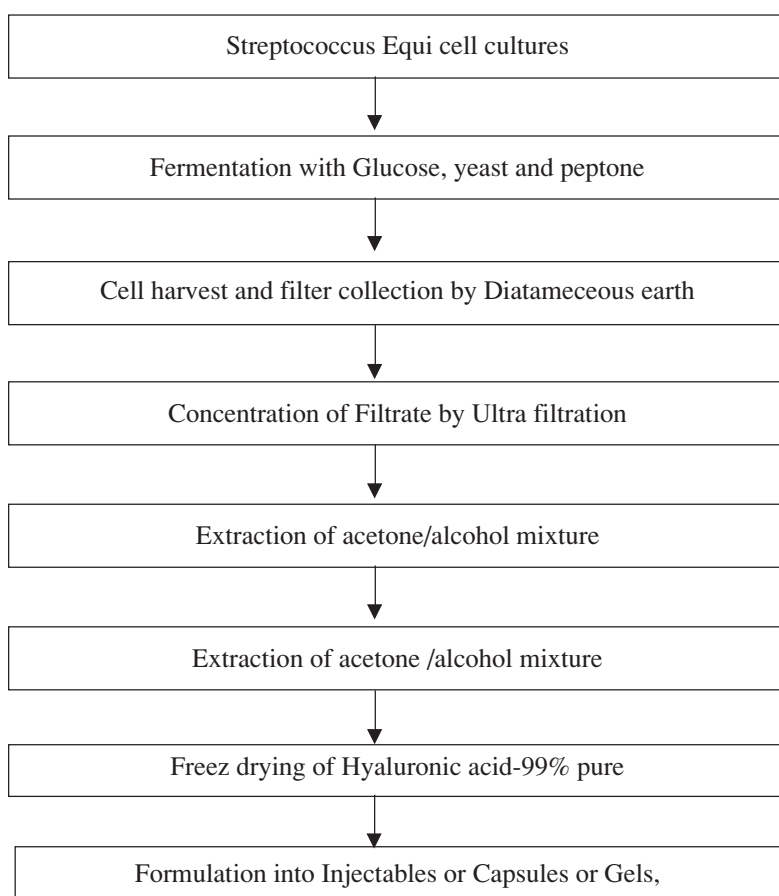
Following dosage forms available in world with Hyaluronic acid

- Injections
- Gels
- Creams
- Capsules

Uses of Hyaluronic acid;

- ARTHRITIS-Joint pains
- Major knee joint operations
- The only available therapeutic adjuvant in Corneal transplantation
- Ant-aging agent in form of Cream
- Anti wrinkle agent in form of Gel
- As a glow enhancer in body in form of capsule
- The only Biopharmaceutical which ahs more than 22 uses can be used as a Biotherapeutic agent as well as a cosmetic due to its wide applications.

#### Brief Manufacturing Process of Hyaluronic Acid







### **Erythropoietin:**

(EPO), a glycoprotein hormone produced primarily by cells of the peritubular capillary endothelium of the kidney, is responsible for the regulation of red blood cell production. Secondary amounts of the hormone are synthesized in liver hepatocytes of healthy adults. In premature as well as full term infants, the liver is the primary site of EPO production. The kidney becomes the primary site of EPO synthesis shortly after birth. EPO production is stimulated by reduced oxygen content in the renal arterial circulation. Circulating EPO binds to EPO receptors on the surface of erythroid progenitors resulting in replication and maturation to functional erythrocytes by an incompletely understood mechanism.

### **Clinical conditions**

That gives rise to tissue hypoxia including anemia, lung disease, or cyanotic heart disease, lead to increased levels of serum EPO. In anemia, serum EPO levels do not rise above normal until hemoglobin levels fall below 110 g/L. As may be expected in patients with renal insufficiency, serum EPO levels remain inappropriately low despite the anemia. However, inappropriately low serum EPO levels may also be seen in anemic patients with cancer, as well as those with rheumatoid arthritis, HIV infection, ulcerative colitis, sickle cell anemia, and the anemia of prematurity. The mechanism of the inappropriate EPO response varies. For example, a primary production defect is apparent in renal disease and the anemia of prematurity; suppression of EPO synthesis by inflammatory cytokines (e.g., IL-1, TNF- $\alpha$ ) is believed to occur in certain chronic diseases or cancer. A primary elevation of EPO levels can also occur in association with renal diseases such as hydronephrosis or cysts, or certain tumors, resulting in erythrocytosis. Examples include renal cell carcinoma (hypernephroma), hepatocellular carcinoma, and adrenal gland tumors. Certain bone marrow disorders, such as myelodysplastic syndrome and aplastic anemia, may also be associated with high serum levels of EPO. In the setting of bone marrow disease, high serum EPO levels are presumably due to the reduction in the number of EPO receptor bearing cells, thereby allowing serum levels to rise.

### **The gene encoding human erythropoietin**

It was cloned in 1985 leading to the production of recombinant human EPO (rhu-EPO). Rhu-EPO has been used successfully in a variety of clinical situations to increase production of red blood cells. Currently, this agent is licensed for use in the treatment of the anemia of renal failure, the anemia associated with HIV infection in zidovudine (AZT) treated patients, and anemia associated with cancer chemotherapy. Administration of rhu-EPO has become routine in the treatment of anemia secondary to renal insufficiency where doses of 50-75 u/kg given three times per week are used to gradually restore hematocrit and eliminate transfusion dependency. Rhu-EPO may also be helpful in the treatment of a variety of anemias where endogenous levels of EPO may be low for the degree of anemia. For example, it has been reported that the severity and duration of postoperative anemia is ameliorated with the use of rhu-EPO. It has also been reported to facilitate autologous blood donation prior to elective surgery, but the utility of this approach is somewhat limited.

### **Differentiation**

The elevated or depressed levels of erythropoietin in serum can be helpful in assessing therapeutic options for the anemic patient and in the diagnostic evaluation of the patient with erythrocytosis. Enzyme immunoassays which can readily quantitate serum erythropoietin levels are currently available. EPO assays are expressed in International Units or milliimmunochemical units per ml (miu/ml) based on comparison with an International Reference Preparation. The EPO assay can be used to differentiate polycythemia vera (low or normal EPO levels) from polycythemia "secondary" to hypoxia or tumor-induced (elevated EPO levels). In normal patients, serum levels of erythropoietin range from 15-19 miu/ml and can increase 100 to 1000 fold during hypoxia or anemia. In HIV infected patients receiving zidovudine (AZT) therapy, anemic patients with EPO levels below 500 miu/ml have been shown to benefit from rhu-EPO therapy. Between 60-80% of AIDS patients meet this has been clearly defined for other disease conditions. As a general rule, however, patients with elevated levels would not be expected to respond to treatment.

### **Manufacturing:**

Recombinant Erythropoietin-alpha was lyophilized after extensive dialysis in 5.8mg sodium citrate, 5.8mg sodium chloride and 0.06mg citric acid.

### **Purity:**

Greater than 98% by SDS PAGE

RPHPLC

GEL CHROMATOGRAPHY

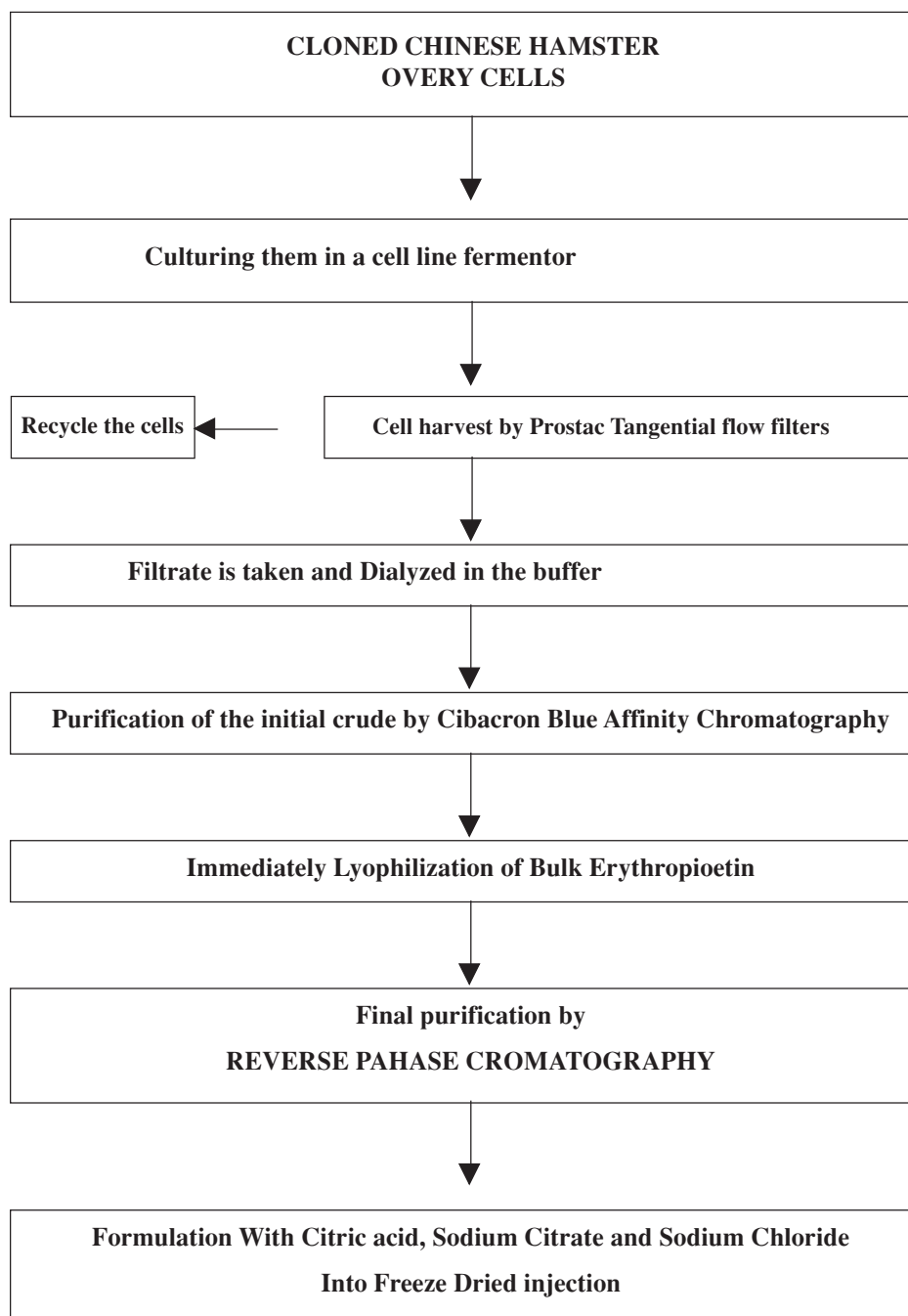




### **Biological activity:**

Erythropoietin is fully biologically active when compared to standard. The Specific Activity was measured by Normocythaemic mice and was found to be 120,000IU/mg.

### **Manufacturing Process in Brief:**





**Stability:** Lyophilized Epoetin Alfa although stable at room temperature for 3 weeks, should be stored desiccated below -18 C. Upon reconstitution EPO should be stored at 4 C between 2-7 days and for future use below -18 C. For long term storage it is recommended to add a carrier protein (0.1% HSA or BSA).

**Description:** Recombinant Human Erythropoietin-alpha is produced in Chinese hamster ovary (CHO) cells by recombinant DNA technology is a single, polypeptide chain containing 165 amino acids and having a predicted molecular mass of 21,000 Dalton and apparent glycosylated molecular mass of 30,400 Dalton.

## II. Bio-Parenteral Division:

### 1. Vials

Description	Qty
Interlukin-2	2ml
Diclofenac Sodium	30ml
Gentamycin	2ml
Dexamethasone Sod Phosphate	2ml
Chloroquine Phosphate	30ml
Oxytetra cycline	30ml
Amikacin Sulphate	2ml
Chloropheneramine maleate	5ml
Vitamin B complex	2ml

### 2. Ampoules

Description	Qty
Chorionic Gonadotrophin	1ml
Follicle stimulating hormone	1ml
Diclofenac Sodium	2ml
Chloropheneramine maleate	1ml
Vitamin B Complex	10ml
Ranitidine	10ml

### 3. Powder Parenterals

Description	Qty
Cefotoxime Sodium	1gm/500mg
Cefozidime	1gm/500mg/250mg
Cephazoline	1gm/500mg/250mg
Ampicillin Sodium	1gm/500mg
Ampicillin and Cloxacillin	1gm/500mg
Benzathine Penicillin	1 Million units
Fortified Procaine Penicillin	4 & 2 Million units
Ceftriaxone	1gm/500mg/250mg
Hydrocortisone Sodium	100mg
Cefaperazone	1gm/500mg/250mg



### C. PHARMACEUTICAL BUSINESS

Our company proposes to manufacture pharma formulations under loan licensing for which it had entered into contract manufacturing agreement with M/s. Sunrise International Labs Limited - Hyderabad. Our company's loan licensing facility is situated at Plot No. 100, Phase II, IDA, Charla Pally, and Hyderabad and is constructed as per latest schedule M, cGMP and WHO standards. It consists of Tablet section with a capacity of 100 Million tablets per month and Capsule section with a capacity of 50 Million capsules per month and Liquid Orals section with a capacity of 20 Million bottles per month.

Our company proposes to manufacture the following products:

Tablets	Capsules	Liquids
Multipil	PILPEX-L	PILZYME
Gatipil	HEMO-PIL	PILDRYL
Cipropil	FLUPIL	PILCOLD
Pilcold		PILMAL
Pilmal		HEMOPIL
Serapil		
SERAPIL-D		
RABIPOCH		
PANTOPIL-D		
OPIL- 200MG / 400MG		
DICLOPIL		

Initially, our company proposes to launch its product in about 10 Southern and Western states of India with a work force of around 100 Marketing personnel.

Our company proposes to utilize Rs. 1000.00 Lacs out of the issue proceeds for the working capital requirement of its Pharma business for which the breakup is as follows:

#### DETAILS OF WORKING CAPITAL REQUIREMENT - PHARMA DIVISION

S.NO.	Particulars	Amount in Lacs
1	Raw Materials (Imports & Indigenous & packing materials)	88.61
2	Work in Progress	29.54
3	Finished goods	307.35
4	Sundry Debtors	620.01
	Total	1045.51
	Less: Creditors	45.51
	Net Working Capital requirements	<b>1000.00</b>

\* the above estimates are based on our company's own projections and no Bank/independent organization has assessed the requirements. .



## MARKETING:

Our company proposes to build a multiproduct bioparenteral and biotechnology facilities to cGMP standards. It is getting lot of enquiries from domestic as well as multinational pharma companies for contract manufacturing of their products. Initially our company will be doing contract manufacturing and launch its own products in the course of time. As specialists in the manufacture of pharmaceutical sterile injectables, liquids, suspensions, and tablets our company proposes to offer the following full service solutions for our contract manufacturing customers \* Bioprocess/purification of raw materials \* Scale up \* Formulation development \* Validation \* Packing design \* QC/QA testing \* Regulatory affairs.

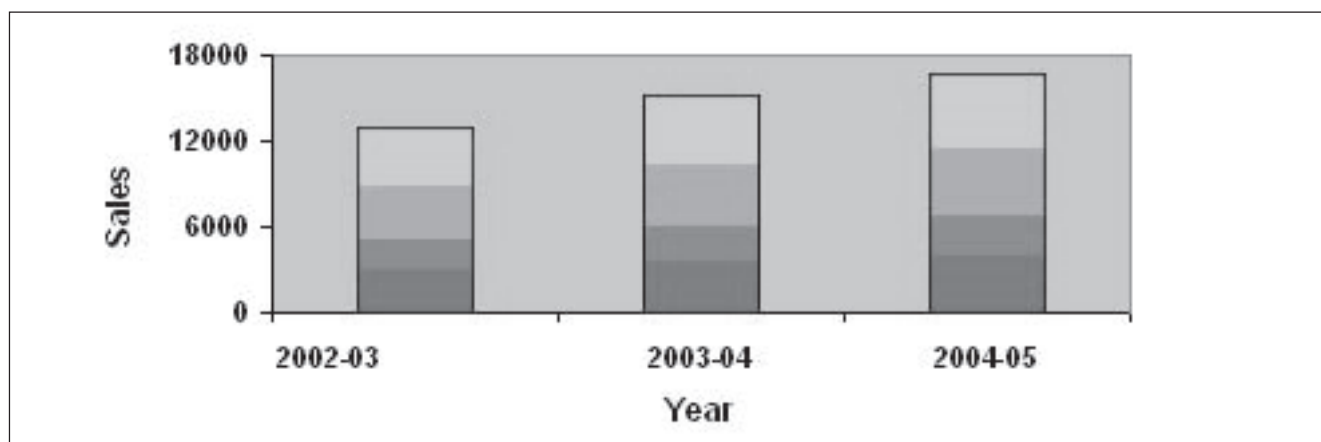
### Exports

The Indian pharmaceutical industry ranks 17th in terms of export value of bulk actives and dosage forms. The pharmaceutical exports increased at a CAGR of 22.6% during the period FY1994-FY2004. Factors such as the industry's cost competitiveness, the established quality of its products and its internationally approved manufacturing facilities have enabled the industry to make a place for itself in the international market. During the year 2004 exports stood at Rs. 1668114 lacs (source: [www.indiaoppi.com](http://www.indiaoppi.com)). Indian exports are destined to more than 200 countries around the globe including highly regulated markets of US, Europe, Japan and Australia.

An Export Promotion Cell in the Pharmaceutical Division has also 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.

The country is showing excellent performance on the export front. The exports during the last 3 years are tabulated below: (source: [www.chemicals.nic.in](http://www.chemicals.nic.in))

Year	Rs. in Lacs
2002-03	1283789
2003-04	1521324
2004-05	1668114



### Our Business Strategy

Our Corporate vision is “to emerge as a global player by being a multi product and system developing Company with hardware and software capabilities” offering products of highest quality, backed by state of the art manufacturing and R & D facilities, to have a strong presence in the area of healthcare business, both in the domestic as well as the international market.

### SWOT Analysis

#### Our Competitive Strengths

The Project is promoted by Mr. P Sudhakar, a qualified professional with 15 years of experience in project management and implementation. During 1987-1990 as a Finance Manager of NATCO pharmaceuticals Ltd he was instrumental in implementing



the company's I.V. fluid manufacturing facility. Thereafter as a consultant for 5 years, Mr Sudhakar has been associated with Bulk Drug manufacturing facility of NATCO Laboratories Ltd at Kothur Near Hyderabad, Bulk Drug Manufacturing Unit of Divi Laboratories Ltd, Choutuppal, Near Hyderabad and Bulk Drug Manufacturing facility of M/S Vera Laboratories Ltd at Vizag. He has been associated at all stages of these projects from Conceptualisation of the project, Preparation of project reports, Tying up the term Loans and till their Financial closure. Thereafter Mr. Sudhakar has established the floriculture business and successfully running our company for last 7 years.

Our company has well qualified professional directors Dr. P. Suvarchala Devi, Dr. A. Ramaiah, Shri M. Durga Prasad and Shri PLN Sarma to take care of its Bio pharma and Bio parenteral operations.

Dr. P. Suvarchala Devi is well experienced in Bulk scale Protein purification and process development

Dr. A. Ramaiah is well experienced in Pigment cell development and development of Peptide Bio pharmaceuticals, conducting the clinical trails and commercialization of Bio molecules.

Our company has taken Mr. M. Durga Prasad, a post graduate in bio-tech engineering with varied experience in bio technology and bioparenteral. He has worked for FDC, Mumbai and Millapore Corporation USA as validation specialist and process optimization specialist in the biopharmaceutical division. His critical areas of experience are as follows:

1. Vaccine filling and blending
2. Protein extraction, Separation and purification
3. Protein purification and endotoxin removal
4. Critical areas of downstream processing on large scale.
5. Manufacture of injectables ( Aqueous, Non-Aqueous and Dry powder)
6. Filter validation and process Validations.

Mr. PLN Sarma has expertise in the manufacture of sterile pharmaceutical injections and maintaining manufacturing controls as per cGMP standards.

Our company is going to build a multiproduct state of the art cGMP facility for manufacturing of bioparenteral and tablets.

Our company specializes in the manufacture of pharmaceutical sterile injectibles, liquids, suspensions, and tablets. It will be one of the very few companies to offer the following full services solutions for contract manufacturing customers

- Bioprocessing/ purification of raw materials
- Scale up
- Formulation development
- Validation
- Packing design
- QC/QA testing
- Regulatory affairs

#### **Weaknesses**

- Currently in Floriculture business and is diversifying into the Bio pharma and Pharma businesses.
- The Bio pharma manufacturing facilities are yet to be created and Statutory approvals are yet to be received.
- The Pharma Operations are to be carried out under the Loan licence agreement.

#### **Opportunities**

- Large number of drugs going off-patent in Europe and in the US from 2005 to 2009 offers a big opportunity for the Indian companies to capture this market. Since generic drugs are commodities by nature, Indian products have the competitive advantage, as they are the lowest cost producers of drugs in the world. We have the strength to manufacture this once the approvals are in place.
- Being the lowest cost producer combined with FDA approved plants, Indian companies can become a global outsourcing hub for pharmaceutical products



- India with a population of over a billion is a largely untapped market. The growth of middle class in the country has resulted in fast changing lifestyles in urban and to some extent rural centers. This opens a huge market for lifestyle drugs, which has a very low contribution in the Indian markets.
- Indian Pharmaceutical industry possesses excellent chemistry and process reengineering skills. This adds to the competitive advantage of the Indian companies. The strength in chemistry skill helps Indian Companies to develop processes, which are cost effective.

#### Threats

- Competition from countries that offer low cost manufacturing such as China, Korea and Taiwan.
- Due to very low barriers to entry, Indian pharma industry is highly fragmented with about 300 large manufacturing units and about 18,000 small units spread across the country. This makes Indian Pharma market increasingly competitive
- Reducing tariff levels and dumping can be a threat to survival of products and industry.

#### INSURANCE:

All the fixed assets of the Company have been insured against fire, burglary through Oriental Insurance Company Ltd and all the policies are valid as on date.

Insurer	The Oriental Insurance Co. Ltd.
Property Insured	DG Set building including foundation, Civil room, Green House structures, Machinery Foundation, Transformer, Plant & Machinery including panels, Electricals cables including Transport, Irrigation System, P & M Including Foundation, Security, Canteen and Staff rooms, Water tank, Pump house, New Green houses 6 Nos., Toilet, Sanitary water supply.
Name of the Policies	Standard Fire & Special Perils Policy
Period of Insurance	From 16th June 2006 to 15th June 2007
Total Sum Insured	Fire Basic Cover - Rs. 3,41,49,001/- Earth quake cover - Rs. 3,41,49,001/-
Total Premium	Rs. 61,326/-

**PROPERTIES :** The details of the immovable properties owned by our company situated at 1/102, Sathya Mangalam Village, Bagalpur - Berigai Road, Thummanapalli Post, Hosur Taluk, Krishnagiri District, Tamil Nadu are as under.

S.No.	Sy. No.	Area in Acres
1	234/1A	1.17
2	239/4	1.90
3	256/1	3.24
4	256/2	3.05
5	257/1	3.83
6	257/2A	1.20
7	257/2B	1.90
8	257/3A	0.31
9	257/3B	0.28
10	258/1	1.35
11	258/2	1.25
12	258/3	2.75
13	236/2B	1.60
	<b>TOTAL</b>	<b>23.83</b>



## DETAILS OF PROPERTY PURCHASES:

The particulars of the property to be purchased or acquired by the company or proposed to be purchased or acquired which is to be paid for wholly or partly out of the proceeds of this issue .

S.No	Location of the land	Extant	Name, Address, Description & Occupation of Vendors	Amount paid	Amount payable	Nature of title
1	Phase-2 (extension) of Shapoorji Pallonji Biotech Park, Genome Valley, Turkapally village, Shamirpet Mandal, Rangareddy dist Andhra Pradesh	5.00 ACRES	Shapoorji Pallonji Biotech Park Pvt Ltd , (A joint venture with Govt of A.P.) A-13,Ground floor, R.K. Nivas street, Indian Airlines colony Begumpet, Secunderabad -500003 , A.P.	Rs 5.00 lacs	Rs 117.00 lacs payable in cash from the issue proceeds.	Full ownership rights on the land would be conveyed to our company by 31.12.2006 on payment of sale proceeds.

- There has been no transaction relating to the property completed within the two preceding years in which any vendor of the property to the company or any person who is , or was at the time of the transaction, a Promoter, Director or proposed Director of the company had any interest, direct or indirect.
- None of the promoters/ directors of the company is in any way interested in the said transaction for purchase of these properties.
- The company does not propose to buy any second hand plant & machinery. The promoter / director do not have any interest with the suppliers from whom the company proposes to purchase of these assets.

## KEY INDUSTRY REGULATIONS & POLICIES

### Indian Regulations

#### Drugs and Cosmetics Act, 1940

In order to sell drugs in India, we are required to comply with the Drugs and Cosmetics Act, 1940 which regulates the import, manufacture, distribution and sale of drugs in India. The legislation provides the procedures for testing and licensing new drugs. These procedures involve 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 license 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. 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 APIs, the Drug Controller General of India issues a manufacturing and marketing license. These manufacturing and marketing licenses are submitted by our 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 and rules framed under the legislation abiding by the WHO1 and CGMP2 inspection norms. The 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, which 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, 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 which 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 our 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.

- 1 World Health Organization
- 2 Current Good Manufacturing Practices

In 1995, under the General Agreement on Tariffs and Trade (GATT), India became a signatory to the Trade Related Aspects on Intellectual Property Rights (TRIPS). This agreement required India to recognize product patents as well as process patents. The new regime provides for:

- Recognition of product patents.
- Patent protection period of twenty (20) years as opposed to the current seven year 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 had been granted a ten-year grace period to comply with product patent requirement in its law under the WTO agreement. In accordance with the TRIPs agreement, World Trade Organization (WTO) - member countries, including India, were expected to recognize pharmaceutical product patents effective January 1, 2005. India amended its Patents Act in April 2005 to comply with requirements under the TRIPS Agreement. With the introduction of stringent product patent regime, the Indian generic companies will not be able to create copies through different processes of a product which is patented after 1995.

### **Indian Environmental Regulation**

The three major statutes in India which 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, or 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 which 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, assume 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.

### ***Europe***

In Europe, EDQM grants the Certificate of Suitability of the Monographs of the European Pharmacopoeia, which certifies that the quality of the pharmaceutical product for which it is granted is in compliance with the European Pharmacopoeia. Further, the marketing authorizations for pharmaceutical products in Europe are obtained by submitting the marketing authorization applications to either the centralized European Agency for the Evaluation of Medicinal Products, the EMEA, or to national authorities. The EMEA/national authorities while considering the applications for marketing authorization review European DMFs submitted by API suppliers

### ***International treaties***

Since the rights granted by a national patent are recognized only in that country, an inventor who desires patent protection in other countries must apply for a patent in each of the other countries. To avoid the filing of a multiplicity of patents applications, international patent treaties are often resorted to.

Once such treaty which enables patent protection simultaneously in many countries by filing a single international patent application, is the Patent Co-operation Treaty, 1970, or PCT. The advantage of the PCT process is that the filing of a single application is treated as the effective filing of a separate application in each designated PCT country. The procedure for an international application under the PCT is briefly set out below:

1. The application may be filed by one who is a national or resident of a contracting state at the patent office of the contracting state, the Receiving Office, or with the International Bureau of WIPO in Geneva. At this stage, the applicant indicates those contracting states in which he wishes his application to have effect.
2. The application undergoes an “international search” carried out by a major patent office of the applicant’s choice. This generates an international search report, which contains a listing of citations of such published documents that might affect the patentability of the invention.
3. The international search report along with a written opinion, known as the International Preliminary Report on Patentability, or IPRP, is communicated to the applicant who has the option to withdraw his application. If the application is not withdrawn, it is published in the International Bureau along with the international search report and communicated to the patent office in each designated country.
4. The applicant is permitted to wait until the end of the 30th month from the priority date (except when the application will be eventually filed in Brazil, Switzerland, Finland, Luxembourg, Norway, Sweden, Singapore, Tanzania, Uganda, Serbia and Montenegro or Zambia), to commence the national phase before each designated office which entails payment of the requisite fees depending on the national law of the country.
5. Where the applicant wishes to follow the procedure under Chapter II of the PCT, before entering the national phase, the applicant may request for an international preliminary examination which generates an IPRP setting forth the examiner’s position regarding the patentability of the claimed invention. This report aids the designated offices during the national phase.



6. The application enters the national phase wherein the claimed invention is examined by the national patent offices of the designated countries for grant of the patent.

Another international treaty governing patent protection is the Paris Convention for the Protection of Industrial Property, 1883 that requires member countries to guarantee to the citizens of the other countries the same rights in patent and trademark matters that it gives to its own citizens. Further, this treaty grants a right of priority to the applicant who means that the applicant, who has filed an application in any contracting states, may apply for protection in any other contracting states within 12 months and claim priority over other applications which have been filed by other applicants during the said 12 month period.

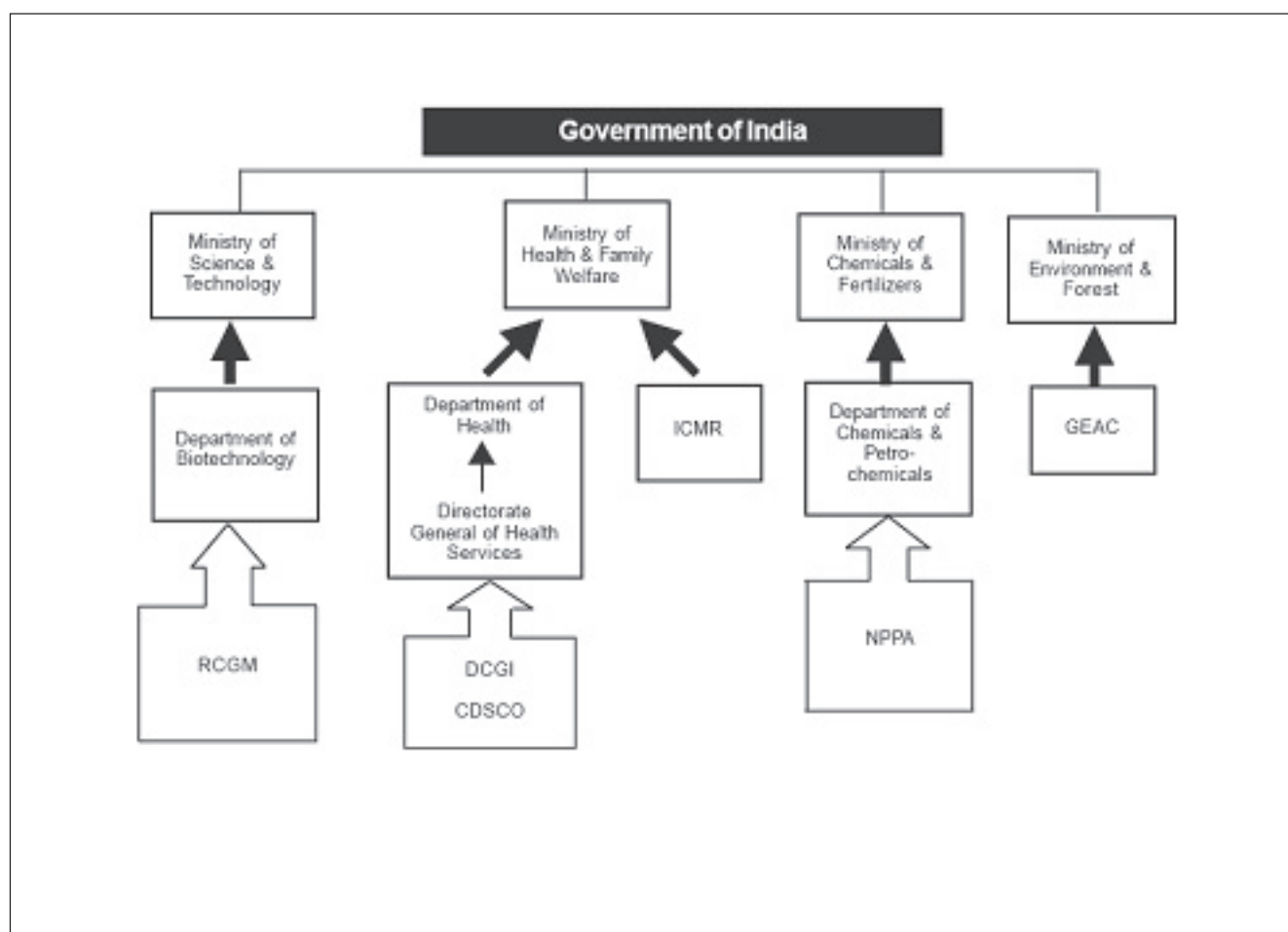
## BIO PHARMA PRODUCTS: REGULATIONS AND POLICIES

The research and development, testing, manufacture and marketing of biotechnology and biopharmaceutical products is governed by various regulatory authorities and requires compliance with several legislations, established standards and guidelines.

### Regulatory Regime

#### India

In India, the biotechnology and biopharmaceutical industry is regulated by various authorities/bodies that have been set up under different ministries of the Government of India, as illustrated below:



The regulations, guidelines and standards applicable to the biotechnology and biopharmaceutical industry address aspects pertaining to the manufacture, storage and marketing of biopharmaceuticals enzymes and research services including clinical research.



## *Biopharmaceuticals*

Matters pertaining to drug formulations, biological and APIs are governed by the Drugs and Cosmetics Act, 1940 and rules made there under, which regulate the import, manufacture, distribution and sale of drugs and APIs as well as aspects relating to labeling, packing and testing.. The Drug Controller General of India, or DCGI, is responsible for the implementation of this Act. The Central Drugs Standard Control Organization, or CDSCO, is responsible for testing and approving APIs and formulations in consultation with the DCGI. Before commercial manufacture, all drugs have to first undergo the process of clinical trials. Human clinical trials are typically conducted in four sequential phases that may overlap under some circumstances:

Phase I: The drug or treatment is introduced into a small group of healthy human beings (20-80 persons) to evaluate its safety, determine a safe dosage range and identify its side effects.

Phase II: This phase involves studies on a selected group of patients (100-300 persons) to identify possible adverse effects and risks, to determine the efficacy of the product for specific targeted diseases and to further evaluate its safety.

Phase III: Upon Phase II evaluations demonstrating that a dosage range of the product is effective and has an acceptable safety profile, Phase III trials are undertaken on larger groups of patients (1000-3000 persons) to confirm its effectiveness, monitor side effects, compare it to commonly used treatments and collect information that will allow the drug or treatment to be used safely.

Phase IV: In this phase a study of post marketing information with regard to the drug's risks, benefits and optimal use is carried out.

The approval process for conducting clinical trials, manufacturing and marketing of a drug depends on whether the drug is a new chemical entity or an rDNA product. In the case of new chemical entities, the DCGI is the approving authority. For Rdn products, the application is required to be submitted to the Department of Biotechnology, or DBT, after which it is processed and examined for scientific, safety and efficacy issues by an Advisory Committee comprising of the DBT, Chairman of Review Committee on Genetic Manipulation, DCGI, Ministry of Health and Family Welfare, and 3-4 other area experts. If the Advisory Committee is satisfied, it recommends the proposal to DCGI who then clears the proposal for Phase I clinical trials. The DCGI reviews the clinical data after every phase based on which he grants approval for entering into the next phase. The Phase III clinical data is examined by the DCGI in consultation with the Genetic Engineering Advisory Committee, or GEAC. Thereafter, the DCGI grants the final approval for manufacturing and marketing the product.

The pricing of certain bulk drugs and formulations is controlled by the Drugs (Price Control) Order, 1995, or DPCO, promulgated under the Essential Commodities Act, 1955. The National Pharmaceutical Pricing Authority, or NPPA, established under the DPCO, is responsible for this pricing structure.

## *Enzymes*

Within the biotechnology industry, the production of enzymes which are used as components in foods is regulated by the Prevention of Food Adulteration Act, 1954 which prohibits a person from manufacturing for sale, or storing, any adulterated or misbranded food.

Additionally, the food components that are exported are required to comply with international standards as contained in the Joint FAO/WHO Food Standards Program issued by the Codex Alimentarius Commission.

## *Clinical Research*

Clinical trials are required to comply with the Guidelines on Clinical Trials for Import and Manufacture of New Drug as contained in Schedule Y of the Drugs and Cosmetics Rules as well as the guidelines for good clinical practices for clinical research in India issued by the Ministry of Health and Family Welfare. Additionally, the guidelines on Generating Pre-clinical and Clinical Data for rDNA based vaccines, diagnostics and other biologicals have been prescribed by the Department of Biotechnology.

Ethical issues arising from the conduct of clinical trials on human subjects including obtaining the informed consent of the subjects and safeguarding the rights, safety, and well-being of the subjects is governed by the Ethical Guidelines for Biomedical Research on Human Subjects, 2000 prescribed by the ICMR. These guidelines are based on the internationally recognized "Good Clinical Practices" of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use. The ICMR Guidelines propose the setting up of an Institutional Ethics Committee within the establishment to ensure that standard operating procedures such as those relating to obtaining informed consent are complied with.



For bio-medical wastes produced from research activities or from the testing of biologicals, the Biomedical Waste (Management and Handling) Rules, 1998 requires the setting up of requisite bio-medical waste treatment facilities and adherence with certain procedures for the disposal of this waste.

### **Indian Patent Regulation:**

The Patents Act, 1970, governs the patent regime in India. Historically, India granted patents only for processes and not products. However, as a signatory to the Trade Related Agreement on Intellectual Property Rights, or TRIPs, India is required to ensure that its patent laws are in compliance with the TRIPs by January 1, 2005. By virtue of this requirement, India would have to grant patents for products as well as processes.

Presently, the Patent Act provides that a product patent cannot be granted for: inventions claiming substances intended for use, or capable of being used, as food or as medicine or drug, or substances prepared or produced by chemical processes, where chemical process includes biochemical, biotechnological and microbiological processes.

Also, from the perspective of a biotechnology and biopharmaceutical industry, it is relevant to note that the Patents Act excludes the following inventions from patentability:

- discovery of any living thing or non-living substance occurring in nature, any process for the medicinal, surgical, curative, prophylactic, diagnostic, or therapeutic or other treatment of human beings to render them free from disease,
- plants and animals in whole or any part thereof other than micro-organisms,
- an invention which, in effect, is traditional knowledge or which is an aggregation or duplication of known properties of
- rationally known component or components.

Pursuant to the TRIPs, during the transitional phase until products patents are recognized in India, India has in place a mailbox facility, which allows the filing of product patent claims on or after January 1, 1995. The mailbox shall be “opened” on January 1, 2005 and all the applications contained therein shall be reviewed for the purpose of grant of a patent retrospectively from the date of filing of the patent application. Exclusive marketing rights may be granted for a maximum period of five years for mailbox applications based on whether the invention is patentable and subject to satisfaction of certain conditions relating to the date of filing of the application and the grant of marketing approval.



## OUR CORPORATE STRUCTURE

Pochiraju Industries Ltd. was set-up in the year 4th May 1995 with a capital investment of Rs.25.00 Lacs and is in production and marketing of cut flower roses since its inception. Our company during the last four years has established its brand image for its flowers in domestic and European auctions.

Pochiraju Industries Ltd. is a closely held limited company promoted by P. Sudhakar a first generation professional entrepreneur. P. Sudhakar and his family are the majority holders with very few outside equity holders.

Our company is located in spiraling 23.5 acres land at Satyamangalam village, Hosur Tq., Krishnagiri District, Tamil Nadu, a noted Agri Export Zone for floriculture. It has 3 hectares of covered green house area under which different varieties of dutch roses are grown under controlled environment.

It has three cold rooms each of 150 sq. mt. Capacity with packing and grading hall facilities of another 500 sq. mts. Utilities include sump tank of 3.5 Lacs lts. Capacity with a pump house attached for irrigation and fertigation, a DG. room with a standby generator of 89.5 Kva, stores, employee's canteen, administrative office and staff quarters.

Our company has land and other infrastructure facilities sufficient enough for adding another 3 hectares. Our company employs about 100 casual labours for its agricultural operations available in surrounding villages. Presently our company grows the seven varieties of Dutch roses. Our company's flowers and varieties are known for their quality, stem length, bud size with good foliage and free from any pest and disease.

Our company proposes to outsource other varieties of roses and other flowers from different growers in India as well as from Malaysia, Singapore and Australia for its international marketing. Currently it proposes to expand another 3 hectares with the following varieties of roses and other flowers: Passion, Hollywood, Bianca, Polo, Tropical Amazon, Royalbaakara, etc. Coronations, Chrysanthemums, Tube roses, zeberas, etc.

### Major Events

DATE	EVENT
04-05-1995	Obtained Incorporation certificate
05-06-1995	Obtained Certificate of Commencement of Business
24-10-1997	Increased its authorized Capital from Rs. 25.00 Lacs to Rs. 35.00 Lacs
25-02-1999	Increased its authorized Capital from Rs. 35.00 Lacs to Rs. 350.00 Lacs
10-09-2003	Change of name from Pochiraju Flori-Tech Ltd. to Pochiraju Industries Ltd.
31-07-2003	Alteration of Main objects
05-09-2003	Increased its authorized Capital from Rs. 350.00 Lacs to Rs. 500.00 Lacs
29-10-2003	Alteration of Memorandum of Association by sub division of Equity shares
10-10-2003	Increased its authorized Capital from Rs. 500.00 Lacs to Rs. 2000.00 Lacs
21-01-2004	Obtained letter from National Securities Depository Limited (NSDL) for activation of ISIN Number
04-01-2006	Obtained sanction letter from Oriental Bank of Commerce for Rs. 1000.00 Lacs
25-01-2006	Cooperation Contract on Hyaluronic Acid Technology between our company and Biofin Laboratories SRL
22-02-2006	Obtained Provisional allotment of Plot letter from SP Bio Tech Park Private Limited
17-04-2006	Consolidation of Equity shares of the Company from Re. 1/- to Rs. 10/-
17-06-2006	Alteration of Articles of Association to include / substitute the provisions of Stock Exchange Listing requirements.
22.09.2006	Tripartite Agreement between our company, Aarthi Consultants Private Limited and CDSL
14.10.2006	Tripartite Agreement between our company, Aarthi Consultants Private Limited and NSDL.





## CHANGE IN OUR REGISTERED OFFICE

Our registered office is situated at: 1/102, Sathya Mangalam Village, Bagalpur - Berigai Road, Thummanapalli Post, Hosur Taluk, Krishnagiri District, Tamil Nadu

The situation of our Registered office has changed from time to time as detailed under:

Place of Registered Office	Shifted to	Date of change	Reason
121A, TTK Road, Alwarpet, Madras - 600018	Flat No. 8, 1st Floor, Nalli Apartments, 1A, Mangesh Street, T.Nagar, Chennai - 600 017	04-02-1997	Shifted to better premises
Flat No. 8, 1st Floor, Nalli Apartments, 1A, Mangesh Street, T.Nagar, Chennai - 600 017	1/102, Sathyamangalam Village Bagalur-Berigai Road, Thummanapalli Post, Hosur Taluk, Krishnagiri Dist. Tamil Nadu	05-08-1998	Shifted to Own premises at farm site for operational convenience

## CHANGES IN NAME

Originally incorporated as Pochiraju Flori-Tech Limited on May 04, 1995 and the name of our company was changed to Pochiraju Industries Limited on 10th September 2003.

## OUR MAIN OBJECTS AS PER THE MEMORANDUM OF ASSOCIATION ARE AS FOLLOWS:

- To acquire, utilize, grow, plant, cultivate, produce and to exploit any estates or lands for floricultural, agricultural, horticultural, tissue culture, plantation, sericulture and farming purposes, and to carry on business as producers, planters, processors, growers, agricultures, traders, buyers and sellers, importers, agents, consultants, dealers, storekeepers and distributors and exporters for any ordinary or specialized floricultural, agricultural, horticultural, tissue culture, sericultural and commodities including flowers, fruits, vegetables, food grains, pulses, seeds, cash crops, cereal products and flora.
- To carry on the business in India or abroad of manufacture of and trading in preserved, hydrated canned or converted agricultural products fruits and vegetables, provisions, foods and articles and other derivatives of all kinds and descriptions.
- To act as consultants, advisors and surveyors for all kinds of agricultural products, flowers, vegetables and other Horticultural, Agricultural, Forest commodities.
- To carry on business in India or abroad import, export, purchase, sales, production and manufacture of and dealing in all foods products. To accomplish the above purpose to set up laboratories, distilleries, plants and other manufacturing facilities and to install, purchase, import or otherwise acquire plant, machinery and related equipments and other assets.
- To carry on the business of developing, supporting and maintaining computer software, providing technical consultancy services, acquiring and marketing technical information, know- how , process , engineering, manufacturing and operating data, plans, lay outs and prints in all areas related to information systems, multimedia, computers, DSP systems and integrated chip tools and design for any person or Company in India or abroad.
  - To carry on the business of computers, system analysts, programmers, software export, software designer's, internet, intranet services, contractors , sales representatives, selling agents, merchants, consultants, advisors, hire purchase agents, of all kinds of any form, services, erection, commissioning, servicing and maintenance of computer hardware, software and its peripherals, consultants and advisors for system development and any other business which may seem to our company capable of being conveniently carried on its particular to act as agents , managers, trustees, system exports and advisors for Companies, corporations, body corporate, individuals, firms, association or any other person either in India or abroad.
  - To carry on the business of producing, designing, selling, repairing and development, assembling, using, selling, repairing, servicing, renovating, installing, hiring out or letting on hire, leasing and dealing in computer hardware, software, peripherals, stationery, consumables and accessories , products, components, articles of all types, sizes and kinds within India or abroad.
  - To establish and run data processing center, computer hardware and software centers, multimedia centers and to offer consistency, data processing and other services and jobs that normally offered by data processing centers to industrial business and other types of customers and to impart training on electronic data processing, computer hardware and software including multimedia centers, to import education and training on computer hardware and software to students and other professionals in India or abroad.





- e To acquire from any person or company in India or abroad technical information, know-how, process, engineering, manufacturing and operating data, plans, layouts and prints useful for design, erection and operation, hardware manufacturing and software development, manufacturing of peripherals, computer consumables and other related articles in the computer trade.
6. To undertake and carry on the business of Bio - technology, bio-pharma, Pharmaceutical formulations, bulk drugs and drug intermediaries and act as promoters, developers, Innovators, producers, buyers, sellers, dealers, import & export in bio technology and bio pharma related products, genetic culture, gene banks, genetic engineering, organic farming, herbal, medicinal, aromatic, dietary supplements, bio diversity plants and products, either on own or in collaboration with others.”

The objects clause of the Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present Public Issue.

#### Changes to the Memorandum of Association of our company

Date	Changes
24-10-1997	Increase in Authorized Capital from 25.00 Lacs to 35.00 Lacs
25-02-1999	Increase in Authorized Capital from 35.00 Lacs to 3.50 Crores
16-03-2000	Change of Main objects
10-09-2003	Change of Name & change of main
05-09-2003	Increase in Authorized Capital from 3.50 Crores to 5.00 Crores
10-10-2003	Increase in Authorized Capital from 5.00 Crores to 20.00 Crores
29-10-2003	Division of Shares from Rs. 10/- to Rs. 1/-
17-04-2006	Consolidation of shares from Rs. 1/- to Rs. 10/-
17-06-2006	Alteration of Articles of Association to include / substitute the provisions of Stock Exchange Listing requirements

#### CHANGES IN THE ACTIVITIES IN THE LAST 5 YEARS

We have not changed any business activity which is any material impact on the operation in the last 5 years

However, in order to create value to our company and to go in for value addition in its product profile our company has decided to diversify into the field of Bio-technology both botanical and life sciences and bio pharmaceuticals. Our company has decided to outsource the required plant species for extractions by contract manufacturing and is in the process of negotiations with reputed companies overseas for export of value added extractions.

#### SUBSIDIARY COMPANIES

Our company does not have any subsidiary companies.

#### SHAREHOLDERS AGREEMENT

We do not have any subsisting shareholding agreements as on the date of filing this Red herring Prospectus.

#### OTHER AGREEMENTS AND COLLABORATORS

We have entered into the following technical assistance agreements:

##### 1. Biofin Laboratories, S.R.L

We have entered into a technical assistance agreement dated 25th January 2006 with Biofin Laboratories, S.R.L, to provide Technical assistance to stabilize and to improve the production of HyALURONIC ACID with the know how offered by Biofin.

##### Terms & Conditions:

**2.1.** Biofin hereby grants to Pochiraju exclusive production license in India for three years from the date of the down payment.

**2.2. a.** Pochiraju will become owner of the technology only when and if the payment according art. 2.2. has been fully executed. Pochiraju is not authorized from Biofin to enter into industrial production of HYALURONIC ACID



if payment of the technology according art. 2.2 has not been fully accomplished or differently agreed with Biofin.

2.2. In consideration for Biofin's transfer to Pochiraju of the Know-How, Pochiraju shall pay to Biofin the total sum of 250,000 Euro (net of any local taxation).

## **2. International Centre for Genetic Engineering and Biotechnology (ICGEB)**

Our company has entered into with International Centre for Genetic Engineering and Biotechnology (ICGEB), Area Science Part, Padriciano 99, 34012 Trieste, Italy for transfer of the Know - How for the following products:

1. Recombinant Human - Erythropoietin
2. Recombinant Human Interferon Alpha 2b
3. rh- Granulocyte Colony Stimulating Factor (rh G-CSF)

The ICGEB, is in the research, development and training in the field of genetic engineering and biotechnology with a view to strengthen developing countries in these technologies and utilize results of research to create products which will be commercially available at reasonable prices to the benefit of the citizens of member countries wherever possible;

The ICGEB has been established as an international organization comprising two Components located in Trieste (Italy) and New Delhi (India) respectively and it is desirous of making the two components partly self financing ventures over a period of time.

The Terms & Conditions are as follows:

The remuneration for the transfer of the Technology Know- How for the production of the three products is 500,000 Euro to be paid as follow:

## **3. Contract Manufacturing Agreement with M/s Sunrise International Labs Ltd.**

On 3rd May ,2006 our company has entered in to contract manufacturing agreement with with Sunrise International Labs Limited for manufacturing the pharmaceutical products under loan licence arrangement and the details of the agreement are as under .

**The terms and conditions of the agreement are as follows:**

### **1) SUBJECT MATTER :**

M/s Sunrise International Labs Ltd., shall manufacture the said products under loan license for and on behalf of M/s Pochiraju Industries Limited at the said factory premises in accordance with the good manufacturing practices (GMP) and quality standards and specifications prescribed by M/s Pochiraju Industries Limited.

### **2) PERIOD**

This agreement shall be valid for a period of 24 months with a notice period of 30 days for prior determination on either side and can be renewed with mutual consent by both the parties after expiry of this agreement.

### **3) PERMISSION**

- a) The necessary drug manufacturing licenses as well as Central Excise formalities will be under taken and completed by M/s Pochiraju Industries Limited and both the parties agreed to furnish the information and documentation to each other for F.D.A Sales Tax and Excise Laws etc., to avail respective benefits. M/s Pochiraju Industries Limited has to produce necessary documents to substantiate the pricing structure any time during the continuation of agreement related transactions for any time as required by the Government Authorities.
- b) M/s Sunrise International Labs confirmed and disclosed that it possess all the manufacturing licenses under various laws including Central Excise and Sales Tax Act and the same licenses are in force and shall continue its validity till the end of this agreement.

### **4) PRODUCT AND PROCESSING CHARGES**

Processing charges mentioned in annexure as per latest DPCO are inclusive of in house testing charges. Testing charges will be separately collected extra for HPLC, GC, and IR & Micro Biology as per the norms of approved labs. Any other expenses with respect to any certification or approval will be borne by M/s Pochiraju Industries Limited.



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**5) RAW MATERIAL & PACKING MATERIAL**

Raw Material & Packing Material is to be supplied by M/s Pochiraju Industries Limited and all freight & conveyance charges inward & outward to be borne by the M/s Pochiraju Industries Limited.

**6) RECORDS**

M/s Sunrise International Labs will maintain prescribed records and forward the same to M/s Pochiraju Industries Limited every month in prescribed statements and documents with regard to the materials received, consumed, excise paid, goods manufactured and delivered, stocks held (Raw Material, Packing Materials, work in process, Rrs and finished goods and Modavat Credit availed of items), as required from time to time and by 5th of the following month.

**7) YIELD**

M/s Sunrise International Labs will guarantee an yield of not less than 97% yield (including Control Samples for analysis) on ordinary items, and on S.R. Products 95% yield is assured.

**8) SUPERVISION**

M/s Pochiraju Industries Limited production personnel will supervise the production process from time to time as and when required.

**9) BILLING AND PAYMENT**

M/s Sunrise International Labs will raise the invoices as soon as production of a product is completed. M/s Pochiraju Industries Limited should make the payment of conversion charges and excise duty before lifting the goods from premises of M/s Sunrise International Labs Ltd. They should lift the entire goods of finished stock at a time, part lifting is not entertained.

**10) LIEN**

M/s Sunrise International Labs shall not have lien over the material of M/s Pochiraju Industries Limited under this agreement.

**11) INSURANCE**

Onus of Insurance coverage will be with M/s Pochiraju Industries Limited. Raw & Packing Material etc., sent to the M/s Sunrise International Labs goods under process and finished goods lying in the custody of the M/s Sunrise International Labs as well as goods in transit will be covered by adequate insurance for fire and other risks at M/s Pochiraju Industries Limited.

**12) VARIATION**

Any variation in the terms and conditions of this agreement has been agreed by and between the parties here to be effected by exchange of letters and shall be Annexed to this Agreement.

**13) EXCISE DUTY**

Any duty, penalty, interest on duty, or any such financial liability with respect to Central Excise what so ever may be the nature of claim should be borne by the Loan Licenses i.e., M/s Pochiraju Industries Limited. Such claim may be during the course of this agreement or at a later date with respects to the products of M/s Pochiraju Industries Limited.\

**14) DISPUTES**

All disputes are subject to R R District Jurisdiction.

**15) SEVERABILITY**

Where ever possible each provision of this agreement shall be interpreted in such manner as may be effective and valid under applicable law, but if any provisions of this agreement should be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such invalidity without invalidating the remainder of such provision or the remaining provision of this agreement to the extent such modification does not impair or change the intent of the parties here to.

**STRATEGIC PARTNERS**

At present, we do not have any strategic partners.

**FINANCIAL PARTNERS**

At present, we do not have any Financial partners.



## OUR MANAGEMENT

The following table sets forth the details regarding our Board of Directors as on date of filing of this Red herring Prospectus:

Name	Address	Other Directorship
Sri. P. Sudhakar, S/o. Late P.Venkateswar Rao (46 Years) Managing Director Tenure as a Managing Director ends on 31-03-2007 Occupation: Business	272, 18th D Main, 6th Block, Koramangala, Bangalore-560095	NIL
Dr. Suvarchala Devi W/o. Bhanu Prakesh (40 Years) Non-executive independent Director Occupation: Service	#919, Wharton Drive, Newyark, DE-19711	NIL
Dr. A. Ramaiah S/o. Kotaiah (72 years) Non-executive independent Director Occupation : Rtd. Professor	No#505, Apsara Apartments, Co-op. Housing Society, Yellareddyguda, Hyderabad - 500 073	Javelin Technologies Limited
Sri. M Durga Prasad S/o. Nageswara Rao (36 Years) Non-executive independent Director Tenure: liable to retire by rotation. Occupation : Service	1-11-110/8/3, Bombay Halwa Compound, Begumpet, Hyderabad-500016	Javelin Technologies Limited
PLN Sharma S/o. Subba Rao (62 years) Non-executive independent Director Occupation : Service	405C, Kubera Towers, Trimulgherry, Secunderabad - 500 015	NIL
Sri BV Ramana Reddy S/o. Venkata Reddy (47 Years) Non-executive independent Director Tenure: liable to retire by rotation. Occupation : Chartered Accountant	3-6-145, Himayat Nagar, Hyderabad	NIL
Smt. P. Bala Tripura Sundari W/o. P. Venkateswara Rao (71 Years) Non-executive & Non-independent Director Tenure: liable to retire by rotation. Occupation : House Wife	1-39-49, Puttavari St., Nazerpet, Tenali - 522 201	NIL

There is no Permanent Chairman of the Board. However, at each and every Board meeting the directors present may choose one of their members to be Chairman of the meeting



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## Brief Profile of our Directors

### 1. P. Sudhakar

Sri P Sudhakar is a Qualified Charter Accountant, Cost Accountant and Company Secretary with a varied experience in the fields of Management Consultancy, Financial engineering and project implementation.. During 1987-1990 as a Finance Manager of NATCO pharmaceuticals Ltd he was instrumental in implementing the company's I.V. fluid manufacturing facility. Thereafter as a consultant, for 5 years Mr Sudhakar has been associated with Bulk Drug manufacturing facility of NATCO Laboratories Ltd at Kothur Near Hyderabad , Bulk Drug Manufacturing Unit of Divi Laboratories Ltd, Choutuppal, Near Hyderabad and Bulk Drug Manufacturing facility of M/S Vera Laboratories Ltd at Vizag . He has been associated at all stages of these projects from Conceptualisation of the projects, Preparation of project reports, Tying up the term Loans and till their Financial closure. . With a long experience in project management and implementation he started his own company Pochiraju Industries Limited (Pochiraju Flori - Tech Ltd), a 100% EOU for the cultivation, processing and export of cut flowers roses in Green Houses under controlled environment with a capital investment of around Rs. 600 Lacs in the year 1996.

### 2. Ms. Suvarchala Devi Pogula

Smt. Suvarchala Devi Pogula is a Ph.D holder in Biochemistry, M. Tech in Bio Technology and MSc in Biochemistry. She has the **Industrial experience as** Asst.Manager R&D at Uni-Sankyo Pharmaceuticals Limited, Hyderabad, and an associate of Sankyo-Zoki of Japan. May 1997 to Nov 1998 in the areas of Bulk scale purification of Human chorionic Gonadotrophin (HCG) using ion exchange and gel filtration columns, Purification and separation of leutinising hormone (LH) and follicle stimulating hormone (FSH) from HMG, using ion exchange and hydrophobic chromatography, Process development of Human menopausal Gonadotrophin Hormone (HMG)

She has also acted as Consultant to FDC pharmaceutical company, Mumbai. June 2001 - July 2002 and Unisankyo pharmaceuticals Hyderabad from May 2003- March 2004.

Worked on interferon 2( proteins and Granulocyte colony stimulating factors. and HCG and HMG hormones process development.

#### Work experience

Research Associate at Indian Institute of Chemical Technology, Hyderabad, With Prof S. Ranganathan, Distinguished Scientist, IICT, Hyderabad.

### 3. Dr.A. Ramaiah

Dr. A. Ramaiah is a PhD holder from Madras University in Biochemistry. Dr.Abburi Ramaiah is an eminent Biochemist who worked more than 34 years in the field of pigment cell development and the development of Peptide Biopharmaceuticals for the treatment of Vitiligo, Tanning, Oral wound healing and other skin disorders. He was the first scientist in India to produce a peptide for treatment of Vitiligo / Leucoderma which was successful in all the Phase I to Phase III clinical trails in India and now commercially available molecule as a liquid formulation.

He worked as a professor of Biochemistry in All India Institute of Medical Sciences, New Delhi and Jolly Good Institute in Deharadun .His contribution for peptide Pharmaceuticals was immense and is internationally known. He worked for some time on this subject in USA and Netherlands. On deputation, He has worked with Hindustan Lever limited for the development of skin lightning creams by using peptide drugs.

He has many internationally accredited research papers and journals to his credit. He holds many patents in USA, INDIA, Europe and Australia on the skin care peptides and its agonist peptides.

### 4. Mr. M Durga Prasad

Sri M. Durga Prasad is a Bachelor in Pharmacy and M.Tech Biotechnology presently working in Aktiva Biotech Limited., Hyderabad as a Downstream Specialist and working on Recombinant Therapeutic protein in the down stream area after which includes Clarification, Washing, Cell disruption, Refolding, Unfolding, clarification, Chromat—ography and sterile filtration and working on large-scale single step trapping and extraction of Natural Urinary Follicle stimulating hormone for Biopharmaceutical purpose.

Worked as a Validation specialist in Millipore, Bangalore from July 2001 to August 2002. Worked on various validation projects and installation and documentation projects for various Customers in India on Validation, Installation and Optimization of Tangential Flow filtration, Chromatography, Normal flow filtration, Large scale UF water systems and Sterility and Integrity Testing Machines and processes.



Worked In FDC, Mumbai from June 2000 to June 2001. Worked as Downstream Scientist on Recombinant therapeutic proteins and Optimization of the same.

Worked in Uni-Sankyo, Hyderabad on the Urinary Gonadotrophins like Chorionic Gonadotrophin and Human Menopausal Gonadotrophin. Optimized it to large-scale extraction and chromatographic commercial scale purification processes and worked for WHO approval of the same product in Injectable sections. Worked from October 1997 to June 2000.

Worked as a manufacturing chemist in Bio-vaccines from 1993 November to February 1996 in Tetanus Toxoid division in Sterile large scale blending and Filling areas of the Injectables. Worked as a Chemist in Injectables in Dry powder and Liquid sections

#### 5. **Shri.P. L.N. Sarma**

Shri PLN Sarma is a M. Pharmacy holder in Department of Pharmaceutical Sciences and Specialization in Analysis of Foods & Drugs and Water with an experience of 37 years

He worked as an Assistant professor of Pharmacy in Kasturiba Medical College, Pharmaceutical sciences Department, and Mangalore and worked there for 8.5 years.

Then he shifted his career into Manufacturing area and worked many years as a production chemist in Kego Pharmaceuticals in the parenteral division. Then he worked for major pharmaceutical companies like Shetty's, Asian, Concord, Pharmalabs and Himalaya Laboratories in the Ointments, Injectables, Capsules and oral dry syrups.

His main expertise is in the manufacture of "Sterile pharmaceutical dosage forms like Injections". His expertise is maintaining manufacturing controls as per CGMP standards and planning and production. His expertise in the field of injectables is more than 27 years. He is well versed with WHO and Indian FDA inspections and designing of Parenteral plants and sterile manufacturing facilities and its utilities. He is well versed in writing the SOP's and maintaining CGMP documentation

#### 6. **Shri. B.V. Ramana Reddy**

Shri BV Ramana Reddy is a qualified Chartered Accountant and bachelor of commerce and is a partner in Mathesh & Ramana, Chartered Accountants, 3-6-145, Himayat Nagar, Hyderabad.

Shri BV Ramana Reddy has professional experience in various areas of accounting, auditing and finance.

#### 7. **Smt. P. Bala Tripura Sundari**

Smt. P. Bala Tripura Sundari aged about 71 years and she is having good experience in the field of floriculture and currently he is taking care of day-to-day operation of our company.

### **CORPORATE GOVERNANCE**

We have complied with SEBI guidelines in respect of Corporate Governance specially with respect to broad basing of Board, Constituting the Committees such as shareholding/ investor Grievance Committee, etc

#### **Corporate Governance**

Based on our verification of the records of M/s Pochiraju Industries Ltd., having their Registered Office at Sathyamangalam Village, 1/102, Thummanapalli Post-635 105, Hosur Taluk, Krishnagiri Dist., Tamilnadu, We hereby certify that our company has Five independent directors including Sri P L N Sarma and alternate director to Dr. P. Suvarchala Devi out of Eight Directors on the Board. The provisions of the listing agreement to be entered in to, with the stock exchanges with respect to corporate governance are applicable to company immediately upon listing of the company's equity shares on the stock exchanges. The company has complied with SEBI Guidelines in respect of Corporate Governance Clause 49 of the Listing agreements specifically with reference to broad basing the board, constituting of committees such as Audit Committee, Remuneration Committee and Share Holder's/ Investors' Grievances Committee. The primary responsibility to adopt high standards of corporate governance in all areas including providing necessary disclosures within the framework of legal provisions with commitment to enhance shareholders' value vests with the Board of Directors.

#### **Audit Committee**

The audit committee consists of the following members: -

<b>Name</b>	<b>Designation</b>
Shri B. Ramana Reddy	Chairman
Shri M. Durga Prasad	Member
Shri P. Sudhakar	Member





The general objective of the audit committee is to establish a transparent and effective system of monitoring and control, to review annual plan of the company, and any special examination by internal audit and implementation of internal audit recommendations, to review quarterly, half yearly and annual financial statement before submission to the board and to conduct limited review, together with coverage of scope of activity prescribed under 292A of companies Act 1956. The audit committee also considers and reviews ethical adherence and corporate governance principles.

### Remuneration Committee

The Remuneration committees consists of the following member

Name	Designation
Shri B. Ramana Reddy	Chairman
Shri M. Durga Prasad	Member
Shri P. Sudhakar	Member

The general objective of the remuneration committee is to broadly review and approve remuneration packages for senior management personnel including the Managing and whole time Directors.

### Share Holders / Investor Grievances Committee

The committee consists of the following members:

Name	Designation
Shri P Sudhakar	Chairman
Shri B. Ramana Reddy	Member
Shri M. Durga Prasad	Member

The scope and function of this committee is to consider and review shareholders' / investors' grievances and complaints and to ensure that all shareholders' / investors' grievances and correspondence are attended to expeditiously and satisfactorily unless constrained by incomplete documentation and/ or legal impediments.

### Interest of Directors:

All the directors may be deemed to be interested to the extent of the fees if any, payable to them for attending to the meeting of the board or committees there of as well as to the extent of remuneration and/or reimbursement of expenses payable to them under the Articles of Association.

The Board of directors may also be regarded as interested in the equity shares if any, held by them or that may be subscribed by and allotted / transferred to the companies, firms, trusts in which they are interested as directors, members, partners and / or trustees. All the directors may be deemed to be interest in the contracts, agreements/arrangements entered in to or to be entered in to by Pochiraju Industries Limited with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations.

Except as stated otherwise in this Red Herring Prospectus, we have not entered in to any contract, agreements/ arrangements during the preceding 3 years from the date of the Red Herring Prospectus in which the directors are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

S.No	Name of the Director	Sitting fees per meeting	Perquisites	Salaries / commissions	TOTAL
1	Sri. P. Sudhakar,	N.A.	N.A.	4,80,000	4,80,000
2	Dr. P. Suvarchala Devi	N.A.	N.A.	N.A.	N.A.
3	Sri A Ramaiah	N.A.	N.A.	N.A.	N.A.
4	Sri M Durga Prasad	N.A.	N.A.	N.A.	N.A.
5	Sri PLN Sarma	N.A.	N.A.	N.A.	N.A.
6	Sri BV Ramana Reddy	N.A.	N.A.	N.A.	N.A.
7	Smt. P. Bala Tripura Sundari	N.A.	N.A.	N.A.	N.A.
	<b>TOTAL</b>			<b>4,80,000</b>	<b>4,80,000</b>





#### Details of shareholding of our directors in our company

S.No	Name of the Director	No. of shares	% of paid up Capital (Pre issue)	% of paid up Capital (Post issue)
1	Sri. P. Sudhakar	2341201	43.58	(*)
2	Smt. P. Bala Tripura Sundari	224499	4.17	(*)
3	Sri. M Durga Prasad	NIL	NIL	NIL
4	Dr. Suvarchala Devi	NIL	NIL	NIL
5	Dr. A Ramaiah	NIL	NIL	NIL
6	Sri BV Ramana Reddy	NIL	NIL	NIL
7	Sri PLN Sarma	NIL	NIL	NIL
	<b>TOTAL</b>	<b>2565700</b>	<b>47.76</b>	<b>(*)</b>

#### Details of transactions by directors and or their relatives and associates in our equity shares during the last six months prior to the date of filing the Red Herring Prospectus with the Designated Stock Exchange

Name of the Director involved in the transaction directly / indirectly	Date of Transaction	Nature of transaction	No of equity shares	Price
NIL	NIL	NIL	NIL	NIL

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

Name of the Director	Date of Appointment	Date of resignation	Reasons
T. Rambabu	10-11-1995	5-9-2003	Pre-occupation.
P.Venkateswara Rao	7-8-2003	NA	Appointed as Director
M. Durga Prasad	7-8-2003	NA	Appointed as Director
Dr. Suvarchala Devi	30-09-2005	NA	Appointed as Director
PLN Sarma	12-12-2005	NA	Appointed as Director
B.V.Ramana Reddy	20-03-2006	NA	Appointed as Director
Dr. A. Ramaiah	20-03-2006	NA	Appointed as Director
P.Venkateswara Rao	7-8-2003	21.10.2006	Demise

#### Details of loans and advances to any persons /Company in which our directors are interest as of date hereof are as follows:

As of date, we have not extended any loans or advances to any person / company in which our directors are interested.

#### Details of Borrowing Powers of the Directors

Vide Resolution passed by our Shareholders in their meeting held on 5th September 2003; our Board is authorized to borrow up to an aggregate amount not exceeding Rs.25, 000 Lacs.

Our Articles of Association and the relevant provisions of the Companies Act govern the borrowing powers of our Board. For details of the relevant provision under our Articles of Association, please refer to the section on “Constitutional Documents” on page no. 204 of the Red Herring Prospectus.

Further, pursuant to the resolution passed by the shareholders at the Annual general meeting of the Company held on 5th September 2003 the Board of Directors have been authorized / empowered to borrow from time to time for the purpose of the Company’s business any sum or sums of money as it may deem proper notwithstanding that the money(s) to be borrowed together with money(s) already borrowed by the Company, if any (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid-up capital of the Company



and its free reserves, if any, that is to say, reserves not set apart for any specified purpose provided that the total amount of the money(s) to be so borrowed by the Board together with money(s) already borrowed (apart from temporary loans obtained from the Company's bankers in ordinary course of business) shall not exceed Rs. 25,000 Lacs (Rupees Two Thousand Five Hundred Lacs only), outstanding at any one time.

### Compensation to Managing Director

Mr. P. Sudhakar, Managing Director:

Mr. P. Sudhakar was appointed as our Managing Director w.e.f. 1st April 2002 till 31st March 2007 by the share holders in the Annual General Meeting dated 15th December 2001.

The details of Mr. P. Sudhakar's remuneration during the period 1st April 2005 till 31st March 2006 is as follows:

(Rs. in Lacs)

Particulars	Year ended	
	31-03-2006	31-03-2005
(a) Salaries	4.80	4.80
(b) Commission	0.00	0.00
(c) Other Perquisites	0.00	0.00
<b>Total</b>	<b>4.80</b>	<b>4.80</b>

### Expenses incurred by the Directors

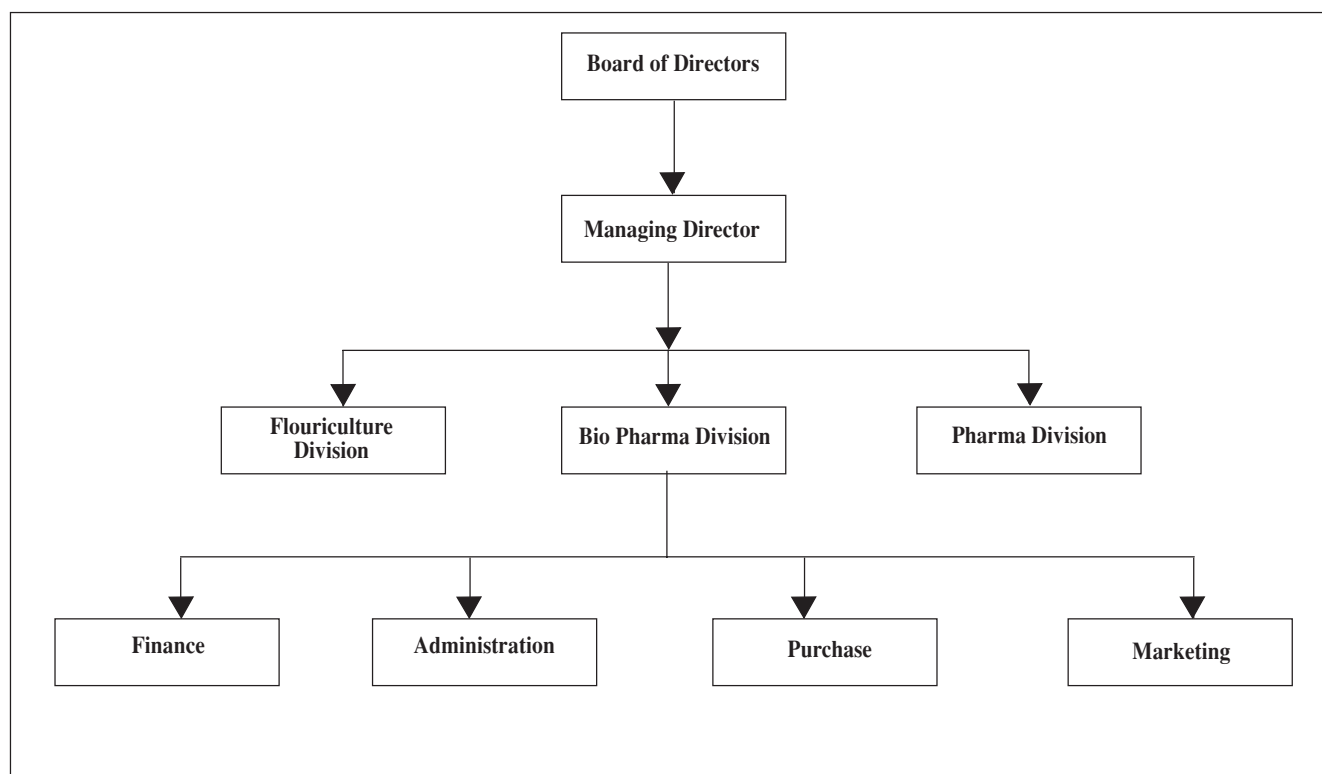
The expenses incurred on traveling, lodging and the sitting fees paid to the directors for the period from 1st April 2005 to 31st March 2006 is NIL

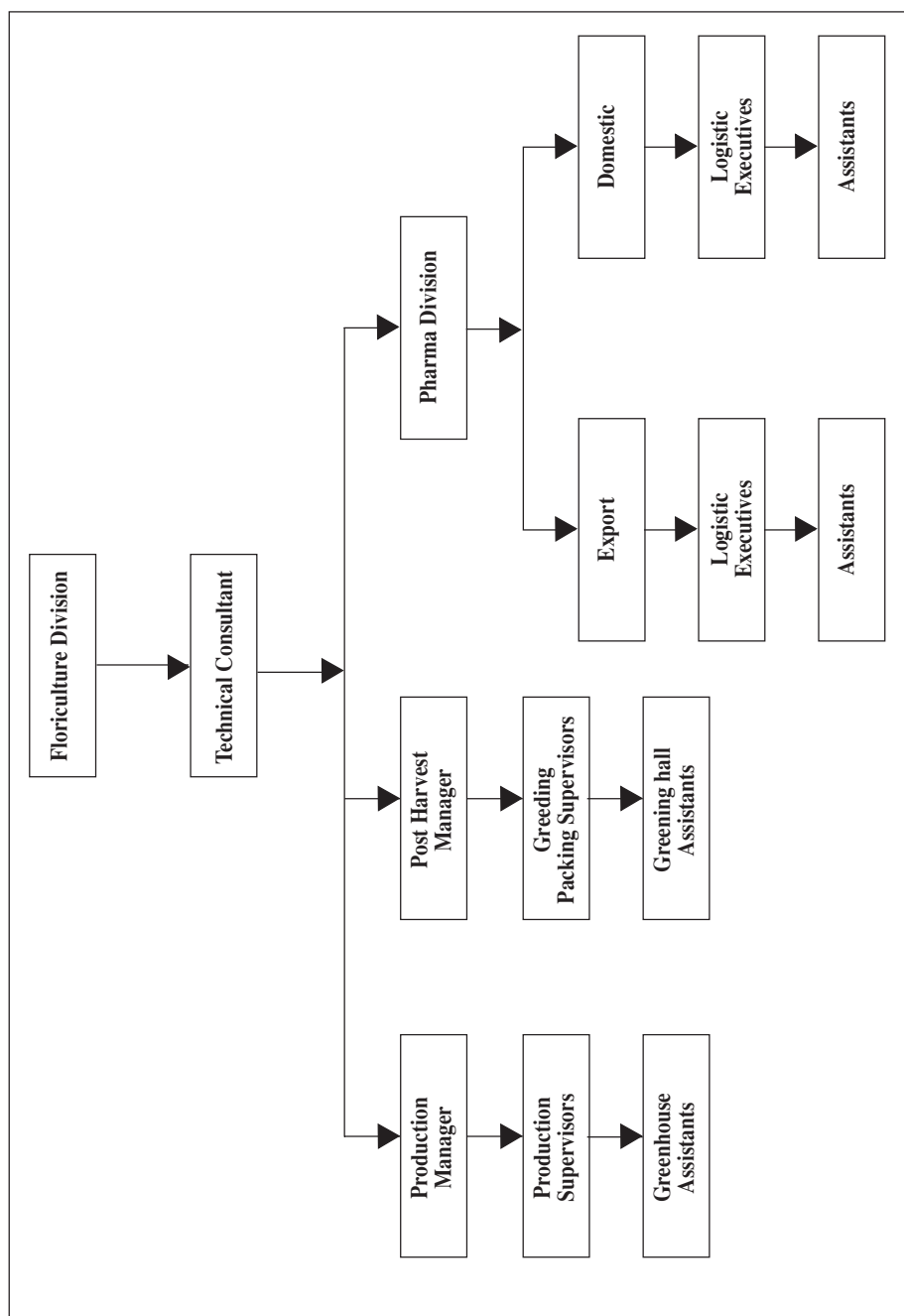
There are no litigations towards tax liabilities or any criminal / civil prosecution against our Board of Directors.

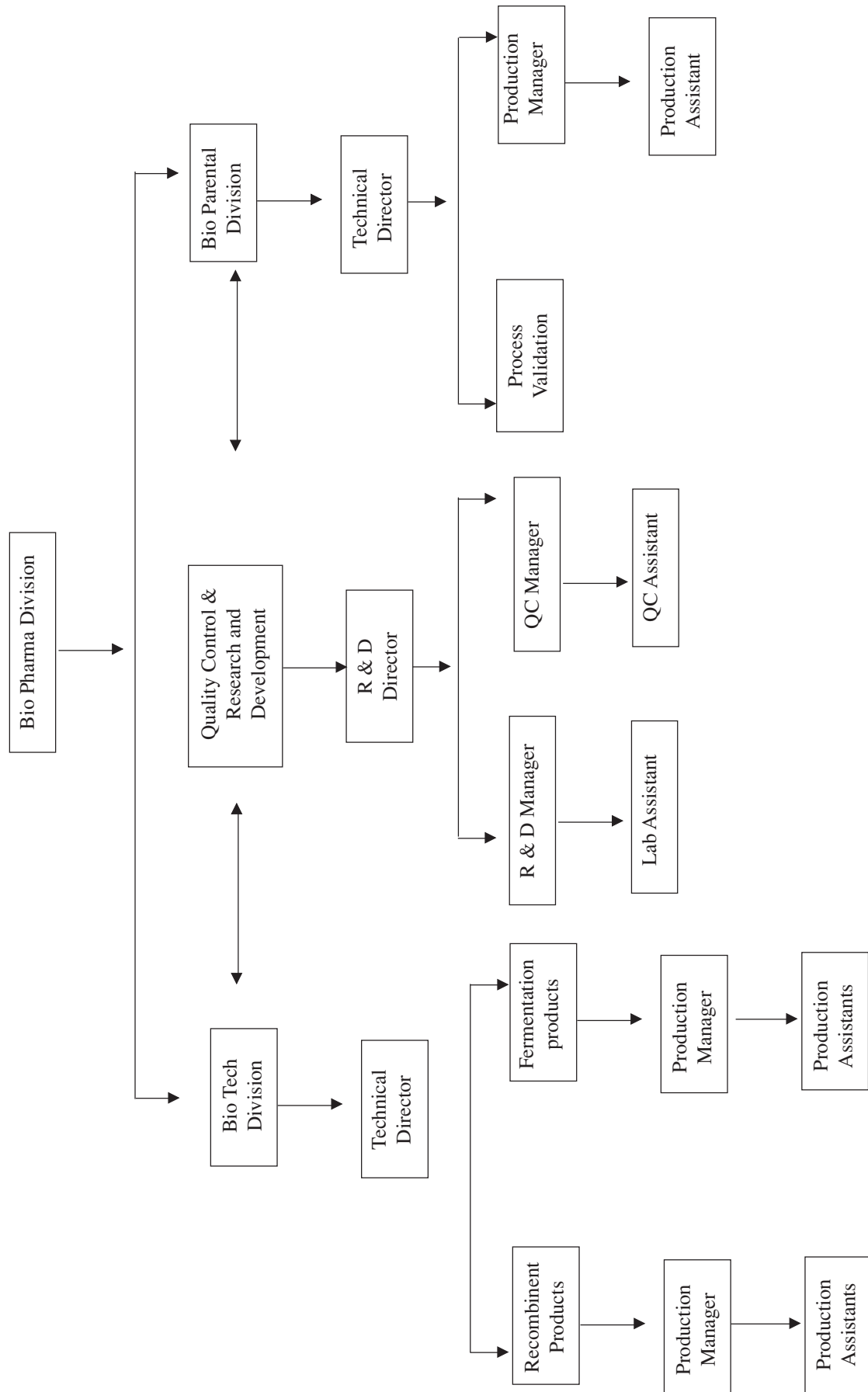
### Details of any benefits or compensation to be provided after the termination of the employment.

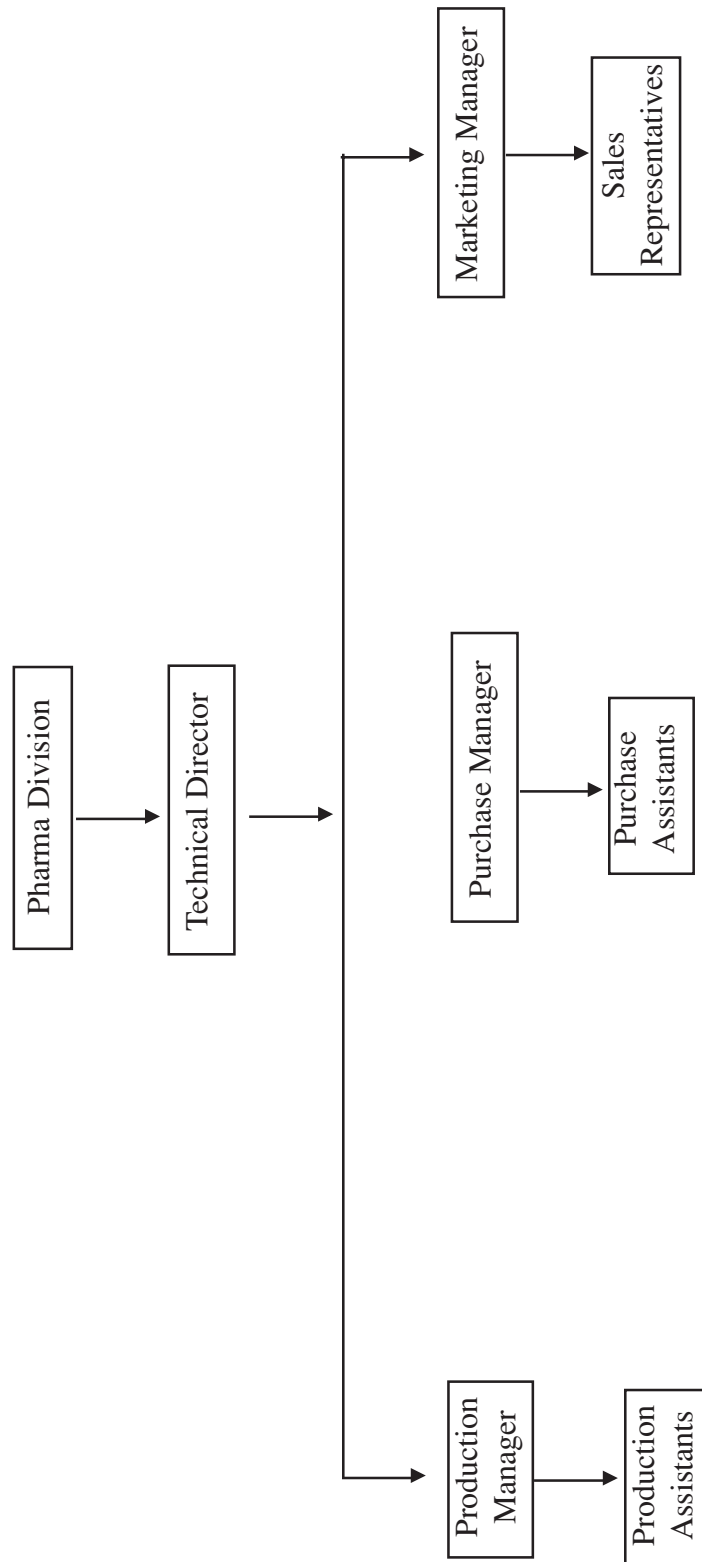
We don't provide any such benefits or compensations to the directors after their termination of employment.

### Management and Organization Structure :











### Key Managerial persons:

S.No.	Name	Designation	Age	Qualification	DOJ	Exp. (yrs)	Functional responsibility	Previously employed with	Present Annual Compensation
1									
2									
3									
4									
1	Dr. Thilak K Subbaiah	Technical Consultant-Floriculture	48	Phd.-Horticulture	1-9-00	26	Floriculture Consultant	Consultant	16000
2	Mr. Parveez	Marketing Manager-Floritech	38	BCom.	1-6-05	10	Marketing of Floriculture	Manager, Soyex Flora	25000
3	Ms. Ritu Tiwary	Company Secretary		ACS	20-3-06	1/2	Secretarial works	NA	15000

### Changes in the key managerial personnel during last 3 years

S.No.	Name	Date of Appointment	Date of change	Reason
1	Mr. Parveez	01-06-2005	NA	—DO—
2	Ms. Ritu Tiwary	20-3-2006	NA	— Do —

Notes:

\* All key managerial personnels are permanent employees of the company

There are no understanding with major shareholding, customers, suppliers, or any other pursuant to which any of the above mentioned personnel have been recruited.

### Employees :

We have total 198 employees including contract labours as on date of the filing the Red Herring Prospectus.

### Bonus or profit sharing plan for the Key Managerial Personnel

There is no profit sharing plan for the key managerial personnel. The Company makes bonus payments to the employees based on their performances, which is as per their terms of appointment.

### Proposed Manpower for the new projects

PIL has planned to recruit technical personnel for the new plant. The total manpower required for the proposed plant would be 157. The detailed breakup is given below.

<b>Top Management</b>	9
<b>Middle Management</b>	
Managerial	8
Technical	20
Administration	5
<b>Supervisors</b>	
Technical	50
Non- Technical	30
<b>Workers</b>	
Skilled	25
Un skilled	10
<b>TOTAL</b>	157



The total number of persons to be employed by the company is 157.

#### **Disclosure regarding Employees Stock option Scheme / Employee Stock Purchase Scheme of the Company.**

Presently, we don't have Employees Stock option Scheme / Employee Stock Purchase Scheme for our employees.

#### **Payment or benefit of officers of the Company (Non-salary related) for the past preceding two years.**

Except the payment of the salaries, we don't provide any perquisites to our employees.

#### **PROMOTERS AND THEIR BACKGROUND**

 <p><b>SRI P SUDHAKAR</b></p>	<p>Sri P Sudhakar is a Qualified Charter Accountant, Cost Accountant and Company Secretary with a varied experience in the fields of Management Consultancy, Financial engineering and project implementation. During 1987-1990 as a Finance Manager of NATCO pharmaceuticals Ltd he was instrumental in implementing the company's I.V. fluid manufacturing facility. Thereafter as a consultant, for 5 years, Mr Sudhakar has been associated with Bulk Drug manufacturing facility of NATCO Laboratories Ltd at Kothur Near Hyderabad, Bulk Drug Manufacturing Unit of Divi Laboratories Ltd, Choutuppal, Near Hyderabad and Bulk Drug Manufacturing facility of M/S Vera Laboratories Ltd at Vizag. He has been associated at all stages of these projects from Conceptualisation of the project, Preparation of project reports, Tying up the term Loans and till their Financial closure. Thereafter Mr. Sudhakar has established the floriculture business and successfully running our company for last 7 years.</p> <p><b>PAN NO: AEJPP5712P</b></p> <p><b>Voter ID: MCL2522381</b></p> <p><b>Passport No: A6628022</b></p> <p><b>Bank A/c No 0531000004001, HDFC Bank, Koramangala, Bangalore</b></p> <p><b>Address: No. 272, 18th D Main, 6th Block, Koramangala, Bangalore- 560095</b></p>
 <p><b>SMT.P.SAILAJA</b></p>	<p>Smt. P.Sailaja, wife of Sri. P.Sudhakar, a postgraduate in Chemistry, is a house-wife. She is not involved in the affairs of the company.</p> <p><b>PAN NO: AEKPP2085G</b></p> <p><b>Voter ID: MCL2522373</b></p> <p><b>Passport No: U386496</b></p> <p><b>Bank A/c No 0531000004001, HDFC Bank, Koramangala, Bangalore</b></p> <p><b>Address: No. 272, 18th D Main, 6th Block, Koramangala, Bangalore- 560095</b></p>

#### **DECLARATION**

The Permanent Account Number (PAN), Bank Account number and Pass port number of our Promoters have been submitted to the Stock Exchanges i.e. BSE & NSE, at which we proposed to list our equity shares at the time of filing of the Red herring Prospectus.

#### **INTEREST OF PROMOTERS**

Promoters may be deemed to be interested to the extent of the fees if any, payable to them for attending to the meeting of the board or committees thereof as well as to the extent of remuneration and/or reimbursement of expenses payable to them under the Articles of Association.

Further the Promoters may also be regarded as interested in the equity shares if any, held / allotted by/to them out of the present issue, if any, in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares.

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contract, agreements/ arrangements during the preceding 2 years from the date of the Red Herring Prospectus in which the promoters are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.





There are no other ventures which have business interest in our company and there is no business being done through these companies.

#### **COMMON PURSUITS :**

There are no companies which have common pursuits.

#### **Related party transactions :**

There are no related party transactions since its inception.

#### **CURRENCY OF PRESENTATION**

In this Red Herring Prospectus, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “million” means “Ten Lacs” and the word “Crore” means “ten million” and the word “billion” means “One thousand million and the word “trillion” means “One thousand billion”. In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Red Herring Prospectus, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to “Rupees” and “Rs.” in this Red Herring Prospectus are to the legal currency of India.

#### **DIVIDEND POLICY**

Dividends may be declared at the Annual General Meeting of the Shareholders based on a recommendation by the Board of Directors. The Board of Directors may recommend dividends, at its discretion, to be paid to the members. Generally the factors that may be considered by the Board, before making any recommendations for the dividend include future expansion plans and capital requirements, profits earned during the financial year, cost of raising funds from alternate sources, liquidity, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and money market conditions.

#### **Statement of dividend paid:**

<b>Sr. No.</b>	<b>Year</b>	<b>Equity %</b>
1	2001-2002	Nil
2	2002-2003	Nil
3	2003-2004	Nil
4	2004-2005	Nil
5	2005-2006	Nil



## **SECTION VII**

### **FINANCIAL INFORMATION**

#### **FINANCIAL STATEMENTS OF M/S. POCHIRAJU INDUSTRIES LIMITED**

##### **The Board of Directors**

##### **Pochiraju Industries Limited**

1/102, Sathyamangalam Village, Hosur Taluk  
Krishnagiri Dist, Tamilnadu.

We have examined and found correct the Audited Accounts of M/s. Pochiraju Industries Limited for the past five financial years ended on 31st March 2002, 2003, 2004, 2005, 2006 and for the half year ended on 30.09.2006 up to which the accounts of the Company have been made up and audited by us. At the date of signing this report, we are not aware of any material adjustment, which would affect the result shown by these accounts drawn in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the Act), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) for the purpose of the Offering Memorandum as aforesaid, we report that:

- a. The restated profits of the Company for the financial years ended 31st March 2002, 2003, 2004, 2005, 2006 and half year ended on 30.09.2006 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies and Notes on Account appearing in Annexure III and IV respectively to this report.
- b. The restated assets and liabilities of the Company as at 31st March 2002, 2003, 2004, 2005, 2006 and 30.09.2006 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Notes on Accounts appearing in Annexure IV to this report.
- c. We have examined the cash flow statement relating to the Company for the financial years ended 31st March 2005, 2006 and 30.09.2006 appearing in Annexure V to this report.
- d. The rates of dividends paid by the Company in respect of the financial years ended 31st March 2002, 2003, 2004, 2005 and 2006 are as shown in Annexure VI to this report.
- e. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer document:
  1. Performance Ratios as appearing in Annexure VII to this report.
  2. Capitalization Statement as at 30th September 2006 as appearing in Annexure VIII to this report
  3. Statement of tax shelters as appearing in Annexure IX to this report
  4. Details of other income as appearing in Annexure X to this report
  5. Details of sundry debtors as appearing in Annexure XI to this report
  6. Details of loans and advances made to persons or companies in whom/in which directors are interested as appearing in Annexure XII to this report.
  7. Details of unsecured loans as appearing in Annexure XIII to this report
  8. Details of secured loans as appearing in Annexure XIV to this report.
  9. Details of transactions with related parties as appearing in Annexure XV to this report.
  10. Details of aggregate value and market value of quoted investments as appearing in Annexure XVI to this report.
  11. Details of expenditure incurred on the project as appearing in Annexure XVII to this report.
  12. Details of qualifications appearing in the financial statements as given in Annexure XVIII to this report.
  13. Details of changes in Significant Accounting Policies as given in Annexure XIX to this report.



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In our opinion the above financial information of the Company read with Significant Accounting Policies and Notes on Account attached in Annexure III & IV respectively to this report, after making adjustments and re-grouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

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

For **B RAMARAO &CO**  
Chartered Accountants

**G V RANGA BABU**  
Partner  
Membership No.202432

Date: 24.11.2006  
Place: Hyderabad



## Annexure - I

### Statement of Profit & Loss Account

(Rs. in Lacs)

	Year ended					Half year ended
Particulars	31-03-2002	31-03-2003	31-03-2004	31-03-2005	31-03-2006	30-09-2006
<b>Income</b>						
Sales & Service Income	159.85	223.26	242.37	356.61	949.68	1381.83
Other Income	0.00.	0.00	0.00	0.00	0.00	0.00
<b>Total Income</b>	<b>159.85</b>	<b>223.26</b>	<b>242.37</b>	<b>356.61</b>	<b>949.68</b>	<b>1381.83</b>
<b>Expenses</b>						
Operating, Administrative and Other expenses	65.47	120.29	134.62	176.81	558.60	874.54
Financial Expenses	44.37	29.91	26.02	30.68	47.15	35.54
Depreciation	42.95	44.31	48.71	61.99	79.28	56.89
Miscellaneous expenses written off	1.06	1.06	1.06	0.84	0.00	0.00
Deferred Revenue Expenditure written off	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Expenses</b>	<b>153.85</b>	<b>195.57</b>	<b>210.42</b>	<b>270.32</b>	<b>685.03</b>	<b>966.97</b>
<b>Profit before taxes</b>	<b>6.00</b>	<b>27.69</b>	<b>31.95</b>	<b>86.29</b>	<b>264.65</b>	<b>414.86</b>
Less: Prior Period Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
<b>Add.interest prov.written back</b>	<b>0.00</b>	<b>11.92</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Profit before Taxation and after prior period adjustments	6.00	39.61	31.95	86.29	264.65	414.86
Less: — Taxation - Current	0.00	0.00	0.00	0.00	8.03	14.27
<b>Profit after Taxation</b>	<b>6.00</b>	<b>39.61</b>	<b>31.95</b>	<b>86.29</b>	<b>256.62</b>	<b>400.59</b>
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	0.00
Transitional Cumulative Provision for Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	0.00



## Annexure - II

### Statement of Assets and Liabilities

(Rs. in Lacs)

	Year ended					Half year ended
Particulars	31-03-2002	31-03-2003	31-03-2004	31-03-2005	31-03-2006	30-09-2006
<b>A. Fixed assets:</b>						
Gross Block	672.51	682.17	728.71	802.39	1170.08	1247.90
Less: Depreciation	89.36	133.67	182.38	244.38	323.66	380.55
Net Block	583.15	548.50	546.32	558.01	846.42	867.35
Capital Work-in-progress	3.80	71.32	134.15	204.56	48.41	93.19
<b>Total Fixed Assets (A)</b>	<b>586.95</b>	<b>619.82</b>	<b>680.47</b>	<b>762.57</b>	<b>894.83</b>	<b>960.54</b>
<b>Investments (B)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>C. Current Assets, Loans and Advances</b>						
Sundry Debtors	33.64	63.13	73.63	97.59	307.92	586.13
Cash and Bank Balances	5.12	8.25	17.77	18.37	19.68	22.45
Loans and Advances	9.99	17.09	49.99	46.52	48.68	161.12
Other Current Assets	20.32	24.77	25.31	43.99	132.38	87.32
<b>Total (C)</b>	<b>69.07</b>	<b>113.24</b>	<b>166.71</b>	<b>206.47</b>	<b>508.66</b>	<b>857.02</b>
<b>D Liabilities &amp; Provisions</b>						
Secured Loans	313.82	295.59	278.25	307.48	451.70	513.34
Unsecured Loans	0.00	0.00	0.00	0.00	0.00	0.00
Current Liabilities and provisions	13.84	21.88	23.41	14.66	18.28	15.06
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total (D)</b>	<b>327.66</b>	<b>317.47</b>	<b>301.66</b>	<b>322.14</b>	<b>469.98</b>	<b>528.40</b>
<b>Net worth (A+B+C-D)</b>	<b>328.36</b>	<b>415.59</b>	<b>545.52</b>	<b>646.90</b>	<b>933.51</b>	<b>1289.16</b>
<b>Represented by :</b>						
<b>Share Capital :</b>						
Equity - (E)	349.49	396.04	492.95	507.20	537.20	537.20
Reserve & Surplus	0.00	21.46	53.41	139.70	396.31	796.89
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
<b>Reserves (Net of Revaluation Reserves) - (F)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Miscellaneous Expenditure (G)</b>						
Profit & Loss A/c	18.15	0.00	0.00	0.00	0.00	0.00
<b>Pre. &amp; Pre. Op, Exp.</b>	<b>2.98</b>	<b>1.91</b>	<b>0.84</b>	<b>0.00</b>	<b>0.00</b>	<b>44.93</b>
<b>Net worth (E+F-G)</b>	<b>328.36</b>	<b>415.59</b>	<b>545.52</b>	<b>646.90</b>	<b>933.51</b>	<b>1289.16</b>



### Annexure - III

#### 1. Significant Accounting Policies:

- Basis of Accounting**  
The accounts are prepared under the Historical Cost convention. The Company adopts the accrual basis in the preparation of accounts.
- Fixed Assets** Fixed Assets are stated at cost less Accumulated Depreciation.
- Depreciation**  
Depreciation on the Assets has been provided on straight-line methods at the rates and in the manner specified in schedule-XIV of the Companies Act, 1956.  
However, as the life of mother plants has been estimated to be for 5 years, the depreciation for the same has been provided @ 20% p.a. on SLM method.
- Miscellaneous Expenses**  
Miscellaneous Expenditure relating to the expansion project includes six months Growing cost of plants such as fertilizers, pesticides, labour etc. Which are included In the capital work-in-progress as on the date of this Balance Sheet. This expenditure will be amortised over a period of five years starting from the year ending on 31.03.07.
- Foreign Currency Transactions**  
Foreign Exchange Transactions are recorded at the exchange rates prevailing on the date of transaction.
- Deferred Tax Liability:-**  
The Company is an Agro based company deriving its income from Horticultural and Agricultural operations, the income of which is exempted from Income Tax. Further the company is a 100% EOU. Hence, Accounting Standard on deferred Tax Liability is not applicable in so far as it relates to the income of the company.

### Annexure - IV

#### Notes to Accounts:

#### 1. **Managerial Remuneration:**

- A. Managerial Remuneration paid to Sri P. Sudhakar, Managing Director - :  
(Rs. in Lacs)

Particulars	Half Year ended 30-09-2006	Year ended 31-03-2006
(a) Salaries	2.40	4.80
(b) Commission	0.00	0.00
(c) Other Perquisites	0.00	0.00
<b>Total</b>	<b>2.40</b>	<b>4.80</b>

And Other whole time directors NIL

- B. Computation of Net profit u/s 349 and u/s 350 of Companies Act. 1956  
(Rs. in Lacs)

— NA —

#### 2. **Auditors Remuneration:**

(Rs. In Lacs.)

Particulars	Half Year ended 30-09-2006	Year ended 31-03-2006
Audit Fees	0.35	0.50
Tax Audit Fees	0.00	0.10
Service Tax	0.00	0.06
Other Services	0.10	0.09
<b>Total</b>	<b>0.45</b>	<b>0.75</b>

3. In accordance with Accounting Standard 22 (AS 22) issued by the ICAI,  
The company is an Agro based company deriving its income from Horticultural and Agricultural operations, the income of which is exempted from Income Tax. Further the company is a 100% EOU. Hence, Accounting Standard on Deferred Tax Liability is not applicable in so far as it relates to the income of the company.



4. During the year, the company has not raised any funds by way of public Issue of shares.
5. Sundry debtors/creditors and Loans and Advances balances are subject to confirmation and consequent reconciliation, if any.
6. There are no dues to SSI Units outstanding for more than 30 days.
7. Gratuity :  
The company has not made any provision towards the gratuity as there were no employees eligible for the same.
8. Contingent Liabilities not provided for: - Nil -
9. Preliminary Expenses include Registration Charges for increasing the Authorised Share Capital.
10. Balances appearing under different accounts of Debtors, Creditors, Loans and Advances are subject to confirmation from the parties.
11. Previous year figures have been regrouped/reclassified wherever necessary for better comparison with current year figures.
12. Earnings per share (Rs. In Lakhs)

Particulars	Half Year ended 30-09-2006	Year ended 31-03-2006	Year ended 31-03-2005
Profit after tax (Profit attributable to Equity Share holders)	400.59	256.61	86.29
Number of equity share out standing during the period (Lakhs)	53.720	537.20	492.95
Nominal value of equity shares (Rs.)	Rs. 10/	Re 1/	Re.1/-
<b>Earning per share (Rs.)</b>	<b>7.46*</b>	<b>0.48</b>	<b>0.18</b>

\*Not Annualised

13. Previous years figures have been regrouped wherever necessary.
14. The figures have been rounded off to the nearest rupee.

#### Annexure - V

##### Cash Flow Statement:

(Rs. in Lacs)

Particulars	Year ended					Half year ended
	30-09-06	31-03-06	31-03-05	31-03-04	31-03-03	31-03-02
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Net Profit After</b>						
<b>Tax after exceptional items</b>	+400.58	+256.61	+86.29	+31.94	+39.61	+6.00
<b>Adjustments for</b>						
Depreciation	+56.89	+79.28	+61.99	+48.71	+44.31	+42.95
Interest	0.00	0.00	0.00	0.00	0.00	0.00
Loss on sale of fixed Assets/ investments	0.00	0.00	0.00	0.00	0.00	0.00
Preliminary expenses written off	0.00	0.00	0.84	+1.06	+1.06	+1.06
<b>Operating Profit before working capital changes</b>	<b>+457.47</b>	<b>+335.89</b>	<b>+149.12</b>	<b>+81.71</b>	<b>+84.98</b>	<b>+50.01</b>
<b>Adjustments for :</b>						
Increase in sundry debtors	-278.21	-210.32	-23.97	-10.50	-29.49	-11.03
Decrease in other current Assets	+45.06	-88.41	-18.68	-0.54	-4.45	-6.39
Increase in Loans & Advances	-112.44	-2.17	+3.48	-32.91	-7.09	+7.52
Increase in Investments	0.00	0.00	0.00	0.00	0.00	0.00
Decrease in Current Liabilities	-3.22	+3.62	+8.75	+1.53	+8.04	-11.56
Cash generated from operations	+108.66	+38.61	+101.20	+39.30	+51.99	+28.55
Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net cash from Operating Activities (A)</b>	<b>+108.66</b>	<b>+38.61</b>	<b>+101.20</b>	<b>+39.30</b>	<b>+51.99</b>	<b>+28.55</b>





## CASH FLOW FROM INVESTING

### ACTIVITIES

Purchase of Fixed Assets + increase in capital W-I-P & Misc. Exp	-167.54	-367.68	-144.08	-46.53	-9.66	-10.92
Sale of Investments/Fixed Assets/ Decrease in capital w I p	0.00	+156.15	0.00	-62.83	-67.52	-1.80
<b>Net cash from investing Activities (B)</b>	<b>-167.54</b>	<b>-211.53</b>	<b>-144.08</b>	<b>—109.36</b>	<b>-77.18</b>	<b>-12.72</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from Issue of Share Capital	0.00	+30.00	+14.25	+96.91	+46.55	-16.53
Proceeds from Long Term Borrowings	+61.64	+144.23	+29.23	-17.34	-18.22	+3.74
Proceeds from unsecured Loans	0.00	0.00	0.00	0.00	0.00	-2.00
<b>Net cash from Financing Activities (C)</b>	<b>+61.64</b>	<b>+174.23</b>	<b>+43.48</b>	<b>+79.57</b>	<b>+28.33</b>	<b>—14.79</b>
Net Increase in cash and Cash equivalents (A+B+C)	+2.76	+1.31	+0.60	+9.52	+3.14	+1.04
Cash and Cash equivalents at beginning of the year	+19.68	+18.37	+17.78	+8.26	+5.12	+4.08
Cash and Cash equivalents at end of the year	+22.44	+19.68	+18.38	+17.78	+8.26	+5.12

### Annexure - VI

#### Statement of dividend paid:

Sr. No.	Year	Equity %
1	2001-2002	Nil
2	2002-2003	Nil
3	2003-2004	Nil
4	2004-2005	Nil
5	2005-2006	Nil

### Annexure - VII

#### Performance Ratios:

(Rs. in Lacs)

Particulars	Year ended					Half year ended
	31-03-02	31-03-03	31-03-04	31-03-05	31-03-06	30-09-06
1. Earning Per Share (Rs.)	0.17	1.13	0.06	0.18	0.48	7.46
2. Return On Net worth (%)	1.82	9.53	5.82	13.34	27.48	31.07
3. Net asset Value / Book Value Per Share (Rs.)	9.40	11.90	1.10	1.31	1.73	24.00
5. Earnings per share (Rs.) = Profit available to equity shareholders/No. of equity shares						
6. Return on Net worth (%) = Profit after taxation/Net worth * 100						
7. Net asset value/Book value per share (Rs.) = Net worth /No. of equity shares						



## Annexure - VIII

### Capitalization Statement:

(Rs.in Lacs)

Particulars	Pre Issue	Post Issue
	As at 30-09-2006	
TOTAL DEBT		
Short Tem Debt*	0.00	0.00
Long Term Debt **	513.34	513.34
Total Debt 513.34	513.34	
<b>Share Holders Funds:</b>		
Share Capital	537.20	
Reserves	796.88	
Total shareholders Funds	1334.08	
Long Term debt/share holders fund	0.385	

\* unsecured loans were considered as Short Term Debt

\*\* Secured Loans were taken as Long Term Debt

## Annexure - IX

### Statement of Tax Shelters

(Rs. in Lacs)

Particulars	Half Year ended	Year ended				
	30-09-06	31-03-06	31-03-05	31-03-04	31-03-03	31-03-02
Tax rate : Basic	30	30	35	35	35	35
Surcharge + E. Cess	3.66	3.66	2.5	2.50	5	2
Tax rate including surcharge	33.66	33.66	35.875	35.875	36.75	35.70
Profit/(Loss) before tax	414.85	264.65	86.29	31.95	39.61	6.00
Adjustments						
1) Exemption U/s 80 HHC	0.00	0.00	0.00	0.00	0.00	0.00
2) Exemption U/s 80G	0.00	0.00	0.00	0.00	0.00	0.00
3) Exemption U/s 80 HHE	0.00	0.00	0.00	0.00	0.00	0.00
4) Exemption u/s 10B or U/s10(1)	372.45	240.79	86.29	31.95	39.61	6.00
5) Other Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Difference between tax depreciation and book depreciation						
Taxable Income	42.40	23.86	0.00	0.00	0.00	0.00
Tax thereon	14.27	8.03	0.00	0.00	0.00	0.00
MAT Rate: Basic	7.50	7.50	7.50	7.50	7.50	7.50
Surcharge	0.915	0.915	0.34125	0.185	0.375	0.15
MAT rate including surcharge	8.415	8.415	7.84125	7.6875	7.875	7.65
Tax on book profit U/s 115 JA	0.00	0.00	0.00	0.00	0.00	0.00

**Annexure - X****Details of Other income**

(Rs. in Lacs)

	Year ended					Half Year ended
Particulars	31-03-02	31-03-03	31-03-04	31-03-05	31-03-06	30-09-06
Other Income	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**Annexure - XI****Sundry Debtors:**

(Rs. in Lacs)

	Year ended					Half Year ended
Particulars	31-03-02	31-03-03	31-03-04	31-03-05	31-03-06	30-09-06
Unsecured considered Good (Lesse than Six Months)	33.64	54.87	66.96	91.61	298.99	573.95
Over Six Months	0.00	8.26	6.67	5.99	8.93	12.18
Others Debts:						
Companies under the same management	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>33.64</b>	<b>63.13</b>	<b>73.63</b>	<b>97.60</b>	<b>307.92</b>	<b>586.13</b>

**Annexure - XII**

<b>Loans &amp; Advances</b>	<b>9.99</b>	<b>17.08</b>	<b>49.99</b>	<b>46.52</b>	<b>4 8.68</b>	<b>161.12</b>
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**Annexure - XIII****Unsecured Loans:**

(Rs. in Lacs)

	Year ended					Half Year ended
Particulars	31-03-02	31-03-03	31-03-04	31-03-05	31-03-06	30-09-06
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**Annexure - XIV****Secured Lwans:**

(Rs. in Lacs)

	Year ended					Half Year ended
Particulars	31-03-02	31-03-03	31-03-04	31-03-05	31-03-06	30-09-06
Term loan from Oriental Bank of Commerce Ameerpet branch, Hyderabad	313.82	295.59	278.25	307.48	451.70	513.34
<b>Total</b>	<b>313.82</b>	<b>295.59</b>	<b>278.25</b>	<b>307.48</b>	<b>451.70</b>	<b>513.34</b>



## Principal Terms of Sanctioned Loans and Assets Charged as Security

(Rs. In Lacs)

Sr. No.	Lender & Type of Facility / Sanction letter no. and date	Amount sanctioned/ Rate of Interest	Amt. Availed	Amt. out-standing as on 30.09.2006	Security
1	Oriental bank of commerce Term loan-1	250.00 At P L R	250.00	211.87	First charge on the assets of the company
2	Oriental bank of commerce Term Loan-2	348.00 At PLR-0.5%	231.24	301.47	First charge on the assets of the company

### Annexure - XV

Related Party Transactions:

Related party transactions are given below:

(Rs. In Lacs)

Name of the Party	Nature of relationship	Nature of transaction	FY 04	FY 05	FY 06
N A	N A	NIL	0.00	0.00	0.00

\* It includes Salary and perquisites only.

### Annexure - XVI

#### Investments: N I L

### Annexure - XVII

There have been no qualifications in the financial statements for the preceding five years.

### Annexure - XVIII

#### **Changes in the Significant Accounting Policies**

There are no changes in accounting policies during last Five Years.



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## **MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS.**

You should read the following discussion of our financial condition and results of operations together with our audited financial statements for financial years 2006, 2005, 2004, 2003 and 2002 including the notes thereto and the reports thereon, which appear elsewhere in this Prospectus.

The following discussion is based on our audited financial statements each of financial years 2006, 2005, 2004, 2003 2002 and for the half year ended 30th September 2006 which have been prepared in accordance with Indian GAAP. These data have been reclassified in certain respects for purposes of presentation. Our financial year ends on March 31, of each year, so all references to a particular financial year are to the twelve-month period ended March 31 of that year.

Our financial year ends on 31st March of each year. Our Historical financial performance may not be considered as indicative of future financial performance

### **Overview of the business of the issuer company**

Pochiraju Industries Limited (PIL) was promoted by Mr. P. Sudhakar, a qualified Chartered Accountant, Company Secretary and Cost Accountant.

The Company's main production farm house is located at 1/102, Sathya Mangalam Village, Bagalur - Berigai Road, Thummanapalli Post, Hosur Taluk, Krishnagiri District, Tamil Nadu

Presently the company cultivates latest Dutch variety roses in green houses under controlled environment and is in operation since 1999 October. Our company is known for its quality flowers and committed deliveries in domestic and export markets. Having stabilized its operations, expanded its capacity and established its name for its quality flowers our company is looking for diversification into Biotechnology and Bio Pharma businesses.

The global floriculture industry is showing a constant growth from last three decades. This demand in floral products is mainly attributed to the increase in the standard of living of the people and flowers are being increasingly becoming a symbol of exchanging expressions, emotions and feelings sharing love and joy. The major cut flowers that are in demand in the international markets are Roses, Chrysanthemum, Carnations, Tulips, and Gerberas etc. Many new types and varieties of flowers and filler items are entering flora trade globally. Over the past decade flower and pot plant business in the world has increased to US \$ 40 billion. The annual rate of growth in floriculture industry is about 15%. India's share in global markets is not even 1% but is continuously increasing

### **Declaration by Directors**

In our opinion and to the best of our knowledge and belief, there have arisen no circumstances or material developments since the date of the last financial statements i.e. 30/09/2006 other than as disclosed in the Red Herring Prospectus which materially and adversely affect or are likely to affect the performance or prospects or profitability of the Company, or the value of its assets, or its ability to pay its liabilities.

### **Factors that might affect Results of the Operations**

Except as otherwise stated in this Red Herring Prospectus, the Risk Factors given in this Red Herring Prospectus, the following important factors, among others, could cause the actual results to differ materially from the expectations:

#### **Factors affecting our business and Operations**

##### **Industry specific Policies**

We are an agro-based and pharma industry. Accordingly, policies or regulations framework, both of Central and State Governments in relation to agriculture and pharmaceutical industries directly affect the operations and results of our Company.

##### **Foreign Trade Policy**

As substantial part of our business constitutes of exports, measures announced in the policy have direct bearing on our operations and results.

##### **Credit and Interest Policy**

The availability of the funds and the cost at which these are available are critical for our operations. The credit policy as announced from time to time affects the flow of funds and interest policy affects the cost of funds. The export segment of the company as a matter of credit policy, enjoys concessional terms of credit any change in the same would affect our operations. The availability of credit in foreign currency is also subject to periodical policy announcement of RBI, and therefore impacts our results of operations.

##### **Tax, duties and fiscal policy regime**

Customs duties, Excise levy, Central Sales tax, State Value added tax Act, Service tax, Corporate tax, Wealth tax, Fringe Benefit tax, cess on export, market fees, Rural development fund levies are major component of the direct and indirect cost to



our Company. The agricultural activity and export business of our Company are eligible for certain set of special tax, duties and levies regime and any change in these have impact on the operations of our Company.

#### **Overall Economic growth and living standards**

The consumption per-se is directly affected by economic growth and living standards. Sale of flowers, the existing business of our Company, generally consumed by the middle and upper strata of the society and therefore has direct relationship with economic growth and living standards of the domestic and overseas consumers. The recent upside in the economic growth, both domestic and overseas, has a positive impact on the growth of flower business.

#### **Climatic conditions and vagaries of the nature**

Our existing flower production business being an agro based activity requires specific climatic conditions, which are available only in some parts of the country, has significant dependence on nature and climate. Though the improved techniques of cultivation under green house conditions have helped in reduction of this dependence over the period, yet quantity, quality and pricing of the raw materials is not immune to climate conditions and vagaries of nature. Our operations and results of any given period therefore are affected by these factors.

#### **Material Handling and storage Management**

**Material handling and storage management** is a significant cost element of our Company. It includes interest cost, cost of unloading and loading, cost of packing material consumed in the course of storage, rent and hire charges, losses on account of damaged stocks, loss in weight and moisture.

#### **Plant efficiencies and maintenance**

The plant efficiencies and maintenance affect our operational results. The cost of repair and maintenance, cost of consumable stores in any given period depends on the state of plant maintenance, and affects our cost of production..

#### **Energy Management**

The availability of adequate power supply with consistent voltage supply at economic cost is critical to our operations.

#### **Human Resource Management**

The cost of Human Resource includes wage, perquisites, statutory contributions to funds, cost of welfare schemes, cost of training, taxes on fringe benefits, cost of supporting infrastructure etc. We have to adopt policies and practices that economize on this cost and also help in retention, motivation and efficiencies of the manpower.

#### **Risk Management**

We own various types of resources and undertake obligations in the course of our business that are exposed to various degrees of risks. Some of these are external while others are internal to the company. These risks are to be effectively managed. The cost of managing these risks include underwriting insurance policies, putting in place security systems and entering into hedging instruments and forward contracts.

#### **Logistics Management**

The domestic distribution and exports are the two key elements of our business. This includes cost of transport, setting up distribution channels, arrangement with shipping lines and clearing agents, warehouses and godown management at various selling locations etc. The cost of logistics is not only an important component of our selling cost, directly affecting our profitability, but also any mismanagement on this can result into loss of business or substantial losses or damages from buyers.

#### **Working Capital and Funds Management**

Our operations are highly working capital driven. This includes cost of inventories, receivables, loans and advances and bank balances in margins. The funding of working capital is done either through banks or suppliers' credit and carrying costs like interest, charges, guarantee fee, processing charges, insurance cover.

#### **Research Initiative**

The Pharmaceuticals business is requires lot of effort on research and development. While most of the research and development carried out Governmental or industry bodies, we have also taken initiative in research and development to differentiate our products from those of the competitors. This involves cost and effort and in turn affects the operations and results of our company.



#### Other factors:

- Fluctuations of the Indian Rupee as against the major foreign currencies like the US Dollar, Euro, Singapore Dollars, AED.
- Competition in India, the Asia Pacific, United States and other international markets from other pharma companies, especially the effect of such competition on our ability to penetrate such markets
- Demand for the products and services of our principals and major clients in the Indian market.
- Time to market and pricing pressures on our pharma products .
- Intense competition in hiring and retention of skilled manpower
- Our ability to expand international operations and increase our customer base across strategic business units.
- Strategic acquisitions and alliances
- Manufacturers' defects or mechanical problems with Company's plant & machineries or incidents caused by human error;
- Amount that our Company is able to realize from the clients;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;

#### Statement of Profit & Loss Account

(Rs. in Lacs)

Particulars	Year ended					Half year ended 30-09-2006 ( 6 months)
	31-03-2002	31-03-2003	31-03-2004	31-03-2005	31-03-2006	
<b>Income</b>						
Sales & Service Income	159.85	223.26	242.37	356.61	949.68	1381.83
Other Income	0.00.	0.00	0.00	0.00	0.00	0.00
Total Income	159.85	223.26	242.37	356.61	949.68	1381.83
<b>Expenses</b>						
Operating, Administrative and Other expenses	65.47	120.29	134.62	176.81	558.60	874.54
Financial Expenses	44.37	29.91	26.02	30.68	47.15	35.54
Depreciation	42.95	44.31	48.71	61.99	79.28	56.89
Miscellaneous expenses written off	1.06	1.06	1.06	0.84	0.00	0.00
Deferred Revenue Expenditure written off	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenses	153.85	195.57	210.42	270.32	685.03	966.97
<b>Profit before taxes</b>	6.00	27.69	31.95	86.29	264.65	414.86
Less: Prior Period Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
Add.interest prov.written back	0.00	11.92	0.00	0.00	0.00	0.00
Profit before Taxation and after prior period adjustments	6.00	39.61	31.95	86.29	264.65	414.86
Less: — Taxation - Current	0.00	0.00	0.00	0.00	8.03	14.27
Profit after Taxation	6.00	39.61	31.95	86.29	256.62	400.59
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	0.00
Transitional Cumulative Provision for Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	0.00

*Note: The Figures given above have been reclassified, rearranged and re-casted wherever considered necessary to reflect the operation of our company on the basis of a uniform practice.*





- **Unusual or Infrequent events or transactions**

There have been no unusual or infrequent events or transactions.

Significant economic / regulatory changes that may affect income from operations.

The Demand and Supply position in the international market has a significant impact on the Company's profitability

- **Known trends or uncertainties**

There have not been any discernible known negative trends or uncertainties which could adversely impact the income or revenue from continuing operations.

- **Future relationship between costs and revenues**

Our company doesn't see substantial increase in labour cost or other cost related to the product.

**New Products**

Our company proposes to diversify & expand its activities towards Biotech & Bio Parenteral Divisions. The proposed products to be manufactured are as follows:

**Biotech Division**

- Erythropoietin
- Interferon Alpha Pegylated
- Hyaluronice Acid

**Bio Parenteral Division**

- Vials
- Ampoules
- Powder Parenterals

**Seasonality of Business**

The business in which company is engaged is not seasonal.

- **Dependence on Single or few suppliers/Customers**

The Customer base of our company is very strong as it doesn't deal with single customer or single supplier, Our company has very good customer based with whom our company is dealing for quite a long time. And our company has very cordial relationship with all customers and suppliers.

- **Material Development after the date of the last Balance Sheet**

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

- **Adverse events**

There are no adverse events affecting the operations of our company occurring within one year prior to the date of filing of the Prospectus with the BSE & NSE

**Comparison of Significant items of Income and expenditure of Pochiraju Industries Limited for the past three years is as follows :**

Significant economic changes that materially affected or are likely to affect income from continuing operations: :

Presently the company is in floriculture business . The income from this activity is increasing steadily due to introduction of new varieties of flowers, expansion of the activity, trading of flowers. The rise in living standards of the people with increased economic activity has contributed for steady increase in the total income and net profits. The past performance may not be an indicator for future performance.

Industry wise performance: At present our company's revenue is derived from floriculture activity only. Thus segment wise/ industry wise analysis is not applicable.

Comeptitive conditions : We expect competition in the flori culture as well as proposed pharma and biotech sector from existing and potential competitors to intensify. For further details please refer to the discussions of our competition in the sections titled "Risk Factors" and "Our Business" of this Red Herring Prospectus.

The Company's products in the field of Flori culture and proposed Biotech and Pharmaceuticals industry are customized to specially develop process formulations on the basis of specific needs of the customers. However, there are a number of manufacturers in India and abroad. Therefore our Company will have to remain constantly agile to achieve economies in production and develop new products for same and new customers.



#### COMPARISON OF FY 2006 WITH FY 2005-

- **Total Income** : The total income of our company grew by 166 % YOY from Rs. 356.61 Lac s to Rs. 949.68 Lacs due to capacity expansion, increased exports , increased nursery operations and trading of flowers .. During the year the company has expanded its production capacity.
- **Finance Charges** : The finance expenses increased from Rs 30.67 Lacs to Rs 47.15 Lacs due to availment of Term loan for the expansion.
- **Depreciation** ; The increase in depreciation from Rs 61.99 Lacs to Rs 79.28 Lacs is due to increased capital expenditure for expansion of operations.
- **Total expenses** : The total expenses increased from Rs 356.61 Lacs to Rs .685 .03 Lacs due to increased level of operations and trading of flowers.. However, the total expenses in relation to the total income reduced from 74% to 72 % due to efficiency in the operations and cost cutting measures adopted by our company.
- **PBT** : The Profit for the year increased significantly from Rs 86. 29 Lacs to Rs 264.65 Lacs due to increased level of operations and improved operating margins.
- **Provision for Tax** : To meet the customers demand our company has carried on trading activity during the year for which appropriate tax provision has been made.
- **Profit After Tax** : The PAT for the year increased by 197% YOY from Rs. 86.29 Lacs Rs. 264.65 Lacs due to higher production levels improved operating margins and higher price realizations. The price realizations have also increased due to exports and the introduction of new varieties of rose flowers

**Extra ordinary Items** : There are no extra ordinary items during the year.

#### COMPARISON OF FY 2005 WITH FY 2004-

- **Total Income** : The total income of our company grew by 47 % YOY from Rs. Rs. 242.37 Lacs. to 356.61 Lacs mainly due to increased nursery sales and operations.
- **Manufacturing expenses** : The manufacturing expenses have increased by Rs 23.47lacs mainly due to increase in agricultural inputs costs. The labour cost has also gone up due to expanded operations..
- **Finance Charges** : The finance expenses marginally increased from Rs 26.02 Lacs to Rs 30.67 Lacs due to availment of Term loan for the expansion.
- **Depreciation** ; The increase in depreciation from Rs 48.71 Lacs to Rs 61.99 Lacs is due to increased capital expenditure for expansion of operations
- **Total expenses** : The total expenses increased from Rs 210.42 Lacs to Rs 270.32 Lacs due to increased level of operations. However, the total expenses in relation to the total income reduced from 87% to 76 % due to efficiency in the operations and cost cutting measures adopted by our company.
- **Profit After Tax** : The PAT for the year increased by 197% YOY from Rs. 31.95 Lacs Rs. 86.29 Lacs due to higher level of nursery operations , increased flower trading activity , improved operating margins and higher price realizations.

**Extra ordinary Items** : There are no extra ordinary items during the year.

#### COMPARISON OF FY 2004 WITH FY 2003-

- **Total Income** : The total income of our company grew by 8 % YOY from Rs. 223.26 Lacs. to 242.37 Lacs due to increase in exports and also due to increase in trading volumen of flowers . No new products were introcued during this period.
- **Manufacturing expenses** : The manufacturing expenses have increased by Rs 12,56 lacs mainly due to increase in agricultural inputs costs.
- **Finance Charges** : The finance expenses declined from Rs 29.91 Lacs to Rs 26.02 Lacs due to repayment of loan installment and reduced interest rates.
- **Depreciation** ; The increase in depreciation from Rs 44.31 Lacs to Rs 48.71 Lacs is due to increased capital expenditure for expansion of operations.
- **Total expenses** : The total expenses increased from Rs 195.57 Lacs to Rs 210.42 Lacs due to increased level of operations and manufacturing expenses . However, the total expenses in relation to the total income remained at 87%.
- **Profit After Tax** : Although the profit for the year increased from Rs 27.68 Lacs to Rs 31.95 Lacs, the PAT is reduced from Rs 39.61 Lacs to Rs 31.94 Lacs due to write back ( Rs 11.93 Lacs ) of interest on term loan during 2003-04.



## SECTION VIII

### LEGAL AND OTHER REGULATORY INFORMATION

#### OUTSTANDING LITIGATIONS

Except as described below there are no outstanding litigation, disputes, non payment of statutory dues, over dues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by our company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act) against our company, its Directors, and its Group companies that would have a material adverse effect on our business.

#### OUTSTANDING LITIGATIONS INVOLVING OUR COMPANY

##### A. FILED BY THE COMPANY

##### 1. LITIGATION INVOLVING CRIMINAL LAWS

There is no litigation filed by the Company involving criminal offences.

##### 2. LITIGATION INVOLVING SECURITIES AND ECONOMIC LAWS

There is no litigation filed by the Company involving Securities or Economic offences.

##### 3. LITIGATION INVOLVING STATUTORY LAWS

There is no litigation filed by the Company involving Statutory Laws.

##### 4. LITIGATION INVOLVING CIVIL LAWS

There is no litigation filed by the Company involving civil laws except an Appeal filed by the Company against the order of the Assistant Commissioner of Income Tax, Company Circle, Salem in respect of Assessment Year 2003-2004. However the Appeal was decided by the Commissioner of Appeal, Income Tax, Company Circle, Salem in favour of the Company as there is per the order dated 24-01-2006. In accordance with this order, the Assistant Commissioner of Income Tax, Company Circle, and Selam has modified his assessment which is produced below.

“Giving effect to the order of the CIT (Appeal vide his order in ITA No.210/05-06 dated 2-1-2006, the Assessment Year 2003-2004 is modified as under:-

Income assessed U/s.143 (3) dated 31-8-2005	Rs. 11, 04,570
Income treated as Agricultural Income and exempted	
U/s. 10(1) of the I.T. Act, as directed by the CIT (a)	Rs. 11, 04,570
Taxable Income	Rs. NIL

Tax Payable NIL

##### Reduction in Demand:

Original Demand	Rs. 5, 29,730
Revised Demand	NIL
Reduction in Demand	Rs. 5, 29,730

(P.P.Nair)

Assistant Commissioner of Income Tax, Company Circle, Salem”

##### • Litigation pertaining to Company Law:

There is no litigation filed by the Company in respect of Company Law.

##### 5. LITIGATION INVOLVING LABOUR LAWS

There is no litigation filed by the Company involving Labour offences.



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## II. OUTSTANDING LITIGATION INVOLVING DIRECTORS AND PROMOTERS

### A. AGAINST THE DIRECTORS/PROMOTERS

#### 1. LITIGATION INVOLVING CRIMINAL LAWS

There is no litigation pending against the Directors/Promoters of the Company involving criminal Offences.

#### 2. LITIGATION INVOLVING SECURITIES AND ECONOMIC LAWS

There is no litigation pending against the Directors/Promoters of the Company involving securities or economic offences.

#### 3. LITIGATION INVOLVING STATUTORY LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Statutory offences.

#### 4. LITIGATION INVOLVING CIVIL LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Civil Laws.

#### 5. LITIGATION INVOLVING LABOUR LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Labour offences.

### B. FILED BY THE DIRECTORS/PROMOTERS

#### 1. LITIGATION INVOLVING CRIMINAL LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Criminal offences.

#### 2. LITIGATION INVOLVING SECURITIES AND ECONOMIC LAWS

There is no litigation pending against the Directors/Promoters of the Company involving securities or economic offences.

#### 3. LITIGATION INVOLVING STATUTORY LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Statutory Laws.

#### 4. LITIGATION INVOLVING CIVIL LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Civil Laws.

#### 5. LITIGATION INVOLVING LABOUR LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Labour Laws.

## III. OUTSTANDING LITIGATIONS INVOLVING PROMOTER'S GROUP COMPANIES

### A. FILED AGAINST THE PROMOTERS/ DIRECTORS COMPANY

#### 1. LITIGATION INVOLVING CRIMINAL LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Criminal Laws.

#### 2. LITIGATION INVOLVING SECURITIES AND ECONOMIC LAWS

There is no litigation pending against the Directors/Promoters of the Company involving securities or economic offences.

#### 3. LITIGATION INVOLVING STATUTORY LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Statutory Laws.

#### 4. LITIGATION INVOLVING CIVIL LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Civil Laws.

#### 5. LITIGATION INVOLVING LABOUR LAWS

There is no litigation pending against the Directors/Promoters of the Company involving Labour Laws.



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**B. FILED BY THE PROMOTERS/ DIRECTORS COMPANY**

**1. LITIGATION INVOLVING CRIMINAL LAWS**

There is no litigation filed by the Directors/Promoters group Companies involving Criminal offences.

**2. LITIGATION INVOLVING SECURITIES AND ECONOMIC LAWS**

There is no litigation filed by the Directors/Promoters group Companies involving Securities and Economic offences.

**3. LITIGATION INVOLVING STATUTORY LAWS**

There is no litigation filed by the Directors/Promoters group Companies involving Statutory Laws.

**4. LITIGATION INVOLVING CIVIL LAWS**

There is no litigation filed by the Directors/Promoters group Companies involving Civil Laws.

**5. LITIGATION INVOLVING LABOUR LAWS**

There is no litigation filed by the Directors/Promoters group Companies involving Labour Laws.

**MATERIAL DEVELOPMENTS**

**Significant Development since the last audited balance sheet till the date of Red Herring Prospectus.**

No circumstances have arisen since the date of last financial statement until the date of filing of this Prospectus with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months.

There is no subsequent development after the date of the Auditor's Report, which will have a material impact on the reserves, profits, earnings per share and book value of the Equity Shares of the Company.

**• Adverse events**

There are no adverse events affecting the operations of the Company occurring within one year prior to the date of filing of the Prospectus with the Registrar of Companies.

**Defaults**

Our Company has not defaulted in meeting any statutory dues, institutional dues or bank dues. Our Company has not defaulted in making any payment/refunds for debentures, fixed deposits and interest on debentures and fixed deposits.



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## STATUTORY APPROVALS AND LICENCES

**In view of the approvals listed below, we can undertake our current business activities and no major approval from any Governemnt Authority /RBI is required to continue these activities.**

### FLORICULTURE BUSINESS

1. Certificate of Incorporation bearing No. 18-31247 dated 4th May 1995 issued by the Registrar of Companies, Tamil Nadu.
2. Certificate of Commencement of Business dated 5th June 1995 issued by the Registrar of Companies, Tamil Nadu.
3. Fresh Certificate of Incorporation consequent on Change of Name bearing No. 10762 issued by the Registrar of Companies, Tamil Nadu, Coimbatore.
4. Certificate of Registration of alteration of objects dated 10th September 2003 issued by the Registrar of Companies, Tamil Nadu, and Coimbatore.
5. Permanent Account Number (PAN) bearing No. AAACP3640A issued by the Director of Income Tax (Systems), New Delhi.
6. Import Export Code (IEC) bearing No. 3895001317 dated 8th February 1996 issued by Asst. Development Commissioner, Madras Export Processing Zone, Ministry of Commerce, Government of India, and Chennai.
7. Agricultural And Processed Food Products Export Development Authority (APEDA) certificate bearing No. 1570 dated 23rd May 1996 issued by Secretary, Agricultural And Processed Food Products Export Development Authority, Ministry of Commerce, New Delhi.
8. Central Excise Registration certificate bearing No. AAACP3640AXM001 dated 4th April 2002 issued by The Superintendent of Central Excise, Hosur I-A Range, Hosur.
9. 100% Export Oriented Unit Registration certificate PER: 280 (1995)/EOA/ 374/ 95 dated 8th June 1995 issued by EOU Section, Government of India, Ministry of Industry, Department of Industrial Policy and Promotion, Secretariat for Industrial Approvals
10. Extension of Validity period of Letter of Permission bearing No. 19/23/96-EOU-TN dated 8th October 1998 issued by Madras Export Processing Zone, Chennai.
11. Amendment to Letter of permission consequent to change of location bearing No. 19/23/96/EOU/TN/9820 dated 7th March 1996 issued by Madras Export Processing Zone, Chennai.
12. Amendment to Letter of permission consequent to change of Name bearing No. 19/23/96(034)/EOU/TN dated 3rd March 2005 issued by Madras Export Processing Zone, Chennai.
14. Permission letter for Domestic Tariff Area (DTA) Sales bearing No. 19/23/96/EOU/TN dated 19th September 2002 issued by Madras Export Processing Zone, Chennai
15. Permission to issue of shares to Non-Resident bearing No. MA EC.TPM/53/100% EOU (P-175)/95-96 dated 11th July 1995 from Exchange Control Department, Reserve Bank of India, Madras.
16. Green Card bearing No. 356/96 dated 21st March 1996 issued by Madras Export Processing Zone, Chennai.
17. General Sales Tax Registration Certificate bearing No. 3361846 dated 15th October 1998 issued by Commercial Taxes Department, Hosur (South).

### FOR BIO PHARMA BUSINESS

Our company is in the process of applying for the required licences from the various departments as listed below for the Bio Pharma Business under Single window clearance from State Government of Andhra Pradesh.

- 1 State Pollution Control Board
- 2 State Drug Department



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3. Water Works Department
  4. Electricity Department
  5. Municipality
  6. Factories Department
  7. Urban Development Authority
  8. State Industries Ministry
  9. Commercial Taxes Department
  10. Central Excise Department
  11. Boiler Authorities

#### **FOR PHARMACEUTICAL BUSINESS**

Since our company proposes to manufacture the Pharmaceutical products under Loan License under Contract manufacture agreement, the application for the Loan License has been made to The Director, Drugs Control Administration, and Hyderabad on 2nd May 2006. Drugs Control administration , Govt of Andhra Pradesh has granted Loan licence no. L. Dis/4627 stores-2/2006 dt 19.06.2006 for a period of 5 years from 16.6.2006





## OTHER REGULATORY AND STATUTORY DISCLOSURES

### STATUTORY AND OTHER INFORMATION

#### AUTHORITY FOR THE ISSUE

The shareholders of our company, vide a special resolution passed under section 81 and 81(1A) of the Companies Act, 1956 at the Extraordinary General Meeting held on 17th April 2006 have authorized the issue of Equity shares. The Board of Directors of our company (hereinafter referred to as "The Board") pursuant to a Resolution passed at the Meeting held on 20th March 2006 have decided to offer (\*) Equity shares of Rs. 10/- each at a premium of (\*) per equity share aggregating to Rs. 3757.00 lacs.

#### PROHIBITION BY SEBI

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

#### Eligibility for the Issue:

**Pochiraju Industries Limited** (Issuer Company/ Company) an unlisted company is eligible to make the proposed public issue of equity shares under the clause 2.2.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time as it complies with the following:

- Our company has net tangible assets of Rs. 30 million or more in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets and the company is compliant with Clause 2.2.1(a) of the SEBI Guidelines
- Our company has a track record of distributable profits in terms of Section 205 of the Companies Act, for at least three (3) out of immediately preceding five (5) years and is complying with Clause 2.2.1(b) of the SEBI Guidelines;
- Our company has a net worth of at least Rs. 10 million in each of the preceding 3 full years (of 12 months each) and is complying with Clause 2.2.1(c) of the SEBI Guidelines;
- Our company has not changed its name within the last one year and therefore, provisions of Clause 2.2(d) of the SEBI Guidelines are not applicable.
- The proposed Issue size shall not be expected to exceed five times the pre-issue net worth of our company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines.
- As per Clause 2.2.2A, the Issuer shall not make an allotment pursuant to a public issue or Issue for sale of equity shares or any security convertible into equity shares unless in addition to satisfying the conditions mentioned in Clause 2.2.1, the prospective allottees are not less than one thousand (1000) in number.

As per the certificate given by the Statutory Auditor of our company, M/s. B. Rama Rao & Co., Chartered accountants dated 1st June 2006, Distributable Profits in terms of Section 205 of the Companies Act and Pre issue Net worth of our company for the last five years are as under:

Particulars Year ended	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Net Tangible Assets	583.15	546.59	546.32	558.01	846.92
Monetary Assets	5.12	8.25	17.99	18.37	19.68
Net Profits (as restated)	6.00	39.61	31.95	86.29	256.62
Net Worth (as restated)	349.49	417.50	545.52	646.9	933.51

Source: Audited Annual Accounts of our company for the respective Financial Years.

The Pre issue net worth as on September, 2006 1289.16

Issue size 3750.00

Issues during the same financial year NIL

The Issue size is not expected to be greater than 5 times the pre issue net worth



Further, if the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

## **DISCLAIMER CLAUSES**

### **SEBI DISCLAIMER CLAUSE**

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

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE 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, ALLBANK FINANCE LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED JUNE 21, 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, AND DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE 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 RED HERRING PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- C. THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.**
- D. BESIDE US, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT SUCH REGISTRATIONS ARE VALID TILL DATE.**
- E. WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

**THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE RED HERRING**



## **PROSPECTUS.”**

### **Disclaimer Clause of the Bombay Stock Exchange Limited**

The Bombay Stock Exchange Limited (“BSE”) has given by its letter No List /sdm/sm/ps/2006 dt 9.8.2006, permission to the Company to use BSE’s name in this offer document as one of the stock exchanges on which the Company’s securities are proposed to be listed. BSE has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
2. Warrant that this company’s securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this company and it should not for any reason be deemed or construed that this offer document has been cleared or approved by BSE. 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 BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

### **Disclaimer Clause of the National Stock Exchange of India Limited**

As required, a copy of the Red Herring Prospectus has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter No. NSE/LIST/29355-V dated September, 14,2006, permission to the Company to use the NSE’s name in this Red Herring Prospectus as one of the stock exchanges on which the Company’s securities are proposed to be listed. NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Company’s securities will be listed or will continue to be listed on NSE; nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

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

## **IMPERSONATION**

**Impersonation:** As a matter of abundant caution attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68(A) of the Companies Act, 1956, which is reproduced below:

“Any person who:

- a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name shall be punishable with imprisonment for a term which may extend to five years.”

### **DISCLAIMER CLAUSE FROM OUR COMPANY AND THE BRLMs**

Our Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information would be doing so at his or her own risk.

The BRLMs accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs and us dated 4th May, 2006 and the Underwriting Agreement to be entered into between the Underwriters and us dated [●].

In addition to the Lead Manager, we are obliged to update the offer document and keep the public informed of any material changes till the listing and trading commencement.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations,



in research or sales reports, at bidding centers or elsewhere.

## **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, HUFs, 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) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. This Red Herring Prospectus does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself 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 Mumbai 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 the Draft Red Herring Prospectus has been filed with SEBI for observations as SEBI has given its observations and the final Red Herring Prospectus has been filed with ROC as per the provisions of the Act. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this 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 Red Herring Prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

## **CAUTION STATEMENT/COMPANY STATEMENT**

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

## **FILING**

A copy of the Draft Red Herring Prospectus has been filed with SEBI, Mittal Court, "A" Wing, Nariman Point, Mumbai - 400 021 Mumbai, A copy of the Prospectus, along with the material contracts and documents required to be filed under Section 60 of the Companies Act would be delivered for Registration to the Registrar of Companies Tamil Nadu, Coimbatore, Bombay Stock Exchange Limited, (BSE), P.J Towers, Dalal Street, Mumbai and the National Stock Exchange of India Ltd. (NSE), Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051, where the equity shares of the company are proposed to be listed.

## **LISTING**

The Equity shares of the company are proposed to be listed on the Bombay Stock Exchange Limited (BSE) (The Designated Stock Exchange) and the National Stock Exchange of India Ltd (NSE). The Company has received in-principle approval from BSE and NSE vide their letter No List /sdm/sm/ps/2006 Dated August 9, 2006 & letter No. NSE/LIST/29355-V dated September, 14,2006 respectively, for listing of the equity share being issued in terms of this Prospectus.

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

## **CONSENTS**

Consents in writing of : (a) Directors, Company Secretary, Compliance Officer, the Auditors, Legal Advisor to the Issue, Bankers to the Company; and (b) Book Running Lead Manager and Co- Book Running Lead Manager to the Public Issue, and Syndicate Members, Escrow Collection Bankers to the issue, Registrar to the Issue, Underwriter to the Issue, Monitoring Agency, to act in their respective capacities, have been obtained and would be filed along with a copy of this Red Herring Prospectus with the Registrar of Companies, Tamil Nadu, Coimbatore as required under Sections 60 and 60 B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with Registrar of Companies, Tamil Nadu, Coimbatore.

M/s. B. Rama Rao & Co. Chartered Accountants and Statutory Auditors of our company has given their written consent to the inclusion of the report in the form and content in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with Registrar of Companies, Tamil Nadu, Coimbatore.



## EXPERT OPINION

We have not obtained any expert opinion to the present issue except that of M/s. B. Rama Rao & Co. Chartered Accountants and Statutory Auditors of our company who has given the Tax Benefit Certificate.

## ISSUE EXPENSES

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertising expenses and listing fees. The estimated Issue expenses are as follows:

Rs. in lacs			
Expenses	Amounts in Rs. Lacs	Amount as a % of total issue expenses	Amount as a % of total issue size
Advertising	35.00	9.33%	0.93
Printing, Dispatch & Stationery	40.00	10.67%	1.06
Issue Management Fees and Brokerage	260.00	69.33%	6.92
Registrars Expenses	10.00	2.67%	0.27
Other Statutory Costs	30.00	8.00%	0.79
<b>TOTAL</b>	<b>375.00*</b>	<b>100.00%</b>	<b>9.98</b>

\*All expenses with respect to the Issue would be borne by our company.

## Details of Fees Payable

Sr. No	Particulars	Fees in Rs. Lacs	% of total Issue Expenses	% of total Issue Size
1.	Book Running Lead Manager's Fees	[●]	[●]	[●]
2.	Co- Book Running Lead Manager's Fees			
2	Registrar's fees	[●]	[●]	[●]

## PREVIOUS PUBLIC/ RIGHT ISSUES IN THE LAST FIVE YEARS.

Our Company has not made any Public Issue/ Rights Issues in the last five years.

## PREVIOUS ISSUE OF SHARES OTHER THAN FOR CASH

Our Company has not issued any equity shares for consideration other than cash.

## COMMISSION / BROKERAGE ON PREVIOUS ISSUES

Name of the Issue	Month and year	Commission & Brokerage
Not Applicable	Not Applicable	Not Applicable

## DETAILS OF THE CAPITAL ISSUES MADE DURING THE LAST 3 YEARS IN REGARD TO THE ISSUER COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF THE SECTION 370 (1) (B) OF THE COMPANIES ACT 1956

No capital issues have been made either by us or any other listed company under the same management within the meaning of the Section 370 (1) (b) of the Companies Act 1956 during the last 3 years.

## GROUP COMPANIES FOR WHICH APPLICATION TO THE ROC HAVE BEEN MADE FOR STRIKING OFF THEIR NAMES.

There are no Group Companies for which application to the ROC have been made for striking off their names.

## PROMISE VIS -A- VIS PERFORMANCE - LAST THREE YEARS

Our company has not made any issue of equity shares to the public prior to the present Public Issue.

## BROKERAGE

Brokerage for the Issue will be paid not more than @ 1.0% of the Issue Price of the Equity Shares by Pochiraju Industries Limited on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/ Agents' codes on the application form, our company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.





## **OUTSTANDING DEBENTURES, BONDS AND PREFERENCE SHARES**

As of date, our company does not have any outstanding Debentures, Bonds or Preference shares.

## **STOCK MARKET DATA FOR SHARES OF OUR COMPANY**

The equity shares of our company are not listed on any stock exchange.

## **INVESTOR GRIEVANCE REDRESSAL SYSTEM**

Our company has appointed Mr. P. Sudhakar Managing Director as Compliance Officer of our company, who deals with various regulatory authorities with respect to implementation / compliance of various laws, rules, regulations and other directives issued by SEBI / Stock Exchanges and matters related to investor complaints. The Compliance Officer can be contacted at the Registered Office of our company. Recently, our company has appointed M/s. Aarthi Consultants Private Limited, 1-2-285, Domalguda, Hyderabad - 500029, who will act as Registrar to the Issue, and will also become Share Transfer Agent of our company once the connectivity with NSDL & CDSL is activated. Registrars to the Issue will also handle the investors' grievances related to the Issue in co-ordination with Compliance Officer of our company. All grievances relating to the Present Issue may be addressed to the Registrars with a copy to the Compliance Officer, giving full details such as name of the applicant, address, number of Equity Shares applied for, amount paid on application and bank and branch. Our company would monitor the work of the Registrar to ensure that the investors' grievances are settled expeditiously and satisfactorily.

As per the agreement entered with Registrars to the Issue, the following investors' grievances pertaining to this Issue would be handled by them up to 12 months after the closure of the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to our company. Our company would also be coordinating with the Registrars to the Issue in attending to the grievances of the investors.

We assure that any complaints received, shall be disposed off as per the following schedule:

<b>Sr. No</b>	<b>Nature of the Investor's Complaint</b>	<b>Time Taken</b>
1	Non-receipt of the refund by Bidder	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2	Change of address of the Bidder	Within 7 days of receipt of information.
3	Any other complaint of the Bidder in relation to Issue	Within 7 days of receipt of complaint with all relevant details.

## **CHANGE IN AUDITORS**

There has been no change in the Auditors of our company during the past three years.

## **CAPITALISATION OF RESERVES OR PROFITS**

Our company has not capitalized its reserves or profits at any time.

## **REVALUATION OF ASSETS**

Our company has not revalued its assets so far since inception.

## **GROUP COMPANIES**

There are no Group Companies under the same management.

## **SUBSIDIARY COMPANIES**

There are no Subsidiary Companies under the same management.

## **OUTSTANDING DEBENTURES OR BONDS AND REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS ISSUED AND OUTSTANDING AS ON THE DATE OF THE RED HERRING PROSPECTUS AND TERMS OF ISSUE**

There are no outstanding debentures or bonds or redeemable preference shares and other instruments outstanding as on the date of this Red Herring Prospectus.



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## SECTION IX

### ISSUE RELATED INFORMATION

#### TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI (DIP) Guidelines, our Memorandum and Articles of Association, the terms of this Red Herring 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 the Companies Act, our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of Allotment.

#### Mode of Payment of Dividend

The declaration and payment of dividends will be recommended by our Board of Directors and passed by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. We shall pay dividends in modes as permitted by the Act from time to time.

#### Face Value and Issue Price per Share

The Equity Shares having a face value of Rs. 10/- each are being offered in terms of this Red Herring Prospectus at the Price Band of Rs. 25/- to Rs. 30/- per share. The issue price will be determined by our Company in consultation with the BRLMs on the basis of assessment of market demand for the equity shares offered by way of book building. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

#### Price Band

The Equity shares are being offered in the price band of Rs. 25/- and Rs. 30/-.

#### Compliance with SEBI Guidelines

Our Company shall comply with all requirements of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time. Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

#### Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed Public Limited Company under the Companies Act, terms of the listing agreements with the Stock Exchanges(s) and the Memorandum and Articles of Association of our Company.

For a detailed description of the main provision of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, etc., see the section entitled “Main Provisions of Articles of Association” beginning on [page 163](#) of this Red Herring Prospectus.





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### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors.

Since trading of the Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Offer will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of [•] Equity Shares to the successful bidders.

### **Nomination Facility to Investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the 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 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 our Registered Office or to the registrar and transfer agents 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 the Board, elect either:

- a) to register himself or herself as the holder of the equity shares; or
- b) to make such transfer of the equity shares, as the deceased holder could have made.

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

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode there is no need to make a separate nomination with our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investor wants to change the nomination, they are requested to inform their respective depository participant.

### **Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Issue amount, including devolvment of underwriters, if any, within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days, our Company and every director of our Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act.

### **Arrangements for Disposal of Odd Lots**

Since, our Equity Shares will be traded in dematerialized form only; the marketable lot is one (1) Equity Share. Therefore, there is no possibility of any odd lots.

Restrictions, If Any on Transfer and Transmission of Equity Shares/ Debentures and on their Consolidation/ Splitting

The restrictions, if any, on the Transfer and Transmission of our Equity Shares are contained in the section titled “Main Provisions of Articles of Association” beginning [on page 163](#) of this Red Herring Prospectus.

### **Period of Subscription**

Subscription list for public issues shall be kept open for at least 3 working days and not more than 10 working days.

### **Withdrawal of the Issue**

Our Company in consultation with the BRLMS reserves the right not to proceed with the issue any time after the Bid/Issue opening date but before allotment without assigning any reason thereof.



### Subscription by Non Residents, Eligible NRIs/FIIs

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a person Resident outside India) Regulations, 2000, there exists a general permission to the NRIs, FIIs and Foreign Venture Capital Investors registered with SEBI to invest in shares of an Indian company by way of subscription in a Public Issue. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIBP/RBI for the specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI. Applicants will be treated on the same basis with other categories for the purpose of allocation.

### Registration of Equity Shares under US Laws

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended 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 or benefit of, “U.S. persons” (as defined in Regulation S of the U.S. Securities Act, 1933), 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.

### ISSUE STRUCTURE

This Issue is being made through a 100% Book Building Process. The present Issue of [●] Equity Shares of face value of Rs.10/- each at a price of Rs. [●] aggregating to Rs. 3757.00 lacs comprising of (a) Net Issue to the Public of [●] Equity Shares of face value of Rs.10/- each at a price of Rs. [●] aggregating to Rs. (\*) lacs (b) Promoters contribution of [●] Equity Shares of face value of Rs.10/- each at a price of Rs. [●] aggregating to Rs. (\*) lacs, is being made through the Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Not Less than [●] Equity Shares	Not Less than [●] Equity Shares	Not Less than of [●] Equity Shares.
Percentage (%) of Issue Size available for allocation	Atleast 50% of Net Issue to the Public* including specific allocation of 5% within this category for Mutual Funds Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The Unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Not Less than 15% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Retail Individual Bidders.*	Not Less than 35% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Non Institutional Bidders.*
Basis of Allocation if respective category is oversubscribed	Proportionate a) Equity Shares shall be allocated on proportionate basis to Mutual Funds in the Mutual Funds portion b) Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per a) above.	Proportionate	Proportionate



	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
<b>Minimum Bid</b>	Such number of Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of 200 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of 200 Equity Shares.	200 Equity Shares and in multiples of 200 Equity Shares.
<b>Maximum Bid</b>	Not exceeding the net issue to public subject to regulations as applicable to the Bidder	Not exceeding the net issue to public subject to regulations as applicable to the Bidder	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 1,00,000
<b>Mode of Allotment</b>	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
<b>Market Lot / Trading Lot</b>	One Equity Share	One Equity Share	One Equity Share
<b>Bidding Lot</b>	[•] Equity Shares	[•] Equity Shares	[•] Equity Shares
<b>Who can Apply **</b>	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, 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.	Companies, Corporate Bodies, Scientific Institutions, Societies, Trusts, Resident Indian individuals, HUF (in the name of Karta), and NRIs (applying for an amount exceeding Rs. 1,00,000/-)	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.
<b>Terms of Payment</b>	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application form to the syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application form to the syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application form to the syndicate
<b>Margin Amount</b>	10% of the Bid Amount	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 any category, would be allowed to be met with spillover inter-se from any other categories, at the discretion of our Company in consultation with the BRLMs 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.

**Note :**

- Equity Shares being offered through this Red Herring Prospectus can be applied for in dematerialized form only.



## ISSUE PROCEDURE

**Note: The SEBI Guidelines have been amended. Pursuant to those amendments, certain significant changes have been made, including with regard to the allocation procedure for QIBs, mode of making refunds payments. Certain changes may be made to the terms of the Issue and the description of the Issue procedure based on the discussions the BRLMs may have and clarifications that they may obtain from SEBI, RBI and the Stock Exchanges.**

### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a proportionate basis (of which 5% shall be allocated for Mutual Funds). Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public 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.

Bidders are required to submit their Bids through the members of the Syndicate. Further, QIB bids can be submitted only through the BRLMs. We, in consultation with the BRLMs, reserve the right to reject any QIB Bid procured by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejections shall be made at time of acceptance of the Bid and the reasons thereof shall be disclosed to the Bidders. 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 Equity Shares would be allotted to all successful Bidders only in dematerialized 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 dematerialized segment of the Stock Exchanges.**

### Illustration of Book Building and Price Discovery Process

*(Investors should note that this illustration is solely for the purpose of illustration and is not specific to the Issue)*

The Bidders can bid at any price within the Price Band. For instance, assume a Price Band of Rs. 60 to Rs. 72 per Equity Share, Issue size of 5,400 Equity Shares and receipt of five Bids from the Bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the Bidding/Issue Period. The illustrative book as set forth below shows the demand for the Equity Shares of Our Company at various prices and is collated from Bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
1,500	72	1,500	27.78%
3,000	69	4,500	83.33%
4,500	66	9,000	166.67%
6,000	63	15,000	277.78%
7,500	60	22,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which our Company is able to issue the desired quantity of Equity Shares is the price at which the book cuts off, i.e., Rs.66 in the above example. Our Company, in consultation with the BRLMs, will finalize the Issue Price at or below such cut off price, i.e., at or below Rs.66. All Bids at or above this Issue Price and cut-off Bids are valid Bids and are considered for allocation in the respective category.

### 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 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 allotment of Equity Shares, dispatch of the CAN / Allocation Advice 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 authorized us to make the necessary changes in this 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 the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.



The prescribed color of the Bid-cum-Application Form for various categories is as follows:

Category	Color of Bid-cum-Application Form
Indian Public including QIB, Non Institutional Bidders or NRIs applying on a non-repatriation basis	White
Non-residents include NRIs, FIIs, Foreign Venture Capital Fund / Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis.	Blue

#### Who Can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- 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: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
- Indian mutual funds registered with SEBI;
- Indian financial institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI; subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue.
- State Industrial Development Corporations;
- Insurance companies registered with the Insurance Regulatory and Development Authority;
- Provident funds with minimum corpus of Rs. 25 crore and who are authorized under their constitution to invest in Equity Shares;
- Pension funds with minimum corpus of Rs. 25 crore and who are authorized under their constitution to invest in Equity Shares;
- Multilateral and bilateral development financial institutions;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in equity shares;
- Eligible Non-residents including NRIs on a repatriation basis / non- repatriation basis subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue. FIIs on a repatriation basis subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue.
- Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.

As per existing regulations, Overseas Corporate Bodies (OCBs) cannot bid/participate in this Issue.

*Note :* The BRLM(s) and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

**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 applicable law , rules, regulations, guidelines and approvals.**

#### Application by Mutual Funds:

**In accordance with 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 by index funds or sector or industry



specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

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.

#### **Application by NRIs:**

Bid cum Application Forms have been made available for NRIs at the registered office of Our Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in color). All instruments accompanying Bids shall be payable at Mumbai only.

#### **Application by FIIs:**

##### **In accordance with the current regulations**

The Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of our Company (i.e. 10% of [•] Equity Shares). In respect of an FII investing in the Equity Shares 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 our Company in case such sub-account is a foreign corporate or an individual.

##### **Application by SEBI registered Venture Capital Fund & Foreign Venture Capital Funds:**

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 33.33% of the corpus of the venture capital fund/foreign venture capital investor.

The above information is given for the benefit of the Bidders. The Bidders are advised to make to their own enquiries about the limits applicable to them. Our Company and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLMs are not liable to inform the investors of any amendments or modification or changes in applicable laws or regulations, which may occur 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**

**For Retail Individual Bidders:** The Bid must be for minimum 200 Equity Shares and in multiples of 200 Equity Shares thereafter subject to maximum bid amount of Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 due to revision in bid or revision of the Price Band or on exercise of Cut-off price option, the Bid would be considered for allotment under the Non-Institutional Bidders category. The Cut-off price option 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.

**For Non-Institutional Bidders and QIBs Bidders :** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 1,00,000 and in multiples of 200 Equity Shares thereafter. A Bid cannot be submitted for more than the net issue to public. However, the maximum Bid by a QIB 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. 1,00,000, for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of Price Band, the same would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'Cut-off price'.

#### **Information for the Bidders**

1. We will file the Red Herring Prospectus with the RoC/Designated Stock Exchange at least 3 (three) days before the Bid/Issue Opening Date.
2. The Price Band shall be advertised at least one day prior to the Bid opening date/Issue opening date. Meanwhile, the Bidders can be guided by the secondary market prices of the Equity Shares.





3. The members of the Syndicate will circulate copies of this Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors.
4. Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of this Red Herring Prospectus/ Bid-cum-Application Form can obtain the same from our Registered Office or from the BRLMs, or from a member of the Syndicate.
5. Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLMs or Syndicate Member or their authorized agent(s) to register their Bid
6. The Bids should be compulsorily submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.

#### **Method and Process of bidding**

1. We, with the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date in the Red Herring Prospectus filed with RoC and publish the same and the Price Band in two national newspapers (one each in English and Hindi). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX-A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period.
2. Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
3. The Bidding Period shall be a minimum of 3 (three) days and not exceed 7 (seven) working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional 3 (three) days, subject to the total Bidding Period not exceeding ten working days.
4. During the Bidding Period, the Bidders may approach 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.
5. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" on this 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.
6. 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 bidding 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 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 paragraph "Build up of the Book and Revision of Bids" on this Red Herring Prospectus.
7. The members of the Syndicate 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 TRSs for each Bid cum application Form. **It is the responsibility of the bidder to obtain the TRS from the Syndicate Member.**
8. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Collection Account" on the Red Herring Prospectus.

#### **Bids at Different Price Levels**

1. The Price Band has been fixed at Rs. 25/- to Rs. 30/- per Equity Share, Rs. 25/- being the floor of the Price-Band and Rs. 30/- being the cap of the Price Band. The Bidders can bid at any price within the price Band, in multiples of Re.1/-.
2. In accordance with SEBI Guidelines, our Company in consultation with the BRLM in accordance with this clause, without the prior approval of, or intimation, to the Bidders, can revise the Price Band. 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. In case of a revision in





the Price Band, the Issue will be kept open for a further period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days.

3. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, 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 also indicating the change on the relevant websites of the BRLMs and the terminals of the members of the Syndicate.
4. We, in consultation with the BRLMs, can finalize the Offer Price within the Price Band without the prior approval of, or intimation to, the Bidders.
5. 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 applying for a maximum Bid in any of the bidding options not exceeding Rs. 1, 00,000 may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.
6. Retail Individual Bidders who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off 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 (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders, who bid at Cut off Price, shall receive the refund of the excess amounts from the Refund Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off 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. 1, 00,000 if the bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.1, 00,000, the Bid will be considered for allocation under the Non-Institutional category in terms of this 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 downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders shall be deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size will be suitably revised such that the minimum application falls within the range of Rs. 5,000/- to Rs. 7,000/-.

#### **Option to Subscribe**

Equity Shares being offered through this Red Herring Prospectus can be applied for in dematerialized form only.

#### **Escrow Mechanism**

1. Our Company and members of the Syndicate 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 for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account of our Company. 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 an amount equivalent to Issue proceeds (i.e. Final Issue price multiplied by the number of Equity Shares allotted through this issue) from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with our Company and the balance amount shall be transferred to the Refund Account, from where payment of refund to the Bidders shall be made.
2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between our Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

#### **Terms of Payment and Payment into the Escrow Collection Account**

Each Bidder, shall pay the applicable Margin Amount greater than 0%, shall, with the submission of the Bid-cum-Application Form draw a cheque/ 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 paragraph “Payment Instructions” on this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. In case of QIB Bidders, the applicable Margin Amount has to be submitted along with the Bid to the members of the Syndicate. Bid-cum-Application Forms accompanied by cash or stock invests 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 from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account and Refund Account. Not later than 15 days from the Bid / Issue Closing Date, our Company will instruct the Refund Banker to refund all amount payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders, failing which our Company shall pay interest @15% per annum for any delay beyond the period mentioned above.

Each category of Bidders (i.e. QIBs, 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 Money payable by each category of Bidders is mentioned under the heading “Issue Structure” in this 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 no 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 BRLMs. If the payment is not made favoring 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 Form.

#### **Electronic Registration of Bids**

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one NSE/ BSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding Period. Members of the Syndicate 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 Member shall upload the Bids till such time as may be permitted by NSE and BSE.
- (c) The aggregate demand and price for Bids registered on their electronic facility of NSE and BSE will be uploaded on a regular basis and display graphically the consolidated demand at various price levels. This information can be assessed on BSE’s website at [www.bseindia.com](http://www.bseindia.com) or on NSE’s website at [www.nseindia.com](http://www.nseindia.com)
- (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 (Investors should 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);
  - Investor Category - Individual, Corporate, NRI, QIBs, FII, Mutual Fund, etc.
  - Numbers of Equity Shares bid for.
  - Bid price and applicable Margin Amount.
  - Bid-cum-Application Form Number.
  - Whether payment is made upon submission of Bid-cum-Application Form.
  - Depository Participant Identification No. and Client Identification No. of the Demat 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 members 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, all or any of the members of the Syndicate may reject QIB Bids provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of such rejection. In case of Non-Institutional Bidders and Retail Individual Bidders, bids would not be rejected except on the technical grounds listed on this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and 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 BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the 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.

#### **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 NSE or BSE mainframe on a regular basis.
- (b) The book gets build up at various price levels. This information will be available with the BRLMs on a regular basis.
- (c) 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.
- (d) Revisions can be made in both the desired numbers of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her 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 that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) 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 the Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- (f) 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 has placed the original Bid. Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.
- (g) 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.**
- (h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In the event of discrepancy of data between the Bids registered on the online IPO system and the physical Bid cum Application Form, the decision of Our Company in consultation with the BRLMs, based on the physical records of Bid/cum Application Forms, shall be final and binding on all concerned.

#### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the BRLMs shall analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) We, in consultation with the BRLMs shall finalize the "Issue Price", the number of Equity Shares to be allotted.
- (c) The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue to public, respectively, the allocation to QIBs for up to 50% of the Net Issue to public, of which 5% shall be reserved for Mutual Funds, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any, in any category would be to be met with spill over from any of the other categories at our discretion, in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB



Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

- (e) Allocation to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission, if applicable, for Allotment of Equity Shares to them.
- (f) The BRLMs, in consultation with our Company shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) We in consultation with the BRLMs reserve the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons whatsoever.
- (h) In terms of SEBI 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) Our Company, the BRLMs, 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 will 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, Issue Size, underwriting arrangements and would be complete in all material respects.

#### **Filing of the Prospectus with the RoC**

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC, Coimbatore. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC, Coimbatore.

#### **Announcement of Pre-Issue advertisement**

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on the 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 daily newspaper with wide circulation and one regional daily newspaper with wide circulation.

#### **Advertisement regarding Issue Price and Prospectus**

We will issue a statutory advertisement 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 the Red Herring Prospectus and the date of the Prospectus will be included in such statutory advertisement.

#### **Issuance of Intimation Note and Confirmation of Allocation Note to bidders, other than QIBs**

The Registrar to the Issue shall send Confirmation of Allocation Note/Allotment Advice-cum-Refund Orders to all the Bidders intimating the number of shares allotted and the amount refunded.

#### **Issuance of Intimation Note and Confirmation of Allocation Note to QIB bidders**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. Based on the electronic book, if so required, QIBs may be sent an Intimation Note, indicating the number of Equity Shares that may be allocated to them and the additional margin required which shall be payable by the QIBs within the pay-in date specified therein. This Intimation Note is subject to the Basis of Allotment, which will be approved by BSE 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 reconciled book and basis of allotment as approved by BSE. In addition, there are foreign investment limitations applicable to our Company, which may result in a change (including a potential decrease) in the number of Equity Shares being finally allotted to non-resident investors (including FIIs). As a result, a CAN may be sent to QIBs and the allocation of Equity Shares in such CAN may be different from that specified in the earlier Intimation Note. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract for the QIB for all the Equity Shares allocated to such QIB



### **Designated Date, Allotment of Equity Shares and Transfer of Funds to Public Issue Account**

- a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would allot the Equity Shares to the allottees and would ensure the credit to the successful Bidders depository account within two working days of the date of allotment. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- b) In accordance with the SEBI DIP Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**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**

#### **Do's:**

- a) Check if you are eligible to apply;
- b) Read all the instructions carefully and complete the resident Bid-cum-Application Form (white in color) or Non-Resident Bid-cum-Application Form (blue in color) as the case may be;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct, as allotment of Equity Shares will be in the dematerialized form only;
- d) Ensure that the Bids are submitted at the Bidding Centers only on forms bearing stamp of the Syndicate Member;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- g) 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. The copy of the PAN card or the PAN allotment letter should be submitted with the application form; and
- h) If you have mentioned "Applied For" or "Not Applicable" in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.
- i) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.
- j) Ensure that the Bid is within the Price Band;
- k) 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.

#### **Don'ts:**

- a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b) Do not Bid for lower than minimum Bid size;
- c) Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- e) Do not pay Bid amount in cash, through Stock Invest, by money order or postal order;
- f) Do not Bid at cut off price (for QIB Bidders and Non-Institutional Bidders for whom the Bid Amount exceeds Rs. 1,00,000);





- g) Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable law.
- h) Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only.
- i) Do not provide your GIR number instead of PAN number;
- j) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by a QIB.

#### **Instructions for completing the Bid-Cum-Application Form**

Bidders can obtain Bid-cum-Application Forms and /or Revision Forms from Our Registered Office/ the Syndicate Member(s)/ BRLMs.

#### **Bids and Revisions of Bids**

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white color for Resident Indians and blue color for NRI or FII or foreign venture capital fund registered with SEBI applying on repatriation basis).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum of Rs. 1, 00,000.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws or regulations.
- (e) In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

#### **Bidder's Bank Details**

Bidders should note that on the basis of name of the Bidders, Depository Participants Name, Depository Participants 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 Bidder's bank account details. **These bank account details would be printed on the Refund order/ Refund Advices, if any, to be sent to the Bidders and for giving refund through any of the mode namely ECS or Direct Credit or RTGS. 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 Bidder's sole risk and neither the BRLMs nor our Company shall have any responsibility and undertake any liability for the same.

#### **Bidder's Depository Account Details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE 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-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, occupation, bank account details for printing on refund orders / refund advices and for giving refund through any of the modes namely: ECS or Direct Credit or RTGS



(hereinafter 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/ refund advice / ECS credit for refunds/ Direct Credit of refund/CANs/Allocation Advice and printing of Bank particulars on the refund order / refund advice and the Registrar would not use the Demographic Details given by Bidders in the Bid-cum-Application Form for these purposes.

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 Advice / Refund Orders/ Allocation Advice/ CANs would be mailed at address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ refund advice/ 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 Bidders 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.

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.

Investors should note that the refund cheques/allocation advice/refund advice would be overprinted with details of bank account as per the details received from the depository.

#### **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 & Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, the Issuer reserves the right to accept or reject any bid in whole or in part.

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 submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part.

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part.

In case of Bids made by provident fund with the minimum corpus of Rs. 25 crore and pension fund with the minimum corpus of Rs. 25 crore, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part.

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, our Company reserves the right to accept or reject any Bid in whole or in part.

We, in our absolute discretion, reserve 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 and conditions as our Company/BRLMs may deem fit.

#### **Bids by NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis**

##### **Bids and Revision to Bids must be made:**

- On the prescribed Bid cum Application Form or Revision Form, as applicable 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. 1,00,000/- for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs. 1, 00,000/- would be considered under Non Institutional Category for the purposes of allocation. For further details see "Maximum





and Minimum Bid Size” on the Red Herring Prospectus;

- **By FIIs** for a minimum [.] Equity Shares and in multiples of [.] thereafter that the Bid Amount exceeds Rs. 1, 00,000; for further details see “Maximum and Minimum Bid Size” on this Red Herring Prospectus.
- 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 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.

**It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.**

### **Payment Instructions**

We along with BRLMs and Syndicate Member(s) shall open an Escrow Account of our Company with the Escrow Collection Banks 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 to the Issue**

1. The applicable Margin Amount for Non Institutional Bidders, Retail Individual Bidders and Bidders under Employees Reservation Portion is equal to 100% whereas for QIBs it is 10% and while submitting the Bid cum Application Form, shall be drawn as a payment instrument for the Bid Amount in favour of the Escrow Account and submitted to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding 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 of our Company within the period specified in the Intimation Note / CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
3. The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:
  - (i) In case of Resident Bidders: **“Escrow Account- Pochiraju Industries limited Public Issue”**
  - (ii) In case of Non Resident Bidders(on repatriable basis): **“ Escrow Account -Pochiraju Industries limited Public Issue - NR”**
  - (iii) In case of Resident QIB Bidders: **“ Escrow Account -Pochiraju Industries limited Public Issue - QIB-R”**
  - (iv) In case of Non Resident QIB Bidders: **“ Escrow Account -Pochiraju Industries limited Public issue - QIB-NR”**
4. 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 authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
5. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.



6. Where a Bidder has been allocated a lesser number of Equity Shares than what 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 of our Company.
7. The monies deposited in the Escrow Account of our Company will be held for the benefit of the Bidders till the Designated Date.
8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of our Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue and refund account with the refund banker.
9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the refund banker shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

**Payments should be made by cheque, or demand drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheque/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/ Stock invest/ Money Orders/ Postal Orders will not be accepted.**

#### **Payment by Stock invest**

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-2004 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. Hence, payment through stock invest will not be accepted.

#### **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 member of the syndicate at the time of submitting the Bid-cum-Application Form. The BRLMs/ Syndicate Member may at their discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form. However, for QIB Bidders, the members of the Syndicate shall collect the Margin Amount.

**No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the Syndicate Member 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 the case of Individuals**

Bids may be made in single or joint names (not more than three). In the 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 ("First Bidder"). All communications 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 in single or joint names will be deemed to be multiple bids if the sole and/ 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 concerned for which the Bid has been made. The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

We reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

##### **Permanent Account Number (PAN)**

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 I.T. 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 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 License (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 Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

#### **Unique Identification Number (UIN)**

With effect from 01st July 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (MAPIN) and the requirement to quote MAPIN under MAPIN Regulations/Circulars vide its circular MAPIN/Circular-13/2005.

However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100, 000 to Rs.500, 000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500, 000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN regulations.

#### **Our Right to Reject Bids**

Our company in consultation with the BRLMs may reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bid and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of the Bid. In case of Non Institutional Bidders and Retail Individual Bidders our Company will have the right to reject Bids only on technical grounds. Consequent refunds shall be made by cheque / pay order / draft / ECS / Direct Credit / RTGS / NEFT, as the case may be, and will be sent to the bidder's address at the bidder's risk.

#### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:-

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
4. PAN Photocopy/ PAN communication/ Form 60 or 61 declaration along with documentary evidence in support of address given in the declaration not given, if Bid is for Rs. 50,000 or more;
5. Bids for lower number of Equity Shares than specified for that category of investors;
6. Bids at a price less than the lower end of the Price Band;
7. Bids at a price more than the higher end of the Price Band;
8. Bids at cut-off price by Non-Institutional and QIB Bidders;
9. Bids for number of Equity Shares, which are not in multiples of [•];
10. Category not ticked;



11. Multiple bids as defined in this Red Herring Prospectus;
12. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Bids accompanied by Stock invest/money order/ postal order/ cash;
14. Bids not duly signed by the sole/joint Bidders;
15. Bid-cum-Application Form does not have the stamp of the Syndicate Member;
16. Bid-cum-Application Form does not have Bidder's depository account details;
17. Bid-cum-Application Forms are not submitted 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; or
18. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
19. In case no corresponding record is available with the Depositories that matches 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;
20. Bids by OCBs;
21. Bids by NRIs not disclosing their residential status.
22. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act;
23. Bids by partnership firms.
24. If GIR number is given instead of PAN

#### **Equity Shares in Dematerialized 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 dematerialized 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 tripartite agreements have been signed among our Company, the Depositories and the Registrar:

1. An Agreement dated 14.10.2006 among NSDL, our Company and Aarthi Consultants Private Limited; and
2. An Agreement dated 22.09.2006 among CDSL, our Company and Aarthi Consultants Private Limited

**All Bidders can seek Allotment only in de-materialized mode. Bids from any Bidder without the following details of his or her depository account are liable to be rejected:**

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. 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.
3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).
5. 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.
6. 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/her Depository Participant.
7. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.



8. The trading of our Equity Shares would only be in dematerialized form for all investors in the demat segment of the respective Stock exchanges.
9. Investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them, pursuant to the issue.
10. Non-transferable allocation advice or refund orders will be directly sent to the Bidder by the Registrar to the Issue.

## COMMUNICATIONS

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, Bidders Depository Account details, number of Equity Shares applied for, date of Bid Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

**Investor's can contact Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue Problems such as non - receipt of letter of allotments credit of allotted shares in the respective beneficiary account, refund orders, etc. Contact details of the Compliance Officer and Registrar to the issue are given under the heading "Issue Management Team" on page no. 8 of this RHP.**

## DISPOSAL OF APPLICATIONS AND APPLICATION MONEY

We shall ensure dispatch of allotment advice and/or refund orders/refund advice (in case refunds made through ECS/ Direct Credit, RTGS, NEFT) as the case may be giving credit to the Beneficiary Account of the bidders with their respective Depository Participant 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.

The mode of dispatch of refunds shall be as under:

- a) In case of applicants residing at any of the centers specified by SEBI viz Ahmedabad, Bangalore, Bhubneshwar, Kolkatta, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram - refunds shall be credited through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer);
- b) In case of applicants residing at places other than those specified in (a) above and where the value of refund order is Rs.1500/- or more, refund orders will be dispatched to the applicants by registered post or speed post and where the value is less than Rs. 1500/- refund orders will be dispatched under certificate of posting at the sole or First Bidder's sole risk(subject however to postal rules);
- c) In case of any category of applicants specified by the SEBI - 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 our 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, our Company, further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- Our Company shall, within 15 days of the Bid/Issue Closing Date, ensure giving instruction in respect of refunds to the clearing system or dispatch the refund orders as the case may be; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment/transfer is not made, refund orders are not dispatched or refund instructions have not been given to the clearing system in the manner disclosed above and/or demat credits are not made to bidders within the 15 day time prescribed above.

Our Company will provide adequate funds required to the Registrar to the Issue for refunds to unsuccessful applicants or allotment advice. Refunds if, not made by Electronic Clearing Services (ECS), Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) will be made through cheques, 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 centers will be payable by the Bidders.





Where refunds are made through electronic transfer of funds, a suitable communication will be sent to the bidders within 15 days of closure of the issue, giving details of the Bank where refund will be credited along with amount and expected date of electronic credit of refund.

**The bank account details for ECS/ Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) credit will be directly taken from the depositories' database and hence bidders are required to ensure that bank details including MICR code maintained at the depository level are updated and correct.**

#### **Interest on Refund of excess Bid Amount**

We 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 GoI, 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**

##### **1. For Retail Individual 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 portion. The allocation to all the successful Retail individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which 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 allocation 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 allocation shall be made on a proportionate basis up to a minimum of 200 Equity Shares or in multiples of one Equity Share. For the method of proportionate basis of allocation, refer below.

##### **2. 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 portion. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIBs and Retail Portion shall be available for allocation to Non- Institutional Bidders who have bid in the Issue at a price, which 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 allocation 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, allocation shall be made on a proportionate basis up to a minimum of [•] Equity Shares or in multiples of one Equity Share. For the method of proportionate basis of allotment refer below.

##### **3. For QIB Bidders**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIBs will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which 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 5% of the QIB Portion shall be determined as follows:
    - i. In the event that Mutual Fund Bids exceed 5% of the QIB portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB portion.
    - ii. In the event that the aggregate demand for 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 share remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;



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- (b) In the second instance allocation to all QIB's shall be determined as follows:
- i. In the event that the oversubscription in the QIB portion, all QIB bidders who have submitted bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB portion
  - ii. Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Share on a proportionate basis along with other QIB Bidders.
  - iii. Under-subscription below 5% of the QIB portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB bidders on a proportionate basis
- (c) The aggregate allocation to QIB Bidders shall not be more than [•] Equity Shares.

### **Procedure and Time Schedule For Allotment And Issue Of Certificates**

The Issue will be conducted through a "100% book building process" pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period commenced on [•] and expires on [•]. Following the expiration of the Bidding Period, our Company, in consultation with the BRLMs, will determine the issue price, and, in consultation with the BRLMs, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the Stock Exchange. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with Registrar of Companies and SEBI. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days from the Bid/Issue Closing Date. The Equity Shares will then be credited and allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchange, the Equity Shares will be listed and trading will commence.

### **Method of Proportionate Allotment**

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment to QIB, Retail Individual Bidders and Non-Institutional Bidders in consultation with the Designated Stock Exchange. The Executive Director/Managing Director of the Designated Stock Exchange (or any other senior official nominated by them) along with the post Issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.

- a. The allotment shall be made in marketable lots, on a proportional basis as explained below:  
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, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of 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, which is total number of Equity Shares, applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- d. In all Bids where the proportionate allotment is less than 200 Equity Shares per Bidder, the allotment shall be made as follows:
  - Each successful Bidder shall be allotted a minimum of 200 Equity Shares; and
  - The successful Bidders out of the total Bidders for a category 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.
- e. If the proportionate allotment to a Bidder works out to a number that is more than [•] but is a fraction, the fraction would be rounded off to the higher whole number if that decimal is 0.5 or more. If that decimal 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.
- 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 category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category 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 and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Applicants residing at 15 centers where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only (subject to availability of all information for crediting the refund through ECS). In case of other applicants, the Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the ECS facility. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue. We shall ensure dispatch of refund orders, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Bidder’s sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the issuer.

In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI DIP Guidelines, we 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;
- 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 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 DIP Guidelines.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Refund Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility. Bank charges, if any, for encasing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

### Dispatch of Refund Orders

Please refer to the heading ‘Disposal of application and application money on this Red Herring Prospectus.

### Interest in case of delay in Dispatch of Allotment Letters/Refund Orders or delay in refund instructions

Our Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of public issue. Our Company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the date of the closure of the issue.

### Bid/Issue Programme

Bidding Period / Issue Period

<b>BID / ISSUE OPENS ON</b>	<b>15th January, 2007</b>
<b>BID / ISSUE CLOSES ON</b>	<b>18th January, 2007</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/Issue Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) or such time as may be extended and uploaded till such time as permitted by the BSE and NSE.



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

#### **UNDERTAKING BY OUR COMPANY**

We undertake as follows:

- (a) That the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) That all steps shall take all steps 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;
- (c) That the funds required for making the refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by our company;
  - i. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.)
- (d) That the Promoters Contribution in full would be brought in advance before the Issue opens for public subscription
- (e) That the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- (f) That no further issue of Equity Shares shall be made until the Equity Shares Offered through this Red Herring Prospectus are listed or until the Bid Money's are refunded on account of non-listing, under-subscription etc.

#### **UTILISATION OF ISSUE PROCEEDS**

Our Board of Directors certifies that:

- (a) All monies received out of the Issue of shares 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;
- (b) Details of all monies utilized out of the Issue referred above under the sub item (a) shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized;
- (c) Details of all unutilized monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.
- (d) The utilization of monies received under Promoter's Contribution shall be disclosed under an appropriate head in the Balance Sheet of our Company indicating the purpose for which such monies have been utilized; and
- (e) Details of all unutilized monies out of the Promoters' Contribution, if any, shall be disclosed under the appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the stock Exchanges where listing is sought has been received.

#### **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the Industrial Policy of the Government of India notified through press notes and press releases issued from time to time and the FEMA and circulars and notifications issued there under. While the policy of the Government 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 of the Government, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment.



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 offer 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. In our Company, as of date the aggregate FII holding cannot exceed 24% of the total issued share capital.

### **Investment by Non-Resident Indians**

A variety of special facilities for making investments in India in shares of Indian Companies is available to individuals of Indian nationality or origin residing outside India (“NRIs”). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of our company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the post-issue paid up capital of the Company. No single NRI may own more than 5% of the post- issue paid up capital of the Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non repatriable.

In the case of NRIs under Portfolio Investment Scheme it is to be ensured that the paid up value of the shares purchased by an NRI on repatriable/non-repatriable basis under Portfolio Investment Scheme should not exceed 5% of the post-issue paid up share capital of our Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non-repatriable.

### **As per the RBI regulations, OCBs cannot participate in this Issue.**

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 or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

### **As per the current regulations, the following restrictions are applicable for investments by FIIs:**

Foreign Institutional Investors (“FIIs”) including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI’s general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realize capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

No single FII can hold more than 10% of the post-issue paid-up capital of our Company (i.e., 10% of [.] Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub account is a foreign corporate or an individual.

The above information is given for the benefit of the Bidders. The Bidders are advised to make to their own enquiries about the limits applicable to them. Our Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLM are not liable to inform the investors of any amendments or modification or changes in applicable laws or regulations,



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**SECTION-X**  
**DESCRIPTION OF EQUITY SHARES AND TERMS OF THE**  
**ARTICLES OF ASSOCIATION**  
**MAIN PROVISIONS OF ARTICLES OF ASSOCIATION**

1. Save as produced herein the regulations contained in Table 'A' in the first schedule to the companies act, shall not apply to the company.
2. The provisions of the Companies Act, 1956 and or any statutory modifications there of at any time shall apply to the Company. Wherein the constructions or interpretations of any of the following regulations it is found that the same are inconsistent or repugnant to the provisions of the aforesaid Act, the provisions of the Companies Act ,1956 with statutory modifications thereof shall apply.

The marginal notes here to shall not affect the construction hereof, in these presents, unless there is something in the subject or context inconsistent there with.

Words and expressions contained in these regulations shall bear the same meaning as in the Companies Act, or any statutory modification there of.

“The Company” means **POCHIRAJU INDUSTRIES LIMITED**

“The Act” means the Companies Act, 1956.

“The Office” means the registered office for the time being of the Company.

“The Register” means the Register of Members to be kept pursuant to the said Act.

“The Proxy” includes Attorney duty constituted under a power of attorney.

“Dividend” includes Bonus.

“Month” means English Calendar month.

“Year” means English Calendar year.

“In Writing “or “Written “means and includes words printed, lithographed, represented, reproduced in any mode in a visible form.

“The Directors” means the Directors for the time being of the Company and includes alternate Directors.

“Executor” or “ Administrator” means a person who has obtained probate or Letter of Administration, as the case may be, from some competent Court having effect in India and shall include an Executor or Administrator or the holder of a certificate, appointed or granted by such competent Court and authorised to negotiate or transfer the shares of the deceased member.

Words importing the singular number include the plural and vice versa. Words importing person include corporation. Words importing the masculine gender shall include the feminine gender and vice versa.

#### **2A. FURTHER ISSUE OF SHARES**

1. Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares then :
  - (a) Such further 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;
  - (b) The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;
  - (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right;



- (d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company.
2. Notwithstanding anything contained in sub-clause (1) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) 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 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 so to do, 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 this behalf, that the proposal is most beneficial to the company.
3. Nothing in sub-clause (c) of (1) hereof shall be deemed :
- (a) To extend the time within which the offer should be accepted ; or
- (b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
4. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued by the company :
- (a) To convert such debentures or loans into shares in the company; or
- (b) To subscribe for shares in the company.

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the Central Government before the issue of debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf ; and
- (b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the company in General Meeting before the issue of loans. (\*)
- (\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006

## **SHARES**

### **DIVISION OF CAPITAL**

- 3 (i) The Share Capital of the Company is Rs.20,00,00,000 (Rupees Twenty Crores only) divided into 2,00,00,000 (Two Cores only) Equity Shares of Rs.10/- (Rupees Ten only) each with rights and conditions attaching thereto, as are provided by the Regulations of the Company for the time being with power to increase, reduce, divide the shares in the Capital for the time being into several classes and to attach thereto respectively subject to the laws for the time being in force, such rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company. (\*)
- (\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-04-2006
- (ii) The preference shares, if any, shall confer on the holders thereof the right to receive affixed cumulative preference dividend at such rate per annum as shall be decided by the Company at the time of issue and the right in a winding up to payment of capital and arrears of dividend wherever declared or not upto the commencement of winding up in priority to the equity shares but shall not confer only further right to participate in profits or assets.

### **REDEEMABLE PREFERENCE SHARES**

4. Subject to the provisions of Section 80 of the Act and these Articles, the Company shall have power to issue preference shares carrying a right to redemption out of profits or out of the proceeds of a fresh issue of shares made for the purposes of such redemption or liable to be so redeemed at the option of the Company.



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## SHARES AT A DISCOUNT

5. With the previous authority of the Company in General Meeting and the sanction of the Court and upon otherwise complying with Section 79 of the Act, it shall be lawful for the Board of Directors to issue at a discount shares of a class already issued.

### FURTHER ISSUE OF SAME CLASS OF SHARES

6. The rights conferred upon the holders of the shares of any class with preferred or other rights shall not unless otherwise expressly provided by the terms of issue or the shares of that class be deemed to be varied by the creation of issue of further shares ranking pari passu therewith.

6. (I) Nomination

1. Every shareholder or debenture holder of the Company, may at anytime nominate, in the prescribed manner, a person to whom his shares in, or debentures of the company shall vest in the event of his death.
2. Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person, to whom all the rights in the shares or debentures of the company as the case may be, shall vest in the event of death of all the joint holders.
3. Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the company, where a nomination made in the prescribed manner purports to confer on a any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or debenture holder or, as the case may be, or on the death of the joint holders, become entitled all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied, cancelled in the prescribed manner.
4. Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his death, during the minority.

6. (II) Transmission of Securities by nominee -

A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either:

1. to be registered himself as holder of the share or debenture as the case may be, or
2. to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debenture holder, could have made.
3. if the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder as the case may be.
4. a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the share or debenture except that he shall not, before being registered as a member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company.

Provided further that the Board may, at any time, give notice requiring any such person, to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share or debenture, until the requirements of the notice have been complied with.

6. (III) 'Dematerialization of Securities'

1. For the purpose of this Article:

Definitions

"Beneficial Owner" means a person whose name is recorded as such with a Depository.

"SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange





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Board of India Act, 1992.

“Depositories Act” means the Depositories Act, 1996, including any statutory modifications or re-enactment thereof for the time Being in force.

“Bye-Laws” means byelaws made by a Depository under Section 26 of the Depositories Act.

“Depository” means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of Registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.

“Member” means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as a Beneficial Owner in the records of the Depository.

“Debenture Holder” means the duly registered holders from time to time of the debentures of the Company.

“Participant” means a person registered as such under Section 12 (1A) of the Securities and Exchange Board of India Act, 1992.

“Record” includes the records maintained in the form of books or stored in Computer or in Such other form as may be determined by regulations made by SEBI in relation to the Depositories Act.

“Regulations” mean the regulations made by the SEBI.

“Security” means such security as may be specified by the SEBI.

Words imparting the singular number only include the plural number and vise versa.

Words imparting persons include corporations. Words and expressions used and not defined in the Act but defined in the Depositories Act shall have the same meanings respectively assigned to them in that Act.

Company to recognize interest in dematerialized Securities Under Depositories Act:

2. Either the Company or the investor may exercise an option to issue, deal in, and hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialized in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modification thereto or Re-enactment thereof.

Dematerialization of Securities:

3. Notwithstanding anything contained in these Articles of the company shall be entitled to dematerialize its existing securities, Rematerialize its securities held in the Depositories and/or offer its fresh securities in a dematerialized form pursuant to the Depositories Act and the rules framed there under, if any.

Options to receive security certificates or hold securities with Depository

4. Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository. If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allot tee as the Beneficial Owner of the security.

Securities in Depositories to be in fungible form

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

Rights of Depositories and Beneficial Owners:

6. (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner.
- (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the security held by it.





- (c) Every person holding 1 securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a Depository.

Beneficial Owner deemed as absolute owner:

7. Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial 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 equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

Depository to furnish information:

8. Every Depository shall furnish to the Company information about the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

Cancellation of certificates upon surrender by a person:

9. Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a Participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.

Option to opt out in respect of any security:

10. If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall in receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.

Service of Documents:

11. Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

Provisions of Articles to apply to shares held in Depository:

12. Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act.

Allotment of securities dealt with in a Depository:

13. Notwithstanding anything in the Act or these Articles, where a Depository deals with securities, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

Distinctive number of securities held in a Depository:

14. The shares in the capital shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialized or may be dematerialized in future or issued in future in dematerialized form. Except in the manner hereinbefore mentioned, no share shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.



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Register/ Index of Beneficial Owners:

15. The Company shall cause to be kept a Register Index of Members and a Register and Index of Debenture holders in accordance with Sections 151 and 152 of the Act respectively, and the Depositories Act, with details of shares and debentures held in material and dematerialized forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be Register and Index of Members and Register and Index of Debenture holders, as the case may be, for the purposes of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Members resident in that state or country.

Register of Transfers:

16. The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form.”

6. (IV) Buy- Back of shares

The Company shall have power to buy back its own shares or other specified securities subject to the provisions that may be provided in the Act as amended from time to time and the rules that may be framed hereunder and such shares shall be cancelled or re-issued or dealt in such other manner as the Board may determine.

(approved by shareholders at the AGM held on 5.9.2003)

**7. SHARES AT THE DISPOSAL OF THE DIRECTORS:**

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting. (\*)

(\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006

**7A. TERM OF ISSUE OF DEBENTURE:**

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the company in the General Meeting by a Special Resolution.

(\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006

**LIABILITY OF JOINT HOLDER OF SHARE**

8. The joint holders of a shares shall be severally as well as jointly liable for the payment of all installments and calls and interest on installments and calls due in respect of such shares.

**ADDRESS OF SHARE HOLDER**

9. Every share holder shall name to the Company a place in India to be registered as his address and such address shall for all purposes be deemed his place of residence.

**IN WHOSE NAME SHARE MAY BE REGISTERED**

10. Shares may be registered in the name of any person, the joint holders, or any Limited Company, but not in the name of a minor, not shall more than two persons be registered as joint holders of any share.



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### **TRUST NOT RECOGNISED**

11. Subject to the provisions of Section 153-A, 153-B and 187-b of the Act and except as required by law, no person shall be recognised by the Company as holding any shares upon any trust, and the Company shall not, save as ordered by same Court of competent jurisdiction be bound by or be compelled in any way to recognize (even when having notice thereof) any benami, equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right thereto in the person or persons from time to time registered as the holder or holders thereof.
12. The Directors may allot and issue shares in the capital of the Company in payment or part payment for any property sold or transferred, goods or machinery supplied or for services rendered to the company in or about the formation or promotion of the Company or the conduct of its business and any shares, which may be so allotted may be issued as fully paid up shares and if so issued shall be deemed to be fully paid up shares.

### **BROKERAGE AND COMMISSION**

13. The Company may on any issue of shares or debentures pay such brokerage as may be reasonable and lawful.

### **COMMISSION**

14. In addition to the payment of any reasonable sums as brokerage the Company, at any time, may pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debenture or debenture stock in the Company, or procuring or agreeing to procure subscriptions (whether absolutely or conditionally) for any share debentures or debenture stock in the Company but so that (if the commission shall be paid or payable out of the capital) the commission shall not exceed 5 per cent of the price at which the shares are issued and 2 1/2% of the price at which debentures are issued.

### **METHOD OF PAYMENT OF COMMISSION**

15. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.

### **16. LIMITATION OF TIME FOR ISSUE OF CERTIFICATES:**

Every member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holder.

(\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006

### **SIGNATURE ON CERTIFICATES**

17. Every share certificate shall be issued under the Common Seal of the Company and shall be signed by (i) two Directors (ii) a Secretary or any other person authorised for the purpose by the Board of Directors. Every certificate shall specify the shares to which it relates and the amount paid up thereon.

### **ONE CERTIFICATE FOR JOINT SHARE HOLDERS**

18. In respect of any share or shares held jointly by two persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for share to one of the two joint holders shall be sufficient delivery to both holders.

### **RENEWAL OF CERTIFICATES**

19. If any certificate be worn-out, decrepit or defaced, or if there is no further space on the back thereof for endorsements of transfer, then upon production thereof to the Directors they may order the same to be canceled and may issue a new certificate in lieu thereof free of charge and if any certificate is provided have been lost or destroyed, then upon proof thereof to the satisfaction of the Directors and on such indemnity as the Directors deem adequate being given, a new



certificate in lieu thereof may be given to the party entitled to such lost or destroyed. Certificate similarly if any share or shares be surrendered to the Company for sub-division and split or consolidation, the Board may order the same to be done free of charge.

## **20. ISSUE OF NEW CERTIFICATE IN PLACE OF ONE DEFACED, LOST OR DESTROYED**

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall mutatis mutandis apply to debentures of the company.

(\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006

## ***COMPANY'S SHARES NOT TO BE PURCHASED***

21. None of the funds of the Company shall be employed in the purchase of or lent on, shares of the Company, and the Company shall not except as permitted by Section 77 of the Act give any financial assistance for the purpose of, or in connection with any purchase of shares in the Company.

## **CALLS ON SHARES**

### **CALLS**

22. The Board of Directors may by a resolution passed at a meeting of the Board from time to time subject to any terms on which any shares may have been issued, make such calls as they think fit upon the share holders in respect of all moneys unpaid on the shares held by the respectively, and each member shall pay the amount of every call so made on him to the persons and at the time and place appointed by the Board. A call may be made payable by installments.
23. A call shall be deemed to have been made at the time when resolution of the Board of Directors authorising such call was passed.

## **WHEN CALL DEEMED TO HAVE BEEN MADE**

24. At least thirty clear days notice of any call shall be given by the Company (either by letter to the Members or by advertisement) specifying the time and place of payment, and to whom such payment shall be paid.

## **NOTICE OF CALL AMOUNT PAYABLE AT FIXED TIMES OR BY INSTALLMENTS**

### **PAYABLE AS CALLS**

25. i) If by the terms of issue of any shares or otherwise any amount is made payable on allotment or at any fixed time or by installments at fixed times, whether on account of the nominal amount of the shares or by way of the share or by way of the premium every such amount or installation shall be payable as if it were a call duly made by the Directors and of which due notice had been given, and all the provisions herein contained in respect of the calls shall relate to such amount or installment, accordingly.
- ii) in the case of non-payment of such sum of all the relevant provisions of these Articles to payment of interest, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

## **WHEN INTEREST ON CALL OR INSTALMENT PAYABLE**

26. If the sum payable fir respect on any call or installment be not paid on or before the day appointment for the payment thereof, the holder for the time being of the share in respect of which the call shall have been made or the installment shall be due shall pay interest for the same at the rate of 12 percent per annum or at such rate as the Directors may determine from time to time, from the day appointed for the payment thereof to the time of actual payment. The Directors shall be at liberty to waive payment of any such interest, wholly or in part.



## **27. PAYMENT IN ANTICIPATION OF CALL MAY CARRY INTEREST:**

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the company.

(\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006

## **AMOUNT AND TIME OF CALL**

28. No call shall exceed one half of the nominal value of a Share, or be payable at less than one month from the date fixed for the payment of the last preceding call. A call may be revoked or postponed at the discretion of the Board.

## **EVIDENCE IN ACTION FOR CALL**

29. On the trail of any action for the recovery or any money due for any call , it shall be sufficient to prove that the name of the member used is entered in the register as the holder or one of the holder , of the shares in respect of which such debt accrued , that the resolution making the call is duly recorded in the minute book; and that notice of such call was duly given to the member , in pursuance of these present ;and it shall not be necessary to prove the appointment of the Directors who made such call for any other matter whatsoever , but the proof of the matter aforesaid shall be conclusive evidence of the debt.

## **FOREFEITURE, SURRENDER AND LEIN IF CALL OR INSTALMENT NOT PAID NOTICE TO BE GIVEN.**

30. If any Member fails to pay any call , or installment , on or before the day appointed for payment thereof the Directors may at any time there after, during such time as the call or installment remains unpaid , serve notice on him to pay the same together with any interest that may have accrued , by reason of such non - payment , and stating that in the event of non - payment on or before some day to be named in the notice (such day not being less than fourteen days from the date of service of such notice) and at some place (either the Office of a Bank) named in such notice , the shares in respect of which the call was made or installment is payable will be liable to be forfeited.

## **IF NOTICE NOT COMPLIED WITH SHARES MAY BE FORFEITED**

31. If the requisitions of such notice are not complied with , any Share in respect of which such notice has been given may at any time thereafter, before payment of calls, installments, interest due in respect thereof , may be forfeited by a resolution of the Board of Directors, and the forfeiture shall be recorded in the Directors , Minute Book , and the holder of such Share will there upon cease to have any interest therein, and his name shall be removed from the Register as such holder and thereupon notice shall be given to him of such removal , and an entry of the forfeiture with the date thereof shall forth will be made in the Register , but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice to or make such entry aforesaid.

## **ARREARS TO BE PAID NOTWITHSTANDING FORFEITURE**

32. Any person whose share shall be so forfeited shall cease to be a members in respect of the forfeited share , but shall , notwithstanding the forfeiture , be liable to pay shall forthwith pay to the Company all calls or installment , interest or in respect of such shares at the time of forfeiture together with interest at the rate of 12 per cent per annum , or at such rate as the Directors may determine .The liability of such person shall cease if and when the Company shall have received payment in full of all such amounts due in respect of the shares.

## **FORFEITED SHARE TO BECOME PROPERTY OF THE COMPANY**

33. Any share so forfeited shall be deemed to be the property of the Company and the Board of Directors may sell, re-allot, or otherwise dispose of the same in such manner as they think fit.





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## **POWER TO ANNUL FORFEITURE**

34. The Directors may at any time, before any share, so forfeited, shall have been sole, re-allot or annul the forfeiture thereof upon such conditions as they think fit.

## **DECLARATION FOR FORFEITURE OF SHARES**

35. A duly verified declaration in writing that the declarant is a Directors, or the Secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence for the facts, their stated as against all persons claiming to be entitled to the share.

## **36. COMPANY'S LIEN ON SHARES / DEBENTURES:**

The company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

(\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006

## **AS TO ENFORCING A LIEN BY SALE**

- 37 The Director shall be entitled to give effect to such lien by sale or forfeiture and reissue of the Shares subject thereto or by retaining all dividends and profits in respect thereof or by any combination of the said means but no sale or forfeiture shall be made, until such period as aforesaid shall have arrived and unless a sum in respect of which the lien exists is presently payable and until the registration of 14 days after a notice in writing of the intention to sell or forfeit shall have been served on such member, his executors, or administrators and default shall have been made by him or by them in the payment, fulfillment or discharge of such debt liabilities of engagements for seven days after such notice.

## **VALIDITY OF SALE**

- 38 Upon any sale after forfeiture or for enforcing a lien in purported exercise of the power herein before given, the Directors may cause the purchase's name to be entered in the register. In respect of the shares sold and the purchaser shall not be found to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the registered in respect of such shares, the validity of the sale shall not be impeached by any person.

## **APPLICATION OF PROCEEDS OF SALE**

- 39 i) The net proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the line exists, as is presently payable.
- ii) The residue, if any subject to a like lien for sums presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale or to his executors, administrators, committee curator or other representative.

## **DIRECTORS MAY ISSUE NEW CERTIFICATES**

40. Where any shares under the power in that behalf herein contained are sold by the Directors and the certificate thereof has not been delivered to the Company by the former holders of the said share, distinguishing it in such manner as they think fit, from the certificate not so delivered up, they may issue fresh certificate.

## **SURRENDER OF SHARES**

41. Subject to the provisions of the Act, the Board may accepted from any member the surrender on such terms and conditions as shall be agreed, of all or any of his shares.

## **SHARE WARRANTS**

### **POWER TO ISSUE SHARE WARRANTS**

42. With the previous approval of the Central Government, the Company may issue share warrants subject to and in accordance with the provisions of Section 114 and 115 of the Act, and accordingly, the Board may in its discretion, with respect to any share which is fully paid-up on application in writing signed by the person registered as holder of the share authenticated



by such evidence ( if any) as the Board may, from time to time, required as to the identity of the person signing the application and on receiving the certificate if any of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.

#### **RIGHTS OF DEPOSITORS OF SHARE WARRANTS**

43. (i) The bearer of a share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company and or attending and voting and exercising the other privileges of a member at any meeting held after the expiry of two clear days from the date of deposit, as if his name were inserted in the register of members as the holder of the share included in the deposited warrant.
- (ii) Not more than one person shall be recognised as depositor of the share warrant.
- (iii) The Company shall, on two days written notice, return the deposited share warrant to the depositor.

#### **RIGHTS OF BEARER OF SHARE WARRANT**

44. i) Subject as herein otherwise expressly provided no person shall, as bearer of a share warrant sign a requisition for calling a meeting of the Company, or attend, or vote to exercise any other privilege of member at a meeting of the Company, or be entitled to receive any notices from Company.
- ii) The bearer of a share warrant shall be entitled in other respects to the same privileges and advantages as if he were named in the register of members as the holder of a share included in the warrant and he shall be a member of the Company.

#### **RENEWAL OF SHARE WARRANT**

45. The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

#### **TRANSFER AND TRANSMISSION OF SHARES**

46. The transfer of shares and debentures shall be effected by an instrument in writing duly stamped, and all the provisions of Section 108 of the Company Act and of any modifications thereof for the time being shall be duly complied with in respect of all the transfer of shares and the registration thereof, and shall be executed both by the transferor and the transferee, whose executions shall be attested by at least one witness, who shall add his address and the transferor shall be deemed to remain the holder of such shares until the name of the transferee shall have been entered in the Register in respect thereof.

#### **47. INSTRUMENT OF TRANSFER:**

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

(\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006

#### **48. DIRECTORS MAY REFUSE TO REGISTER TRANSFER:**

Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.

(\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006





## **NOTICE OF REFUSAL**

49. If registration of the transfer of a share or debenture of the Company is refused, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company send to the transfers and the transferor notice of the refusal.

## **CLOSING OF SHARE TRANSFER BOOKS AND REGISTER**

50. The Directors may on giving forty two days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the company is situated, close the register of members for any time not exceeding thirty days at a time, but not exceeding in the whole forty five days in each year.

## **TRANSMISSION OF REGISTERED SHARES**

51. The executors or administrators or the holders of a succession certificate in respect of shares to a deceased member (not being one of several joint holders ) shall be the only person the Company shall recognise as having any title the shares registered in the name of such member, and in case or the death of any one or more of the joint holders of any registered shares , the survivors shall be the only persons recognised by the Company as having any title to or interest in such shares, but nothing herein contained shall be taken to release estate of a deceased joint holder from any liability on shares held by him jointly with any other person. Before recognising any executor or administrator or legal heir , the Directors may require him to obtain a grant or probate or letters of administration or succession certificate or other legal representation, as the case may be from some competent court provided nevertheless that in any case where the Directors in their absolute discretion think fit it shall be lawful for the Directors to dispense with the production of probate or letters of administration upon such terms as to indemnity or otherwise as the Directors may consider desirable.

Provided further that no fee shall be charged for registration of the following documents namely. Trustee in insolvency. Court Order , Probate, Proof of Death and Marriage , Power of Attorney , Letters of Administration , Lunacy Order, Affidavit Statutory declaration or any other documents which in the opinion of the Directors requires registration.

Provided, also that , if the member was a member of a Joint Hindu Mitakshara family , the Directors on being satisfied to that effect , and on being satisfied that the shares standing in his name in fact belonged to the joint family , may recognise the survivors thereof as having title to the shares registered in the name of such member but this provision shall in no way be deemed to modify or nullify the provisions contained in Articles 10 and 11 hereof.

## **AS TO TRANSFER OF SHARES OF DECEASED OR BANKRUPT MEMBER**

52. Any committee or guardian of a lunatic or infant member, or any person becoming entitled to or to transfer shares or debentures in consequence of the death, bankruptcy or insolvency or and member, or otherwise than by transfer may, with consent of the Directors (which they shall not be under any obligation to give) be registered as a member upon such evidence of his title being produced , as may, from time to time ,be required by the Directors , or such person , instead of being registered himself , may subject to the regulations as to transfer herein before contained , transfer such shares. The Board shall in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.

## **AS TO NOTICE OF ELECTION ON TRANSMISSION**

53. (i) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.
- (ii) If the person so becoming entitled shall elect to be registered as holder of the share himself he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
- (iii) All the limitations relating to the right to transfer restrictions and provisions of these regulations and the registration of the transfer of shares shall be applicable to any such notice of transfer as , aforesaid , as if the death or insolvency of the member had not occurred , and the notice or transfer were transfer signed by that member.

## **53A.NO FEE ON TRANSFER OR TRANSMISSION:**

No fee shall be charged for registration of transfer, transmission, probate, succession certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

(\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006



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## **TRANSMISSION CLAUSE**

54. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonus or other money payable in respect of the share, until the requirements of the notice have been complied with.

## **ALTERATION OF CAPITAL**

### **INCREASE OF CAPITAL**

55. The Company in General Meeting may, from time to time increase capital by creating and /or issuing new shares. The new capital may be divided into preference shares or equity shares and may be issued upon such terms and conditions, and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation and/or issuing thereof, shall direct, and if no direction be given, as the Board of Directors shall determine, and in particular such shares may be issued with preferential or qualified rights to dividends and in the distribution of assets of the Company.

### **SAME AS ORIGINAL CAPITAL**

56. Any Capital raised by the creation and/or issue of new shares shall be considered as part of the original capital in all respects, so far as may be, subject to the foregoing provisions, with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien and surrender, unless it may be otherwise resolved by the General Meeting sanctioning the increase.

### **REDUCTION OF CAPITAL**

57. The Company may, subject to confirmation by the Court from time to time, by special resolution, reduce its capital in any way, and in particular without prejudice to the generality of the foregoing powers by exercising the powers maintained in Section 100 of the Companies Act, 1956.
58. The company may by Special Resolution, reduce in any manner and with and subject to, any incident authorised and consent required by law;
- (a) its share Capital
  - (b) any capital redemption reserve fund, or
  - (c) any share premium account

## **CONSOLIDATION OF SHARES**

59. The Company may consolidate all or any of its share capital into shares of larger amount than its existing shares.

## **CONVERSION OF SHARES**

60. The Company may convert all or any of its fully paid up shares into stock, and re-convert that stock into fully paid up shares of any denominations.

## **TRANSFER OF STOCK**

61. The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulation under which, the shares from which the stock arose.

## **RIGHT OF STOCK HOLDERS**

62. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges, and advantages as regards dividend, voting at meetings of the same rights, privileges, and advantages as regards dividend, voting at meetings of the Company and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not if existing in shares have conferred that privilege or advantage.

Such of the regulations of the Company (other than those relating to share warrants) as are applicable to paid up shares shall apply to stock and the words "Shares" and "Shareholders" in those regulations shall include "Stock" and "Stockholder" respectively.



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## **SUB-DIVISION OF SHARES**

63. The Company may sub-divide its shares or any of them into shares of smaller amount than is fixed by Memorandum so however, that in the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

## **CANCELLATION OF SHARES**

64. The Company may cancel shares which at the date of the passing of the resolution in that behalf have not been or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled.

## **SUB-DIVISION INTO PREFERRED AND EQUITY**

65. The resolution whereby any share is sub-divided may determine that as between the holders of the resulting shares from such division, one or more of such class of shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other or others.

## **MODIFICATION OF RIGHTS**

66. Whenever the capital by the reason of the issue of preference shares or otherwise is divided into different classes of shares all or any of the rights and privilege attached to each class in the capital for the time being of the company may be modified commuted, effected, abrogated or dealt with by agreement between the company and any person purporting to contract on behalf of that class, provided that such agreement is ratified in writing by the holders of at least 75% in nominal value of the issued shares of the class, or is confirmed by a special resolution passed at a separate General Meeting of the holder of shares of that class. The powers conferred upon the Company by this Article are subject Section 106 and 107 of the Act.

## **BORROWING POWERS**

### **POWER TO BORROW**

67. a) Subject to the provisions of the Act, and without prejudice to the power conferred by any other article or articles the Directors may, from time to time at their discretion borrow or secure the payment of any sum or sums of money of for the purpose of the Company either from any Director or elsewhere on security or otherwise and may secure the repayment or payment of any sum or sums in such manner, and upon such terms and conditions in all respects as they think fit, and in particular by the creation of any mortgage or charge on the undertaking or the whole or any part of the property present or future or the uncalled Capital of the Company, or by issue of debentures stock of the Company perpetual or redeemable, charge upon the undertaking or all any part of the time being of the Company, both present and suture, including its uncalled capital for the time being and the Directors or any of them may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon, and shall be entitled to receive such payment as consideration for the giving of any such guarantee as may be determined by the Directors with power to them to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or charge on the undertaking of the Company or upon any of its property or assets or otherwise.
- b) The Directors may at any time by a resolution passed at a Board Meeting delegate to any category of managerial, personnel or committee of Directors or any other principal officer of the branch office of the Company, the powers specified in sub- clause (a) above provided the resolution delegating powers to such managerial personnel or committee to borrow moneys shall specify the total amount upto which the moneys may be borrowed by him or them.

Provided that the right to conversion of loan or debentures in shares not be given without the sanction of the Company in General Meeting.

## **RESTRICTION ON BORROWING POWERS**

68. The Directors may, subject to the provisions of Section 293 of the Act, borrowed any sum of money and where the money to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the from the Company's bankers in the ordinary course of business )exceeds 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, the sanction of the General Meeting should be obtained and every resolution passed by the Company in relation to the exercise of the power referred to in the Article shall specify the total amount up to which moneys may be borrowed by the Board of Directors.



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## **DIRECTOR'S LOANS AND GUARANTEES**

69. The Directors shall be entitled to receive interest on loans made by them to the Company as may be agreed between the Company and the Directors. The Directors, including the Managing Director may guarantee as any loan made to the Company and shall be entitled to receive such payment on account of his having given any such guarantee as may be determine by the Board and such payment shall not be remuneration in respect of his services as Director.

## **MORTGAGE OF UNCALLED CAPITAL**

70. If any uncalled capital of the Company be included in or charged by any mortgage of security is executed , or any other person in trust for him to make calls on the members in respect of such uncalled capital , and the provisions herein before contained in regard to calls mututis mutandis apply to calls made under such authority and such authority may be made exercisable either conditionally or un-conditionally made either to the exclusion of the Directors power or otherwise and shall be assignable if expressed so to be.

## **GENERAL MEETINGS**

### **ANNUAL GENERAL MEETING**

71. a) The Board of Directors shall hold Annual General Meetings of the Company in accordance with the provisions of Section 166 of the companies Act.
- b) The Board of Directors may , suo moto , call any other General Meeting , besides the Annual General Meeting.

### **DISTINCTION BETWEEN ANNUAL & OTHER GENERAL MEETINGS**

72. The Meetings referred to in Article 71(a) shall be called Annual General Meetings and all other meetings of shareholders shall be called Extra ordinary General Meetings.

### **EXTRA-ORDINARY GENERAL MEETING**

73. The Board of Directors of the Company shall on the requisition of such number of members of the Company as is specified in sub-section (4) of Section 169 of the Act, forthwith proceed duly to call an Extra -ordinary General Meeting of the Company and the provisions of Section 169 of the Act shall apply thereto.

## **QUORUM**

74. Five members personally present shall be the quorum for a General Meeting. No business shall be transacted at any General Meeting unless the quorum requisite shall be present at the commencement of the meeting.

### **CHAIRMAN OF GENERAL MEETING**

75. The Chairman of the Board of Directors shall be entitled to take the chair at every General Meeting and if there be no such Chairman or if at any meeting he shall not be present within fifteen minutes after the time appoint for holding such meeting or is unwilling to act , the members present shall choose another Director as Chairman and if no Director be present or if all the Directors present decline to take the chair , then the members present shall choose one of their members , being a member entitled to vote to be the Chairman.

### **WHEN IF QUORUM NOT PRESENT, MEETING TO BE**

### **DISSOLVED AND WHEN TO BE ADJOURNED**

76. Within half an hour from the time appointed for the meeting a quorum be not present, the meeting if convened upon such requisition as aforesaid , shall be dissolved ; but in any other , it shall stand adjourned to the same day in the next week at the same time and place or to such other day and such time and place , as the Board may by notice appoint and if at such adjourned meeting a quorum be not present , those members who are present shall be a quorum and may transact the business for which the meeting was called.

### **BUSINESS TO BE TRANSACTED AT ADJOURNED MEETING**

77. The Chairman with consent of the Meeting , may adjourn any General Meeting from time to time and place to place , but no business shall be transacted at any adjourned General Meeting other than business left unfinished at the General Meeting from which the adjournment took place , and which might have been transacted at that meeting. It shall not be necessary to give any notice of any adjournment of the business to be transacted at an adjourned meeting.



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## **HOW QUESTION TO BE DECIEDED AT MEETING**

78. Except where otherwise provided by the Companies Act, 1956 or by these presents every question to be decided by any General Meeting shall, in the first instance, be decided by a show hands. In case of an equality of votes, the Chairman shall both on a show of hands and at a poll have a casting vote, in addition to the vote or votes to which he may be entitled as a member.

## **WHEN POLL MAY BE DEMANDED**

79. Poll may be demanded and taken in accordance with and subject to the provisions of Section 179, 184 and 185 of the Companies Act, 1956.

## **WHAT IS TO BE EVIDENCE OF THE PASSING OF A RESOLUTION**

## **WHERE POLL NOT DEMANDED**

80. Unless a poll is demanded in accordance with Section 179 of the Companies Act, 1956, before or on the declaration of the result by the show of hands, a declaration of the Chairman, that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority and an entry to that effect in the minutes of the proceedings of the meeting, of the votes given for or against the resolution.

## **POLL**

81. If a poll is demanded as aforesaid, it shall be taken subject to Section 180 and 185 of the Companies Act, 1956 in such manner and time and place as the Chairman of the meeting directs, and either at once or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

## **MINUTES**

82. The Company shall cause minutes of all proceedings of every General Meeting and of its Board of Directors or of every such meeting concerned entries thereof in books kept for that purpose with their pages consecutively numbered. Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed:
- (a) In the case of minutes of proceedings of a meeting of the Board or of a Committee thereof, by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
  - (b) In the case of minutes of proceedings of a General Meeting by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability or that Chairman within that period, by a Director duly authorised by the Board for the purpose.

In no case, the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by posting or otherwise.

## **VOTE OF MEMBERS**

83. On a show of hands , every member present in person , or by proxy , or attorney , and being a holder of equity (Ordinary) shares and entitled to vote shall have one vote. On a poll the voting rights of members shall be as laid down in the Act. Preference shareholders shall have right to vote in accordance with provisions of Section 87 of the Act.

## **JOINT HOLDERS**

84. If two or more persons are jointly registered as holders of any one share, any one of such persons may vote at any meeting, either personally, or by proxy, or attorney as if he were solely entitled thereto, and if more than one of such joint holders be present at any meeting personally or by proxy or attorney, one of such persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect of the same. Several executors or administrators of a deceased member in whose names any share stands shall, for the purpose of this clause be deemed joint holders.

## **RIGHT OF VOTE UNDER TRANSMISSION CLAUSE**

85. Any guardian, or other person entitled under the transmission clause (Article 54 hereof) to transfer any shares may vote at any General Meeting in respect thereof, as if he was the registered holder of such shares provided that at least 24 hours before the holding of the meeting he shall satisfy the Directors of his right to act in that capacity unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.



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#### **NO MEMBER ENTITLED TO VOTE WHILE CALL DUE TO COMPANY**

86. No member shall be entitled to be present, or to vote at any General Meeting, either personally, or by proxy, or attorney while any call or other sum is due and presently payable to the Company, or in regard to which the Company has and has exercised, and right of lien.

#### **RIGHT OF VOTE TO A MEMBER UNSOUND MIND**

87. A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction a lunacy may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll vote by proxy.

#### **AS TO OBJECTION TO A VOTER**

88. i) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes.
- ii) Any such objection made in due time shall be referred to the Chairman of meeting, whose decision shall be final and conclusive.

#### **PROXY**

89. Subject to Section 176 of the Companies Act, 1956, votes may be given either personally or by proxy or by agent acting under a duly executed power of attorney.

#### **TIME FOR DEPOSIT OF INSTRUMENT OF PROXY**

90. The instrument appointing a proxy, and every power of attorney or other authority, (if any) under which it is signed or notarally certified copy of that power or authority, shall be deposited at the registered office of the Company, not less than 48 hours before the time of holding the instrument of proxy shall not be treated as valid.

#### **FORM OF PROXY**

91. An instrument appointing a proxy shall be in either of the forms in Schedule IX to the Act or a form as near thereto as circumstances admit.

#### **PROXY NEED NOT BE A MEMBER**

92. Any member of the Company entitled to attend and vote at the 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.

#### **AS TO VALIDITY OF VOTE GIVEN BY PROXY**

93. A vote given in accordance with the terms of an instrument of proxy or a power of attorney shall be valid notwithstanding the previous death of the principal, or revocation of the proxy or power of attorney or transfer of share in respect of which the vote is given, unless as intimation in writing of the death, revocation, or transfer, shall have been received at the office of the Company before the meeting.

#### **MANAGEMENT**

##### **DIRECTORS**

94. The business of the company shall be managed by the Directors who may exercise all such powers of the Company as are not by the Companies Act, 1956 or any statutory modification thereof for the time being in force or by these articles required to be exercised by the Company in General Meeting subject nevertheless to such regulations, not inconsistent with the aforesaid provisions, as may be prescribed by the company in General Meeting, but no such regulations shall invalidate in prior act of the Directors which would have been valid if that regulation had not been made.

##### **NUMBER OF DIRECTORS**

95. Unless otherwise determined by the Company in General Meeting the number of Directors shall not be less than 3 or not more than 12, including technical, nominated, and special Directors if any.

##### **FIRST DIRECTORS**

96. At the date of the adoption of these articles, the following persons shall be the first Directors of the Company.





- 1) Dr.K.U.MADA
- 2) V.C.NANNAPANENI
- 3) P.SUDHAKAR

#### **APPOINTMENT OF DIRECTORS**

97. The Directors shall have power from time to time and at any time, to appoint any other persons to be Directors, but so that the total number of Directors shall not at any time exceed the maximum number fixed as above .but any director so appointed shall hold office only until the next following Annual General Meeting of the Company and shall then be eligible for re - election.

#### **QUALIFICATION SHARES**

98. A director shall not be required to hold any qualification shares.

#### **DIRECTORS FEE AND OTHER REMUNERATION**

99. Until otherwise determined by a General Meeting each Director shall receive out of the funds of the Company by way of remuneration a sum not exceeding Rs.250/- for each meeting of the Board of Committee thereof attend by him. The Board of Directors may allow and pay to any Director who having his residence at a place outside the place at which any meeting of the Directors may be held and who shall come to the place for the purpose of attending such meeting such sum as the Directors may consider fair and reasonable for his expenses in connection with his attending at the meeting in addition to his remuneration as above specified.

#### **DIRECTORS COMMISSION**

100. The Directors may subject to the provisions of Section 198 and 309 of the Companies Act , 1956 , also receive remuneration or commission , or participation of profits or partly in one way or partly in another , and such remuneration shall be divided among the Directors , equally or in such other proportion as they may determine from time to time.

#### **AS TO EXTRA SERVICE PERFORMED BY DIRECTORS**

101. If any Director, being willing, shall be called upon to perform extra services or to make any exertions in going or, residing away from the place of the registered office of the Company, for any of the purpose of the Company, or giving attendance to the business of the Company, the Company may pay to the Directors so doing either by a fixed sum, or by a percentage on profits or otherwise as may be determined by the Directors, subject to obtaining the sanction of the Central Government.

#### **SPECIAL DIRECTORS**

102. In the event of the Company entering into an agreement of agreements for the purchase of machinery and/or for promoting technical collaboration and or assistance for the purchase of machinery , installation etc., or for any lease or concessions or other contract or agreement for assistance in any from like power supply, water supply, grant of loans, underwriting and/or subscribing for shares of the Company, with any State Government, Central Government or any industrial finance and development corporation or financing institution and if the terms of the agreement of contracts of arrangement provide for the appointment of person or persons as Director or Directors such person or persons including any State Government, Central Government or any industrial finance and development corporation or financing institution with whom the said agreements are entered into shall be entitled to appoint such number of Directors hereinafter referred to as special corporation Directors as may be agreed upon from time to time and from time to time remove any such Director or Directors so appointed and to appoint others in his or their place and to fill in vacancy caused by death or resignation of such Directors or otherwise ceasing to hold office and that such special Directors shall not be required to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company in General Meeting.

#### **ALTERNATE DIRECTOR**

103. 1) The Board of Directors may appoint an Alternate Director to act for a Director (hereinafter called the Original Director ) during his absence for a period of not less than three months from the State in which the meetings of the Board the ordinarily held.
- 2) An Alternate Director appointed under sub-clause (1) above shall vacate office if and when the Original Director returns to the State in which the meetings of the Board are ordinarily held
- 3) If the terms of office of the original Director is determined before he so returned to the State aforesaid any provision for the automatic re-appointment shall apply to the Original and not to the Alternate Director.





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#### **ADDITIONAL DIRECTOR**

104. Subject to the provisions of Section 260 of the Companies Act, 1956, the Directors may appoint Additional Directors.

#### **REMOVAL OF DIRECTORS**

105. The Company may by ordinary resolution remove an ordinary Director other than a Director appointed by the Central Government pursuant of the Section 403, before the expiry of his period office and fill up the vacancy thus created in the manner and subject to the provisions or Section 284 of the Companies Act, 1956.

#### **CASUAL VACANCY MAY BE FILLED BY DIRECTORS**

106. Any casual vacancy occurring among the Directors may be filled up by the Directors but any person so chosen shall retain his office so long only as the vacating Director would have retained the same, if no vacancy had occurred, provided that the Directors may not fill a casual vacancy by appointing any person who has been removed from the office of Director of the Company under the preceding Article.

#### **FAILURE TO FILL CASUAL VACANCY**

107. The continuing Director may act notwithstanding any vacancy in their body; but so that if the number falls below the minimum fixed, the Directors shall not, except for the purpose of filling vacancies act so long as the number is below the minimum.

#### **ROTATION AND RETIREMENT OF DIRECTORS**

108. At the Annual General Meeting of the Company to be held in every year, one - third of such of the Directors as are liable to retire by rotation for the time being or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office, and they will be eligible for re-election.

Provided nevertheless that the Managing Director or a Director appointed under Article 117 or the Directors appointed as special Director ex-officio Director or an additional Director under Article 102 and 104 hereof shall not retire by rotation under this Article nor shall they be included in calculating the total number of Directors of whom one-third shall retire from office under this Article.

#### **DIRECTORS MAY CONTRACT WITH COMPANY**

109. Subject to the provisions of Section 297,299,300,302and 314 of the Act , the Directors shall not be disqualified by reason of his or their office as such from contracting with the Company either as vendor , purchaser , lender , agent , broker, lessor, or otherwise , nor shall any such contract or any or contract or arrangement entered into by on behalf of the Company with such Director or with any company or partnership in which he shall be a member or otherwise interested be avoided nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realised by such contract or arrangement by reason only such Director holding that office of fiduciary relation there by established but the nature of the interest must be disclosed by him or them at the meeting of Directors at which the contract or arrangement is determined if the interest than exists or in any other case at the first meeting of the directors after the requisition of the interest.

#### **WHEN DIRECTOR OF THIS COMPANY APPOINTED DIRECTOR OF A**

#### **SUBSIDIARY COMPANY**

110. A Director of this Company may be or become a Director of any Company promoted by this Company may or in which it may be interested as a vendor , share holder, or otherwise , and no such Directors shall be accountable for any benefits received as Director or member of such Company.

#### **MEETING OF DIRECTORS**

111. The Directors shall meet together at least once in every three months and at least four such meetings shall be held in every year. Two Directors or one third of the total strength of Directors, whichever is higher as provided in Schedule 287 of the Companies Act, 1956 shall be quorum. Where at any time, the number of interested Directors exceed or is equal to two thirds of the total strength the numbers of remaining Directors not so interested present at the meeting being not less than two shall be the quorum during such time. Any Director or Managing Director shall upon the request of any Director at any time convene a meeting of Directors. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote.



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## **CHAIRMAN OF DIRECTORS**

112. a) The Board of Directors may elect a Director as Chairman of the Board and the Chairman shall not be liable to retire by rotation.
- b) If no such Chairman is not present within 15 minutes after the times appointed for holding the meeting the Directors present may choose one of them to be Chairman of the meeting.

## **DELEGATION OF POWERS BY BOARD**

113. Subject to the provisions of Section 292 of the Act , the Directors may delegate any of their powers to a Committee consisting of such member or members of their body as they think fit or to any category of managerial personnel or to any principal officer of the Company or to principal officer of the branch office of the Company . Any such committee or delegates shall in exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on them by the Directors.

## **MEETING ETC. OF COMMITTEE**

114. The meetings and proceedings of any such committee consisting of two or more members shall be governed by the Provisions herein before contained for regulating the meeting and proceedings of the Directors , so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding clause.

## **MINUTES**

115. All minutes shall be signed by the Chairman of the meeting at which the same are recorded or by the person who shall preside as Chairman at the next ensuing meeting and all minutes purporting to be so signed shall for all purposes whatever be prima facie evidence of the actual passing of the resolution recorded, and the actual and regular transaction or occurrence the proceedings to be so recorded, and of the regularity of the meeting at which the same shall appear to have taken place.

## **RESOLUTION WITHOUT BOARD MEETING**

116. Save in those cases where a resolution is required by Section 262,292,297,316,374(4) and 386 of the Act, to be passed at a meeting of the Board , a resolution shall be as valid and effectual as if it had been passed at a meeting of the Board or Committee of the Board , as the case may be duly called and constituted if a draft thereof in writing is circulated together with the necessary papers if any , to all the Directors or to all the members of the Committee of the Board as case may be then in India (not being less in number than the quorum fixed , for a meeting of the Board of Committee , as the case may be) and to all other Directors ,or members of the Committee , at their usual address and has been approved by such of them as are in India or by a majority of such of them ,as are entitled to vote on the resolution.

## **MANAGING DIRECTOR**

117. The Board may, from time to time and at any time appoint one or more of their body to be a Whole time or Managing Director or Directors to manage and conduct the business of the Company subject to their control, direction and superintendence, and subject to the provisions of the Act and the article. The Whole time or Managing Director or Directors will not liable to retire by rotation.

## **CUSTODY IF THE SEAL**

118. The Directors shall provide a Common Seal for purpose of the Company, and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof. The Directors shall provide for the safe custody of the Seal for the time being and the seal shall never be used , except by the Authority or the Directors or a Committee of the Directors previously given, and one Director at least shall sign every instrument to which the seal affixed , provided nevertheless , that any instrument bearing the Seal of the Company and issued for valuable considerations shall be binding on the Company notwithstanding any irregularly touching the authority of the directors to issue the same.

## **SEAL FOR USE IN FOREIGN TERRITORY**

119. The Company may have for use in any territory, district or place not situated in India, an official seal which shall be a facsimile of its Common Seal with the addition on the name of the territory, district or place.

## **FOREIGN REGISTER**

120. The Company may keep in any State or Country outside India , a branch register of members or debenture holders resident in that State or Country (hereinafter called as Foreign Register) and shall , within one month from the date of the opening of any foreign register , file with the Registrar notice of the situation of the office where such register ,is kept and



in the event of any change of situation of such office or of its discontinuance shall within one month from the date such change or discontinuance shall within one month from the date of such change or discontinuance as the case may be file notice with the Registrar of such change or discontinuance . As regards the provisions relating to Foreign Register, the Company shall have regard to Section 158 of the Act.

## **ACCOUNTS, AUDITS AND DIVIDENDS**

### **(a) ACCOUNTS**

#### **BOOKS WHERE KEPT**

121. Books of account shall be kept at the registered office of the Company, or at such other place in India as the Director may think fit.
122. The Directors shall, from time to time, determine whether and to what extent and at what times and places and under what condition or regulation the accounts and books of the Company or any of them shall be open to inspection of members not being Directors. No member (not being a Director) shall have any right to inspect the same except as conferred by the Companies Act or authorised by the Board of Directors, or by any resolution of the Company in General Meeting.

### **(b) AUDIT**

#### **AUDITORS**

123. Once at least in every year the accounts of the Company shall be examined, and the correctness there of and of the balance sheet and profit and loss account as certified by the or more Auditor or Auditors.

#### **APPOINTMENT ETC.OF AUDITORS**

124. As regards the appointment and remuneration, qualification and disqualification removal, powers, rights and duties of Auditors, the Directors and the Auditors shall have regard to Section 224 to 231 of the Companies Act, 1956.
125. Every account of the Company when audited and approved by a General Meeting shall be conclusive, except so far as regards any error discovered therein before or at the audit of the then next account and whenever such error is discovered within that period of account shall be conclusive.

### **(c) CAPITALIZATION OF PROFITS**

- 126.1) The Company in General Meeting may , upon the recommendation of the Board of Directors resolve:
  - a) that it is desirable to capitalise any part the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account of otherwise available for distribution, and
  - b) that such sum be accordingly set for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereof, if distributed by way of dividend and in the same proportions.
- 2) The sum aforesaid shall not be paid in cash but shall be applied subject to the provision contained in clause (3) either in or towards;
  - i) Paying up any account for the time being unpaid on any shares held by such member respectively.
  - ii) Paying up in full , unissued shares or debentures of the Company to the allotted and distributed as fully paid up to and amount such members in the proportions aforesaid , or
- 3) A share premium account and a capital redemption reserve fund may , for the purpose of this article only be applied in the paying up of unissued shares to be issued to members of the Company as full paid up bonus shares.
- 4) The Board of Directors shall give effect to the resolution passed by the Company in pursuance of this Article.

#### **APPLICATION OF PROFITS**

127. Whenever such a resolution as aforesaid shall have been the Board of Directors shall;
  1. a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issue of fully paid-up shares or debentures , if any , and
  - b) generally do all acts and thing required to give effect thereto.
2. The Board of Directors shall have full power



- a) to make such provision by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, in the case of shares or debentures becoming distributable in fractions and also
- b) to authorise any persons to enter on behalf of all members entitled thereto, into an agreement with the Company providing for the allotment to them respectively credited as fully paid-up of any further shares of debentures to which they may be entitled upon such capitalisation or ( as the case may require ) for the payment by the Company on their behalf by the application thereto of their respectively proportions of the profits resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing shares.

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

#### **RESERVE AND DEPRECIATION FUNDS RESERVE FUND**

128. The Directors may from time to time set apart any such portion of the profits of the Company as they think fit, as reserve fund applicable, at their discretion for the liquidation of any debentures, debts liabilities of the Company, for equation of dividends or for any other purposes of the Company with full power to employ the assets constituting the Reserve Fund in the business of the company and without being bound to keep the same separate from the other assets.
129. The Directors may also carry forward and profits which they may think prudent not to divide, without setting them aside as a reserve.
130. The Directors may from time to time set apart any such portion of the profits of the Company as they think fit, as a Depreciation Fund applicable as the discretion of the directors, for rebuilding restoring replacing or altering the building, works, plants, machinery or other property of the Company destroyed or damaged by fire, flood, storms tempest, accident, riot, wear and tear, or other means of for repairing altering and keeping in good condition the property of the Company, or for extending and enlarging the buildings, machinery, and property of the Company with full power to employ the assets constituting such depreciation fund in the business of the Company and that without being bound to keep the same separate from the other assets.
131. All moneys carried to the Reserve Fund and Depreciation Fund respectively shall nevertheless remain and be profits of the Company applicable, subject to due provision being made for actual loss or depreciation, for the payment of dividends and such moneys and all the other moneys of the Company, not immediately required for the purpose of the company may be invested by the Board of Directors in or upon such investments or securities as they may select or may be used as working capital or may be kept at any bank on deposit or otherwise as they may from time to time think proper.

#### **DIVIDENDS**

132. The Company in Annual General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and for purpose of the equalisation of dividends any sums from time to time in accordance with these presents carried to the reserve depreciation or other special funds may be applied in payment thereof. The dividends so declared by the General body shall not exceed the amount, so recommend by the Directors.

#### **DIVIDEND IN PROPORTION TO AMOUNTS PAID UP ON SHARES**

133. Subject to the rights of person, if any entitled to shares with special rights as to dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect thereof the dividend is paid but if and so long as nothing is paid upon any of the shares in the Company dividends may be declared and according to the amounts of the shares.

#### **BONUS**

134. If and whenever any Bonus on shares is declared out of the profits and whether alone or in addition to any dividend thereon, the bonus shall for purposes whatsoever be deemed to be a dividend on the shares.

#### **DEBTS MAY BE DEDUCTED**

135. When any shareholder is indebted to the Company for calls or otherwise, all dividends payable to him or a sufficient part thereof may be retained and applied by the Directors in or towards satisfaction of the debt, liabilities or engagements.

#### **DIVIDENDS OUT OF PROFITS ONLY**

136. No dividend shall be payable except out of the profits of the year or any other undistributed profits, and no larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare a



smaller dividend. Before declaring any dividend the company shall have regard to the provisions of Section 205 of the Act.

#### **INTEREST OUT OF CAPITAL**

137. Subject to the provisions of the Section 208 of the Act, the Company may pay interest on so the share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 208 and charge the sum so paid by way of interest, to capital as part of the cost of construction of the work of building or the provision of the plant.

#### **DIVIDEND IN SPECIE**

138. No dividend shall be payable except in cash provided that nothing shall be deemed to prohibit the capitalisation of profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the Company.

#### **JOINT HOLDERS RECEIPT**

139. In case two or more persons are registered as the joint holders of any share, any of such persons may give effectual receipts for all dividends and payments on account of dividends in respect of such share.

140. Any Annual General Meeting declaring dividend may make a call on the members of such amounts as the meeting fixes but so call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may if so arranged between the Company any the member be set off against the call. The making of a call under this Article shall be deemed ordinary business of an ordinary meeting which declares a dividend.

#### **RIGHT TO DIVIDEND ON TRANSFER OF SHARE**

141. A transfer of shares shall not pass the rights to any dividend declared thereof before the registration of the transfer.

142. Unless otherwise directed by the Company in General Meeting any dividend may be paid in cash or by cheque or warrant or money order sent through the post within forty two days of the date of such declaration to the registered address of the member entitled or in the case of joint holders, to the registered address of that one whose name stands first on the register in respect of the joint holding and every cheque so sent shall be made payable to the order of the person to whom it is sent.

#### **143. UNPAID OR UNCLAIMED DIVIDEND:**

Where the company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the company in that behalf in any scheduled bank, to be called "Pochiraju industries Limited Unpaid Dividend Account".

Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.

No unclaimed or unpaid dividend shall be forfeited by the Board.

(\*) Amended vide Special resolution passed by the shareholders of the Company in the Extra ordinary General Meeting held on 17-06-2006

#### **SERVICE OF DOCUMENTS AND NOTICE**

##### **HOW NOTICE AND DOCUMENTS TO BE SERVED ON MEMBERS**

144. A document may be served by the Company to member either personally or by sending it by post to him to his registered address or if he has no registered address in India to the address, if any, within India supplied by him to the Company for the giving of notices to him.

##### **SERVICE BY POST**

145. Where a document is sent by post service of the notice shall be deemed to be effected by properly addressing prepaying and posting a letter containing the documents provided where a member has intimated to the Company in advance that the documents should be sent to him under certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so service of the document shall not be deemed to be effected unless it is sent in the manner intimated by the member, and such service shall be



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deemed to have been effected.

- a) In the case of a notice of a meeting at the expiration of forty eight hours after the same is posted, and
- b) In any other case at the time at which the letter would be delivered in the ordinary course of post.

#### **MEMBER RESIDENT ABROAD**

#### **NOTICE OF MEETING BY ADVERTISEMENT IN NEWSPAPER**

146. If a member has no registered address in India and has not supplied to the Company an address within India for the giving of notice to him a document or notice of meeting advertised in newspaper circulating in the neighbourhood of the Registered Office of the Company shall be deemed to be duly given to him on the day which the advertisement appears.

#### **NOTICE TO JOINT HOLDERS**

147. A document may be served by the Company on the joint holders of a share by serving it on the joint holder named first in the Register in respect of the share.

#### **NOTICE TO PERSON ENTITLED BY TRANSMISSION**

148. A document may be given by the Company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in prepaid letter addressed to them by name, or by the title of representatives of the deceased or assignee of the insolvent or by any like description at the address (if any) in India supplied for the purpose by the person, claiming to be so entitled or until such an address has been so supplied by giving notice in any manner in which the same might have been given if the death or insolvency had not occurred.

#### **NOTICE OF GENERAL MEETING**

149. Notice of every meeting shall be given to every member of the Company in any manner authorised by Article 149 to 151 hereof and also to every person entitled to a share in consequence of the death, or insolvency of a member who but for his death or insolvency would be entitled to receive notice of the meeting.

#### **WHEN NOTICE MAY BE GIVEN BY ADVERTISEMENT**

150. A notice required to be given by the Company to the members or any of them and not expressly provided for by the Act or by these presents shall sufficiently given if given by advertisement.

#### **TRANSFERES ETC, BOUND BY PRIOR NOTE**

151. Every person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previous to his name and address being entered in the register shall be duly given to the person from whom he derives his title to such share.

#### **NOTICE VALID THOUGH MEMBER DECEASED**

152. Any notice or document delivered or sent by post or left at the registered address of any member in pursuance of thus presents shall notwithstanding such member be than deceased and whether or not the Company have notice of his death be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such member. Until some other person be registered in his stead as the holder thereof and such service shall, for the purpose of these presents, be deemed a sufficient service of such notice or document on his or her heirs, executors or administrators and all persons if any, jointly interested with him or her in any such shares.

153. The accidental commission to give notice to or non-receipt of notice by any member or other person to whom it should be given shall not invalidate the proceedings at the meeting.

#### **HOW NOTICE TO BE SIGNED**

154. The signature of any notice be given by the Company may be written or printed.

#### **WINDING UP**

#### **NOTICE**

155. If the Company shall be wound up and surplus assets shall be more than sufficient to repay the whole of the paid up capital, the excess shall be distributed among the members in proportion to the capital paid up or which ought to have been paid up on the equity shares held by them respectively at the commencement of the winding up, but the clause is to be without prejudice to the rights of the holders of shares issued upon special conditions.





156. In a winding up the Liquidator may, irrespective of the powers conferred on him by the Companies Act and as an additional power, with the authority of a Special Resolution, sell the undertaking of the Company or the whole or any part of its assets, for shares fully or partly paid up or the obligations of or other interests in any other interests in any other Company and may be contract of sale in proportion to their respective interests in the Company, Any such sale or arrangement or the Special Resolution confirming the same may subject to the provisions of Article 12 hereof provide for the distribution or appropriation of the shares or other benefits to be received in compensation otherwise than in accordance with the legal rights of the contributories of the Company and in particular any class may be given preferential or special rights or may be excluded altogether or in part and further by the contract a time may be limited at the expiration of which shares obligations or other interest not accepted or required to be sold shall be deemed to have been refused, and be at the disposal of the Liquidator or the purchasing Company.
157. (1) If the Company shall be wound - up the Liquidator may with the sanction of a Special Resolution and any other sanction required by the Companies Act, 1956 divide amongst the members in specie or kind the whole or any part of the assets of the company whether or not they shall consist of property of the same kind.
- (2) For the purpose aforesaid, the Liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.
158. Every Director, Manager, Trustee, Member of a Committee, Officer, Servant, Agent, Accountant or other persons employed in the business of the Company, shall if so required by the Directors or Managing Agents sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by any meeting or by a Court of Law and except so far as may be necessary in order to Comply with any of the provisions in these presents contained.

#### ***NO SHARE-HOLDER TO ENTER THE PREMISES OF THE COMPANY WITHOUT PERMISSION***

159. No member or other person (not being a Director) shall be entitled to enter the property of the Company or to inspect or examine the Company's premises or properties of the Company without the permission of the directors of the Company for the time being or subject to these Articles to require discovery of any information respecting any details of the Company's trading of any matter which is or may be in the nature of a trade Secret, mystery of traders or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which in the opinion of the Directors or Managing Agents it will be inexpedient of the Company to communicate to the public.

#### **INDEMNITY**

160. Every Director, Auditor, Officer or Servant of the Company shall subject to Section 201 of the Companies Act, 1956 be indemnified out of its fund for all costs, Charge travelling or other expenses, losses and liabilities incurred by them or him in the conduct of the Company's business or in the discharge of their or his duties, and neither any Director nor Office or Servant of the Company shall be held liable for joining any receipt or other act for conformity take or for any loss or expenses happening to the Company by insufficiency or deficiency of any security on, if or upon which any of the moneys of the Company shall be invested, or for any loss or damages arising from the bankruptcy, insolvency or tortuous act of any person with whom any money's securities or effects, shall be deposited or for any other loss or damage or misfortune whatsoever, which shall happen in the execution of their or his, office or in relation thereto unless the same shall happen through their or his own dishonesty.

Every Director, Auditor, Secretary, Agents and Officer of our company shall also be indemnified out of the assets of our company against any liability incurred by him in defending any proceeding whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 633 of the Companies Act, 1956, in which relief is granted to him by the Court.





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## SECTION -XI

### OTHER INFORMATION

#### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts not being contracts entered in the ordinary course of business carried on by our Company which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus delivered to Registrar of Companies, Tamil nadu at Coimbatore for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office situated at Sathya Mangalam Village, Bagalur - Berigai Road, Thummanapalli Post, Hosur Taluk, Krishnagiri District, Tamil Nadu, between 10.00 a.m. to 4.00 p.m. on any working day, excluding Saturday and Sunday, from the date of this Red Herring Prospectus until the Issue closing date.

#### MATERIAL CONTRACTS

1. Memorandum of Understanding dated 4th May 2006 with Allbank Finance Limited, appointing them as the Book Running Lead Managers to this Issue (BRLM)
2. Memorandum of Understanding dated 4th May 2006 with UTI Securities Limited, appointing them as the Co Book Running Lead Managers to this Issue (Co-BRLM)
3. Memorandum of Understanding dated 18th May 2006 signed with Aarathi Consultants Private Limited, appointing them as Registrar to the Issue.
4. Escrow Agreement dated 22.12.2006 between our company, BRLMs, Escrow Collection Bank and the Registrar;
5. Syndicate Agreement dated 22.12.2006 between our company, BRLMs, and the Syndicate Members;
6. Underwriting Agreement dated [●] between our company, BRLMs, and the Syndicate Members;
7. Letter of Appointment of M/s. Little & Co. as Legal Advisor to the Issue dated 9th May 2006.
8. Tripartite Agreement dated 14.10.2006 between our company, Aarathi Consultants Private Limited and NSDL.
9. Tripartite Agreement dated 22.09.2006 between our company, Aarathi Consultants Private Limited and CDSL.
10. Co-operation Contract On Hyaluronic Acid Technology dated 25.01.2006 between M/S Pochiraju Industries limited and Biofin Laboratories S.R.L., Italy,
11. Agreement dated 4th May, 2006 between M/S ICGEB, Italy and M/S Pochiraju Industries ltd
12. Contract Manufacturing agreement dated 3rd May, 2006 between M/S Pochiraju Industries ltd and M/s Sunrise International Labs Limited

#### DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of Pochiraju Industries Limited as amended from time to time.
2. Certificate of Incorporation No. 18-31247 dated 4th May 1995 from the Registrar of Companies, Tamil Nadu, and Madras to Pochiraju Industries Ltd.
3. Certificate of Commencement of Business
4. Fresh Certificate of Incorporation consequent to change of name of our company No. 10762 dated 10th September 2003 from the Registrar of Companies, Coimbatore, Tamil Nadu, to Pochiraju Industries Ltd.
5. Due Diligence certificate dated June 21, 2006 to SEBI issued from Allbank Finance Limited
6. Due Diligence certificate from Little & Co., Legal advisors to the issue.
7. Resolution passed under Section 81(1A) of the Act, at the Extra Ordinary General Meeting of our company held on 17th April 2006.
8. Resolution Passed by the Board of Directors at their meeting held on 20th March 2006 for the proposed Public Issue.
9. Consent letters from the Directors, Compliance Officer, Auditor, Lead Managers, and Registrar to the issue, Bankers to the issue, Bankers to our company, Syndicate Members to the issue, Monitoring Agency, Underwriters to the issue, Legal Advisor and Tax consultant to act in their respective capacities.



10. Certificate dated 8th May 2006 from M/s. B. Rama Rao & Co. Chartered Accountants, Auditors of our company detailing the tax benefits.
11. Auditor's report dated 24.11.2006 included in the Red Herring Prospectus and copies of the Balance Sheet referred in the said report for the last 5 financial years and half year ended 30th September, 2006
12. Copy of the Auditors Certificate dated 28.11.2006 regarding the sources and deployment of funds as on 20th November, 2006.
13. Copies of Listing Application made to Bombay Stock Exchange, Mumbai and The National Stock Exchange (NSE).
14. Copies of the Resolution dated 15th December 2001 appointing Mr. P. Sudhakar as the Managing Director
15. Copies of Power of Attorneys from Smt. P. Suvarchala Devi, Director to sign the Red Herring Prospectus on her behalf.
16. Copies of in-principal approvals from BSE and NSE vide their letter no No: List/sdm/sm/ps/2006 dated August 9, 2006 & NSE/LIST/29355/-V dated September 14, 2006 respectively
17. SEBI Observation letter no. CFD/DIL/NB/AC/78887 dated 17th October, 2006 in respect of Public Issue of Pochiraju Industries Limited.
18. Copy of the Appraisal Reports for the Project by Andhra Pradesh Industrial and Technical Consultancy Organisation Limited, Hyderabad (APITCO) Limited
19. Copies of the Sanction letter from Oriental Bank of Commerce for the Term Loan.
20. Land Allotment letter dated 28th September, 2006 from Shapoorji Pallonji Biotech Park (P) Ltd.
21. Loan licence no. L. Dis/4627 stores-2/2006 dated 19.06.2006 granted by Drugs Control administration, Govt of Andhra Pradesh .

Any of the contracts mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our company or if so required by other parties, without reference to the shareholders subject to compliance with the applicable laws



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## **SECTION XII**

### **DECLARATION**

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the government or the guidelines issued by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

#### **SIGNED BY THE DIRECTORS**

**Mr. P. Sudhakar, Managing Director**

**Dr. P. Suvarchala Devi, Director \***

**Dr. A. Ramaiah**

**Mr. M. Durga Prasad, Director**

**Mr. PLN Sarma**

**Mr. B.V. Ramana Reddy, Director**

**Mrs. P. Bala Tripura Sundari, Director**

**\*Signed through their constituted Power of Attorney**

#### **SIGNED BY THE COMPANY SECRETARY,**

**Ms. Ritu Tiwary**

#### **SIGNED BY THE COMPLIANCE OFFICER**

**Mr. P. Sudhakar**

**Date: 03.01.2007**

**Place: Satyamangalam Village**