



(Incorporated as Celestial Technologies (P) Limited on 19th November 1997 with the Registrar of Companies, Andhra Pradesh, Hyderabad and subsequently converted into Public Limited Company on 6th December 1999 and name was changed to Celestial Technologies Limited. The name of the Company was further changed to Celestial Labs Limited on 13th February 2004)

Registered Office: 231/A, Road No:12, MLA Colony, Banjara Hills, Hyderabad - 500034

Tel.: 91-40-23540008, 23552799. Fax: 91-40 -23542844.

Email : ipo@celestiallabs.com Website: www.celestiallabs.com

Contact Person: Mr. N.V. Ramana Murthy, Compliance Officer & Sr. Finance Manager

PUBLIC ISSUE OF 50,00,000 EQUITY SHARES OF Rs. 10/- EACH ISSUED FOR CASH AT A PRICE OF Rs. 60/- (INCLUDING PREMIUM OF Rs. 50/- PER SHARE) AGGREGATING Rs. 3000 LAKHS (HEREINAFTER REFERRED TO AS THE "ISSUE") COMPRISING OF EMPLOYEE RESERVATION OF 2,00,000 SHARES OF FACE VALUE OF RS. 10/- EACH AT A PRICE OF RS. 60/- PER SHARE (HEREINAFTER REFERRED TO AS THE "EMPLOYEE RESERVATION PORTION") AND THE NET OFFER TO THE PUBLIC IS OF 48,00,000 SHARES OF FACE VALUE OF RS. 10/- EACH AT A PRICE OF RS. 60/- PER SHARE (HEREINAFTER REFERRED TO AS THE "NET ISSUE"). THE ISSUE WOULD CONSTITUTE 44.67% OF THE FULLY DILUTED POST ISSUE PAID UP CAPITAL OF THE COMPANY.

RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of Celestial Labs Limited (the "Company"), there has been no formal market for the securities of the Company. **The face value of the shares of the Company is Rs.10/- per share and the Issue Price is 6 times of the face value.** The issue price (has been determined and justified by the Lead Merchant Banker and Celestial Labs Limited as stated herein under the section "Basis of Issue price" given on page no. 34 to 35 of this Prospectus) 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 or sustained trading in the shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

Investment in Equity and Equity related securities involve a degree of risk and investors should not invest any funds in this offer 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 offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the offer 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 on Page No vii of the Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

Celestial Labs Limited, having made all reasonable enquiries, accepts responsibility for, and confirms that this Offer Document contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue; that the information contained in the Offer Document 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.

IPO GRADING

The Company has opted for grading form CRISIL. CRISIL has assigned the "IPO Grade-1" to the initial public offering of the Company. For more information on IPO Grading please refer to page no. 10 of the Prospectus.

LISTING ARRANGEMENTS

The Equity Shares are proposed to be listed on Bombay Stock Exchange Limited (BSE), the Designated Stock Exchange and The National Stock Exchange of India Ltd. (NSE). The In-principle approvals have been received from these Stock Exchanges for listing of the Equity Shares vide BSE's letter dated 29th December 2006 and NSE's letter dated 13th March 2007 respectively.



LEAD MANAGER TO THE ISSUE	REGISTRARS TO THE ISSUE
 CHARTERED CAPITAL AND INVESTMENT LIMITED Chartered Capital and Investment Limited SEBI Regn No.- INM000004018 13, Community Centre, East of Kailash, New Delhi - 110 065 Tel: 011 26218274, 26419079 Fax: 011 26219491 Website: www.chartercdcapital.net Email: celestial@chartercdcapital.net Contact Person: Mr. HEEMADRI MUKERJEA	 KARVY Karvy Computershare Private Limited Karvy Computershare Private Limited SEBI Regn. No.-INR000000221 Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad- 500 034. Tel: 91-40-2331 2454/23320251/751 Fax: 91-40-23311968 Website: www.karvy.com Email : mailmanager@karvy.com Contact Person: S. Ganapathy Subramaniam
ISSUE PROGRAMME	
ISSUE OPENS ON : 18 June 2007	ISSUE CLOSES ON : 22 June 2007

TABLE OF CONTENTS

SECTION I- GENERAL	i
DEFINITIONS / ABBREVIATIONS	i
PRESENTATION OF FINANCIAL AND MARKET DATA	v
FORWARD LOOKING STATEMENTS	vi
SECTION II- RISK FACTORS	vii
SECTION III- INTRODUCTION	1
BUSINESS SUMMARY	1
THE ISSUE	5
SUMMARY FINANCIAL AND OPERATING INFORMATION	6
GENERAL INFORMATION	8
CAPITAL STRUCTURE OF THE COMPANY	12
OBJECTS OF THE ISSUE	20
BASIS OF ISSUE PRICE	34
STATEMENT OF TAX BENEFITS	36
SECTION IV-ABOUT THE COMPANY	41
INDUSTRY OVERVIEW	41
BUSINESS OVERVIEW	46
KEY INDUSTRY REGULATIONS	60
HISTORY AND CERTAIN CORPORATE MATTERS	61
OUR MANAGEMENT	65
PROMOTER	74
CURRENCY OF PRESENTATION	75
DIVIDEND POLICY	76
SECTION V- FINANCIAL INFORMATION	77
AUDITORS REPORT	77
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIALS	86
SECTION VI- LEGAL AND OTHER INFORMATION	96
OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS	96
GOVERNMENT AND OTHER APPROVALS	98
OTHER REGULATORY AND STATUTORY DISCLOSURES	99
SECTION VII- ISSUE RELATED INFORMATION	105
TERMS OF THE ISSUE	105
ISSUE PROCEDURE	107
SECTION VIII- MAIN PROVISIONS OF ARTICLES OF ASSOCIATION	115
SECTION IX- OTHER INFORMATION	144
MATERIAL CONTRACTS & DOCUMENTS FOR INSPECTION	144
DECLARATION	146

SECTION I- GENERAL
DEFINITIONS / ABBREVIATIONS

General Terms

TERM	DESCRIPTION
“Celestial” or “the Company” or “our Company” or “CLL” or “we” or “us” or “our” or “Issuer”	Celestial Labs Limited, a public limited company incorporated under the Companies Act, 1956

Issue Related Terms

TERM	DESCRIPTION
Act/ The Companies Act	The Companies Act, 1956
Applicant	Any prospective investor who makes an application for Equity shares in terms of this Prospectus
Application Form	The Form in terms of which the Investor shall apply for the Equity Shares of the Company
Allotment	Unless the context otherwise requires, the allotment of Equity shares pursuant to the Issue
AMC	Asset Management Company
Articles/Articles of Association	Articles of Association of Celestial Labs Limited
Auditors	Being the Auditors of the Company, in this case G.V. Rao and Company, Chartered Accountants
Banker(s) to the Issue	HDFC Bank Limited and UTI Bank Limited
Board / Board of Directors	The Board of Directors of our Company or a duly constituted Committee thereof
Depositories Act	Depositories Act, 1996 as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time
Depository Participant	A Depository Participant as defined under the Depositories Act, 1996
Designated Stock Exchange	Bombay Stock Exchange Limited
Director(s)	Director(s) of Celestial Labs Limited, unless otherwise specified
ECS	Electronic Clearance System
Equity Shares	Equity shares of the company of the face value of Rs. 10/- each
Financial Year /fiscal /FY	Period of 12 months ending March 31 every year, unless otherwise specified
IFSC	Indian Financial System Code
I.T Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IPO/Issue/Offer	Issue of 50,00,000 Equity Shares of Rs. 10/- each for cash at a Premium of Rs. 50/- per Equity Share for cash, aggregating to Rs. 3000 Lakhs
Issue Price	Rs. 60/- per Equity share including premium of Rs. 50/- each
Issue Account	Account opened with the Banker(s) to the issue to receive monies from the Escrow Account on the Designated Date

TERM	DESCRIPTION
Lead Manager / Lead Manager to the Issue	Being the Lead Manager appointed for this issue, in this case being Chartered Capital and Investment Limited
MAPIN Regulations	SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time
MOA/AOA/Memorandum/ Memorandum of Association / Articles of Association	Memorandum and Articles of Association of Celestial Labs Limited
NEFT	National Electronic Funds Transfer
Non Residents / NRI/ Non Resident Indian	Person Resident outside India, who is a citizen of India or a person of Indian Origin and shall have the same meaning as under FEMA (Transfer or Issue of Securities by a person resident outside India) Regulations, 2000, as amended from time to time
OCB/ Overseas Corporate Body	A company, Partnership or Society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including Overseas Trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Issue of Securities by a person resident outside India) Regulations, 2000, as amended from time to time
Prospectus	Refers to the prospectus (in terms of which the present Issue of Equity Shares is proposed to be made) to be filed with ROC
RTGS	Real Time Gross Settlement
Registered Office of the Company	231/A, Road No:12, Banjara Hills, Hyderabad - 500034. Andhra Pradesh
Registrar/ Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited
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 on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
Stock Exchanges	BSE and NSE

Industry Related Terms

TERM	DESCRIPTION
Bio	Biotechnology
CCMB	Centre for Cellular and Molecular Biology
CELSUITE	Drug Design Tool developed by the Company to aid Pharma Industry in drug discovery
COSMODE	Centre for Strategic Management and Organizational Development
CT	Clinical Trials
CIP	Cleaning In Place
DBF	Dedicated Biotechnology Firms
DNA	Deoxyribonucleic Acid
DSIR	Department of Scientific and Industrial Research

TERM	DESCRIPTION
EU	European Union
GMP	Good Manufacturing Practices
HCU	Hyderabad Central University
HPLC	High Performance Liquid Chromatography
IICT	Indian Institute of Chemical Technology
IMTECH	Institute of Microbial Technology
LPO	Laboratory Process Outsourcing
MAZE CRACKER, INLIB, VISUALIZER	Three Modules of “CELSUITE”
MBPS	Mega Byte Per Second
Pharma	Pharmaceuticals
QSAR	Quantitative Structure Activity Relationships
SIP	Sterilization in Place

Abbreviations

TERM	DESCRIPTION
AS	Accounting Standards as issued by ICAI
AMDISA	Association of Management Development Institutions in South Asia
BSE	Bombay Stock Exchange Limited
Bn/bn	Billion
BPLR	Benchmark Prime Lending Rate
CAGR	Compounded Annual Growth Rate
CCPS	Convertible Cumulative Preference Shares
CDSL	Central Depository Services Limited
CLB	Company Law Board
DCA	Department of Company Affairs
DP	Depository Participant
EGM	Extraordinary General Meeting
EPS	Earnings per share (EPS=Profit after tax/No. of equity shares)
ESI	Employee State Insurance
FEMA	Foreign Exchange Management Act, 1999 as amended from time to time and the Rules and Regulations thereunder
FERA	Foreign Exchange Regulations Act, 1973
FII	Foreign Institutional Investor
FIPB	Foreign Investment Promotion Board
FY	Financial Year
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FI	Financial Institutions

TERM	DESCRIPTION
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
ISABS	Indian Society for Applied Behavioral Sciences
ISTD	Indian Society for Training and Development
IPR	Intellectual Property Rights
Kl	Kilolitre
KVA	Kilo Volt Ampere
LC	Letter of Credit
Lac(s)/Lakh(s)	One hundred thousand
MOU	Memorandum of Understanding
Mn/mn	Million
NA	Not Applicable
NAV	Net Asset Value
NRE Account	Non Resident External Account
NRI	Non Resident Indian
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
p.a.	Per Annum
PAN	Permanent Account Number
PE Ratio	Price Earning Ratio
PF	Provident Fund
PLR	Prime Lending Rate
RBI	Reserve Bank Of India
ROC	Registrar of Companies, Andhra Pradesh
ROCE	Return on Capital Employed $ROCE = (\text{Profit before interest and tax} / \text{capital employed}) * 100$
ROE	Return on Equity $ROE = (\text{Profit after tax} / \text{Equity Capital}) * 100$
RONW	Return on Networth $RONW = (\text{Profit after tax} / \text{Networth}) * 100$
SAARC	South Asian Association for Regional Cooperation
SCRR	Securities Contracts (Regulation), Rules, 1957, as amended from time to time
SEBI	Securities and Exchange Board of India
TDB	Technology Development Board
UIN	Unique Identification Number
UPS	Uninterrupted Power Supply
UNIDO	United Nations Industrial Development Organisation
UNESCO	United Nations Educational, Scientific and Cultural Organisation

PRESENTATION OF FINANCIAL AND MARKET DATA

Financial Data

Unless indicated otherwise, the financial data in this Prospectus are derived from our restated financial statements prepared in accordance with Indian GAAP and included in this Prospectus. Unless indicated otherwise, the operational data in this Prospectus are presented on an unconsolidated basis and refer to the operations of our Company. Our fiscal year commences on April 1 and ends on March 31 of the succeeding calendar year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Prospectus, discrepancies if any, may be due to rounding off.

Currency of Presentation

All references to “Rupees” or “Re’ or “Rs.” are to Indian Rupees, the official currency of the Republic of India.

Market Data

Unless stated otherwise, industry data used throughout this Prospectus have 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 we believe industry data used in this Prospectus are reliable but that has not been verified by any independent sources.

FORWARD LOOKING STATEMENTS

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

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the Biotechnology and Bioinformatics industries in India and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, our ability to manage operational risks, our inability to procure machinery or supplies at acceptable rates, technological changes, our ability to retain management team and skilled personnel, our exposure to market risks, general economic and business conditions in India and our overseas markets, which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in political conditions in India, social or civil unrest or hostilities with neighboring countries or acts of international terrorism, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ, see “Risk Factors” beginning on page vii of this 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 our Company, its Directors and Officers, any Member of Issue Management Team nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the Lead Manager 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.

SECTION II- RISK FACTORS

RISK FACTORS ENVISAGED BY MANAGEMENT

An investment in Equity shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares of the Company. If any of the following risks actually occur, the business, financial condition and results of operations could suffer, the trading price of the Equity Shares could decline, and all or part of the investment may be lost.

Internal Risk Factors and Risk Relating to Our Business

1) There is a possibility of adverse impact on us in the event of the following income tax matter is decided against us.

The Assistant Commissioner of Income Tax, Circle-1 (2), Hyderabad, issued a notice dated 8 July 2005 to us under Section- 143(2) of the Income Tax Act, 1961 asking for further information in connection with the return of income submitted by us for the Assessment Year 2003-04. Pursuant to the said notice an Assessment Order dated 21 December 2005 has been passed by the Assistant Commissioner of Income Tax wherein a demand of Rs. 44,858/- (Forty four thousand eight hundred and fifty eight) has been raised. We have not deposited the demand of Rs. 44,858/- till date. We may have to deposit this demand along with the interest.

2) Delay in project implementation may lead to an adverse impact on our business.

The various delays that may take place are as follows:

a) Delay in Term Loan Disbursement

The Term Loan disbursement from Punjab National Bank is subject to the arrangement of equity contribution and internal accruals and delay in raising the equity contribution may delay the disbursement of loan and hence the project implementation schedule may get affected. Further, Technology Development Board and Department of Science and Industrial Research are also yet to make complete disbursement of the term loan and grant respectively.

Management Perception: DSIR has released 80% of the grant amount (Rs. 60 lakhs out of Rs. 75 lakhs). TDB has also released the first installment of the term loan on 23rd August 2006 (Rs. 125 lakhs out of Rs. 490 lakhs).

b) Delay in placing orders of the total plant and machinery

Critical lab equipment required for analytical purposes initially has been ordered. However, orders are yet to be placed for a major portion of the equipments required for the project. The balance equipment required is valued at Rs. 666.34 Lakhs (46% of the total requirement as per the estimated project cost) Orders for the same shall be placed after receipt of issue proceeds. Further, some of the equipment we intend to deploy is expected to be imported and be paid for in foreign currency. Changes in foreign exchange rates adversely affecting the value of the Rupee may also affect the cost of the project.

Management Perception: We have identified the suppliers and obtained their quotations. The same are being evaluated. The Foreign Exchange market is something that we have no control over and hence we are unable to offer our comments on the same.

c) We have planned significant capital expenditures; our capital expenditure plans may not yield the benefits intended.

Our operations, especially our biopharmaceuticals/bioinformatics business and Enzymes require significant capital expenditures to increase capacity. We have embarked on a Rs. 4059.36 Lakhs capital expenditure plan aimed at significantly increasing our capacities to meet the growing demand for our portfolio of enzymes and other products. Please see the section entitled "Objects of the Issue", and "Business Overview" beginning on page 20 and page 46 of the prospectus. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals including approvals of drug regulators in our target markets; availability of financing on acceptable terms; and changes in management's views of the desirability of current plans, among others. We cannot assure you that we will be able to execute our capital expenditure plans as contemplated. If we experience significant delays or mishaps in the implementation of our capital expenditure plans or if there are significant cost overruns, including receipt of governmental approvals, then the overall benefit of such plans to our revenues and profitability may decline. To the extent that completed capital expenditure does not produce anticipated or desired revenue or cost-reduction outcomes, our profitability and financial condition will be negatively affected.

d) Our expansion plans are subject to the risk of cost and time overruns.

Our plan for expansion as referred to in the section titled “Objects of the Issue” on page 20 of this Prospectus contains project costs and implementation schedules estimated by us. We intend to apply the net proceeds of the Issue to broad base our production capacity and augmenting working capital requirements. Our expansion plans are subject to a number of contingencies, including foreign exchange fluctuations, changes in laws and regulations, governmental action, inability to obtain machinery and other supplies at quoted or at acceptable rates, accidents, natural calamities, terrorist activity and other factors, many of which may be beyond our control. Although we have a capability to complete the expansion plan within parameters estimated by us, we cannot assure you that the actual costs incurred, the production capacity added or time taken for implementation of these plans will not vary from our estimated parameters.

e) Delay in getting the statutory approvals

We have made an application to the Government of Andhra Pradesh for Single Window Clearance on 21st October 2005. However, this approval is subject to us setting up some basic infrastructure facilities like Pollution Control Equipment etc. Any undue delay in getting such approval would hamper our business plans.

Management Perception: As per the existing procedure the Government of Andhra Pradesh assesses the requirement of power, water and pollution control after the civil construction work is completed.

3) Fund requirement in respect of working capital has not been tied up with banks/financial institutions.

The fund requirement for incremental working Capital has not been tied up/financed by means of Bank Finance/Institutional Finance. This may lead to an adverse impact on our business if the required funds are not arranged for.

Management Perception: We had reserves of Rs. 1463.40 lakhs as on 31st March 2007, a part of which we may utilise for this purpose in case no loan for working capital is sanctioned.

4) Our clinical development business may suffer due to inability to enroll suitable participants for the clinical trials.

The clinical research business is dependent upon our ability to enroll participants for the clinical trials we are managing. These clinical trials rely upon the ready accessibility and willing participation of volunteer subjects. These subjects generally include volunteers from the communities in which the studies are conducted. Although these communities have provided a substantial pool of potential subjects for research studies, there may not be a sufficient number of participants available with the traits necessary to conduct our clinical trials in the future. If multiple organizations are conducting similar trials and competing for participants, it could also make our recruitment efforts more difficult. If we were unable to enroll suitable and willing participants on a consistent basis, it would have an adverse effect on the trials being managed by our clinical development activities, which in turn could have an adverse effect on our business.

Management Perception: We have firm commitments from our subjects with a sufficient number of participants available with the traits necessary to conduct our clinical trials in the future.

5) Our custom and clinical research businesses/contracts are subject to termination on short or no notice.

Termination of a large contract for services or multiple contracts for services could adversely affect our revenue and profitability. In addition, our clients generally retain us on an engagement-by-engagement basis. After we complete a project for a client we do not know whether the same client will retain us in the future for additional projects. A client that accounts for a significant portion of our revenues in a given period may not generate a similar amount of revenues in subsequent periods. Since our operating expenses are relatively fixed and cannot be reduced on short notice to compensate for unanticipated variations in the number or size of engagements in progress, we may continue to incur costs and expenses based on our expectations of future revenues. In some of our contracts, we are not paid unless we achieve certain goals or milestones. This could result in the incurrence of costs without corresponding revenue generation.

Management Perception: We have hired and are in the process of hiring qualified and experienced professionals who would deliver very good quality service to the clients.

6) 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 current and 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 existing or future patents issued to or licensed by us may not provide us with any competitive advantage 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 commercializing processes or products that are similar or functionally equivalent to our innovations.

Management Perception: Patents in India are valid for seven years and during that period the rights of the patent holder are secure. We have already initiated the process for obtaining the patents.

7) There is risk of rejection of the IPRs applied for.

We have applied to Patents Office, Chennai, relating to “Anti cancer peptide drugs with novel activity and their biotechnological production” and “Novel human basic fibroblast factor active site, mutated at one or more positions to increase the efficacy of vitiligo treatment”.

We have also applied for registration of Copyright of five titles ‘Ratna’, ‘Vyasa’, ‘Sahakar’, ‘CELSUITE’ and ‘Dhanvantari’.

In the event of rejection of the said applications we may face the risk of losing out the business to our competitors.

8) Growing competition may adversely affect our competitive position and our profitability.

We operate in a highly competitive environment. Much of our recent revenue growth is the result of growth in the bio-information segment & data-warehousing segment. Significant additional competition in the markets where we sell products may see market share eroded and further reduction in prices will negatively affect our revenues and profitability.

9) If we become subject to significant legal action, we may incur substantial costs related to litigation. We currently carry no products Liability insurance.

Our business involves sale/licensing of molecules due to which we might face potent liability/damage suit. Further our industry is subject to significant product liability, intellectual property and other litigation. Many of these actions may involve large claims and significant defense costs. We currently carry no products liability insurance with respect to our enzymes and other businesses. Claims made against us could result in substantial liability, which would have a material adverse effect on results of our operations, cash flows and financial condition. However, such a material impact cannot be quantified.

10) If we inappropriately deal with organic disposal it may cause environmental pollution, we could face significant liabilities that would lower our profits.

Although presently the Company is involved purely into IT related services, as mentioned in the section Objects of the issue beginning on page 20 of this offer document we propose to undertake wet lab fermentation also which involves risks related to organic disposal. In the biotech process like wet fermentation, medium consisting of some materials are used, which if not taken proper care of, during the process and after harvest, may spoil the complete batch. Further, any casual approach in handling post harvest situation may result in environmental pollution. This, in turn, could result in significant disruption in our business and subject us to legal or regulatory action, which could lower our profits.

Management Perception: The medium that we propose to use is biodegradable and also the equipment we intend to employ would be equipped with latest safety measures. All the necessary precautionary measures shall be employed to avoid any untoward incident.

11) A limited number of customers and clients account for a large percentage of our operating revenues, and the loss of one or more of them could significantly affect our revenues and profitability or the revenues and profitability of our individual businesses.

There are a number of factors, other than our performance, that could cause the loss of a customer or client and such factors may not be predictable. If we were to lose one or more of our major customers or clients or if they significantly reduce their business with us, our revenues and profitability or the profitability of our individual business lines could be affected adversely and significantly.

Management Perception: We have been doing satisfactory business with our customers on a long term basis and have so far, been successful in retaining them.

12) We depend on our senior management team, and the loss of team members may adversely affect our business.

If one or more members of our senior management team were unable or unwilling to continue in their present positions, those persons could be difficult to be replaced and our business could be adversely affected. If some of our key employees were to join a competitor or to form a competing company, some of our customers or clients might choose to do business with that competitor or new company. Further customers, clients or other companies seeking to develop in-house capabilities may hire away some of our senior management or key employees.

Management Perception: High attrition is a common problem to the IT industry. We have training programs to upgrade existing employees in new technologies and verticals. The promoter has adequate knowledge and experience to manage the existing and future business.

13) There is no standard valuation of products developed by us.

The valuations in the biotechnology/Information technology industry are presently high, which may not be sustained in future and may also not be reflective of future valuations in the industry. There are no standard valuation methodologies or accounting practices in the emerging internet/media and related industries. Our financials are not strictly comparable with the other players in the industry. Lack of brand equity in this industry may cause lesser valuation in the product licensing, thereby translating into reduction in profits for us.

14) Introduction of alternative technology, stringent environmental regulations or changes in consumer habits may reduce demand for our existing products and may adversely affect our profitability and business prospects.

Our products are also used by pharma Industry. Our customers may decide to seek alternative technology coupled with the development of more alternatives, which may adversely affect our business and profitability if we are not able to respond to these changes. Our ability to anticipate changes in technology and to develop and introduce new and enhanced products successfully on a timely basis will be a significant factor in our ability to grow and to remain competitive. We cannot assure you that we will be able to achieve the technological advances that may be necessary for us to remain competitive or that some of our products will not become obsolete. We are also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance and delays in product development.

Further, while we believe that our facilities are/will be in compliance in all material respects with applicable environmental laws and regulations, additional costs and liabilities related to compliance with these laws and regulations are an inherent part of any business. We, like other biotech companies may be subjected to various central, state and local environmental, health and safety laws and regulations concerning issues such as damage caused by air emissions, waste water discharges, solid and hazardous waste handling and disposal, and the investigation and remediation of contamination. These laws and regulations are increasingly becoming stringent and may, in the future, create substantial environmental compliance or remediation liabilities and costs. These laws can impose liability for non-compliance with health and safety regulations or clean up liability on generators of hazardous waste and other substances that are disposed of either on or off-site, regardless of fault or the legality of the disposal activities. Other laws may require us to investigate and redress contamination at our properties, including contamination that was caused in whole or in part by previous owners of our properties. While we intend to comply with applicable environmental legislation and regulatory requirements, it is possible that such compliance may prove restrictive and onerous. In addition to potential clean up liability, we may become subject to monetary fines and penalties for violation of applicable laws, regulations or administrative orders. This may result in the closure or temporary suspension of our operations or impose adverse restrictions on our operations. We may also, in the future, become involved in proceedings with various regulatory authorities that may require us to pay fines, comply with more rigorous standards or other requirements or incur capital and operating expenses for environmental compliance.

Any failure on our part to forecast and/or meet the changing demands will have an adverse effect on our business, profitability and growth prospects.

Management Perception: We have gone in for feasibility studies before venturing out and has commenced operations based on a positive report. Changes in technology are an integral part of any industry. We have to keep upgrading to the current norms just like others in the industry.

15) Inability to manage our growth could disrupt our business and reduce our profitability.

We have experienced high growth in recent times and expect our business to grow significantly in view of our plan for modernization and capacity expansion. We expect this growth to place significant demands on us and require us to continuously evolve and improve our operational, financial and internal controls across the organization. In particular, continued expansion increases the challenges involved in:

- maintaining high levels of customer satisfaction;
- recruiting, training and retaining sufficient skilled management, technical and marketing personnel;
- adhering to quality and process execution standards that meet customer expectations;
- preserving a uniform culture, values and work environment in operations within and outside India;
- developing and improving our internal administrative infrastructure, particularly our financial; and
- maintaining desired level of operational, communications and other internal systems.

Any inability to manage our growth may have an adverse effect on our business and financial results.

16) Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations at our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.

After expansion we will conduct our operations from new manufacturing facilities. Our facilities will be subject to operational risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labor disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results. We may be required to carry out planned shutdowns of our plants for maintenance, statutory inspections and testing. We will also shut down plants for capacity expansion and equipment upgrades. Although we will take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above. However, such a material impact cannot be quantified.

17) We face security risk of interception of data during its transmission

Our operations involve transmission of data through Internet. This involves security risks as the data is liable to be intercepted during the course of its transmission. Further, due to the voluminous size of the data being transmitted there may be complete/partial loss of data due to faults in the transmission medium. This may hamper our business operations significantly.

Management Perception: We have dedicated line and adequate backup support to minimize this risk.

18) We are dependent on satellite and communication system

We are heavily dependent on satellite and telephone communication systems. Any significant loss of our ability to transmit data through satellite and telephone communications could have an adverse effect on our results of operations and financial conditions.

Management Perception: The existing telecommunication system in India is at par with other countries. A large number of Business Process Outsourcing units that have set up their operations in India and even they rely on the same network as us.

19) Results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees.

As of March 31, 2007, we had 94 full-time employees. The number of our employees is likely to increase with our proposed expansion plans. While we consider our current Industrial relations at our facilities to be good, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

20) There are risks involving our global operations.

Overseas clients are always demanding quality and timely delivery. There is a risk of loss in overseas business inspite of our proposed infrastructure and resources being set up outside India. One of the objects of the issue is to set up a marketing office in the USA. In case our dealings with the foreign clients do not go smoothly we may face a risk of loss in business of the Company.

21) Firm arrangements are yet to be made for setting up of a marketing and liaison office in USA

Though we have identified the location for the proposed marketing and liaison office in USA we are yet to enter into agreements that would amount to making firm arrangements for setting up of the said office. There is a risk that the selected location may not be available to us at a later date and we might have to opt for a different location.

22) The project had been appraised by PNB and they had pointed out some weaknesses associated with us.

PNB, in their appraisal note issued to us, pointed out the following weaknesses associated with us:

1. Ist generation entrepreneur.
2. Gestation period of the project is slightly high.
3. Firm marketing arrangement for Industrial enzymes still not in place.
4. Firm agreement for opening of US office not yet completed.
5. Working Capital is not yet tied up.

- 23) The offer document had been previously submitted to the SEBI, NSE and BSE and withdrawn. It was refilled at a later date.**

The offer document had previously been submitted for in-principle approval to the NSE and BSE and also to SEBI. It was later withdrawn because the project was not appraised at that point of time and we felt it would be better to approach the Investors after getting the project appraised.

- 24) The IPO grading obtained by us indicates poor fundamentals.**

CRISIL has assigned a CRISIL IPO Grade “1/5” (pronounced “one on five”) grade to the proposed initial public offer of Celestial Labs Limited. (CELESTIAL). This grade indicates that the fundamentals of the issue are poor relative to other listed equity securities in India. For details regarding grading, please refer page no. 10 of the Prospectus.

- 25) Our ISO 9001 and Q9001-2000 certification has expired and is due for renewal.**

Our ISO 9001 and Q9001-2000 certification has expired on 1 April, 2007 and we have applied for renewal. In the event the certification is not renewed it may lead to business loss to us.

Management Perception: We are in Contact with M/s AQA International LLC for re-registration.

- 26) We have entered into various agreements with Research Institutions and are subject to restrictive covenants.**

We have entered into various agreements with Research Institutions and are subject to restrictive covenants like maintaining strict confidentiality of the Data and non-disclosure etc. We may be subjected to legal action for violation of the said covenants. Details of the agreements are mentioned on page 63 of the offer document.

EXTERNAL RISK FACTORS

A) Governmental regulations may restrict our ability to sell our products, which could result in a loss of revenue.

Our research, pre-clinical testing, clinical trials, facilities, manufacturing, labeling, pricing, and sales and marketing are subject to regulation by governmental authorities, including authorities in India and the European Union, as well as governmental authorities in the United States, such as the US FDA where we plan to market our products. Our research and development activities are subject to laws regulating such things as laboratory practices and the use and disposal of potentially hazardous materials. Subsequent to our Expansion we will also be required to obtain and maintain regulatory approval to market specific products in India, the United States, the European Union, Japan and other markets. In some cases 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.

B) Risk in respect of policies and political situation in India

Since 1991, the Government of India has pursued policies of economic liberalization, including certain policies that significantly relaxing restrictions on the private sector. Any change in the direction of economic policies as also specific policies relating to Biotech Industry could affect us. Significant changes in India's economic liberalization and deregulation policies could affect business and economic conditions in India and impact our business.

C) Taxes and other levies imposed by the Government of India or other state governments, as well as other financial policies and regulations, may have a material adverse effect on our business, financial condition and results of operations.

Taxes and other levies imposed by the central or state governments in India that affect our industry include customs duties, excise duties, sales tax, service tax, income tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time.

The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or state governments may adversely affect our competitive position and profitability. Currently we enjoy certain tax benefits, which result in a decrease in the effective tax rate compared to the tax rates that we estimate would have been applicable if these incentives had not been available. There can be no assurance that these tax incentives will continue in the future. The non-availability of these tax incentives could adversely affect our financial condition and results of operations.

Several state governments in India have recently introduced a value added tax regime. The impact of the introduction of the value added tax regime on our business and operations will depend on a range of factors including the rates applicable and the exemptions available to our facilities. Currently, we are unable to ascertain the impact of the value added tax regime on our business and operations.

The Government of India has recently introduced a Fringe Benefit Tax payable in connection with certain expenditures incurred by us, which is likely to increase our tax liability.

D) We face foreign exchange risks, which may adversely affect our cash flows and results of operations.

We expect to import some of the machineries for our proposed expansion from certain countries. As cost of these machines have to be paid for in foreign currencies, adverse changes in the foreign currency exchange rates will increase our machinery costs, affect our cash flow adversely and will also affect our profitability on account of an additional depreciation charge.

Further, as a significant percentage of our revenues are denominated in U.S. Dollars and other foreign currencies, we face the risk of fluctuating exchange rates. Most of our revenues are from exports and in foreign currency. Exchange rates have been fluctuating and in the past Indian Rupee have appreciated against US Dollar leading to the net revenue coming down as also the profit margins. This may fluctuate substantially in future also. We currently do not hedge any of its Rupee-US Dollar foreign currency exposures. We expect more growth in revenue from US in the next 2-3 years and thus its revenue and margin will be significantly impacted by exchange fluctuations.

E) Further expansions in the Biotech Industry in our segment of operation may result in excess capacity, which may affect our financial condition.

The high growth rate and prospects for profitability in the Biotech Industry in our segment of operation could lead to other companies increasing their production capacity in these segments. This could result in excess capacity in the market. Although our products have so far been able to compete in terms of quality and price, in domestic markets, no assurance can be given that we will be able to fully utilize our increased capacity and sell our increased production on competitive terms/terms acceptable to us or at all.

F) Change in wage structure across Industry will affect our operations adversely

Wage pressures in India may prevent us from sustaining its competitive advantage and may reduce its profit margins. Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive strengths. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. Wages in India are increasing at a faster rate than in the United States, which could result in increased costs for software professionals, particularly project managers and other mid-level professionals. We may need to continue to increase the levels of its employee compensation to remain competitive and manage attrition. Compensation increases may result in a material adverse effect on our business, results of operation and financial condition. However, such a material impact cannot be quantified.

G) Changes in technology or other preferences render our products obsolete, our product sales and revenues will decline.

Biotechnology development is characterized by significant and rapid technological changes, research and discoveries by others, including developments of which we are not currently aware, may make our products obsolete. If changes in technology or other preferences make our products obsolete, sales of our products will be reduced and consequently results of our operations could be adversely affected.

H) High attrition rate in primarily knowledge based industries

The attrition rate in the primarily knowledge based industries is high while the availability of skilled manpower is low. These two factors may lead to additional cost for investing in employees' training. In Biotech Industry, execution of current and future projects and obtaining new customers depend, to a large extent, on company's ability to attract, train, motivate and retain highly skilled personnel, particularly project managers, project leaders and domain experts. There is significant demand for personnel who possess the skills needed to perform the Biotech services. The majority of departing employees comprise of highly trained IT/Biotech personnel, such as engineers and project managers with three to four year's experience, many of who join competing companies. Any increase in our attrition rates, particularly the rate of attrition for experienced software engineers and project managers and leaders, would adversely affect its growth strategy. We cannot assure that we will be able to re-deploy and re-train our technical personnel to keep pace with continuing changes in knowledge based Industries, evolving technologies and changing customer preferences. However, we have been promoting and believes in promoting work culture, core values and compensation attractive enough to motivate its employees.

I) Our clinical trials may be disrupted by controversies involving human rights groups and social activists.

The use of patients in developing countries such as India to conduct clinical trials on pharmaceuticals developed for sale to foreign countries has become subject to controversy. Such activities have been and may continue to be targeted by human rights groups and social activists in and outside India, which could disrupt our clinical trial business.

J) Post Issue volatility in the stock market

After the Issue, the price of our equity shares may be volatile, or an active trading market for our Equity Shares may not develop. The prices of the Equity Shares on the Indian stock exchanges may fluctuate after the Issue as a result of several factors, including: volatility in the Indian and global securities market, our results of operations and performance; performance of our competitors, the Indian information technology industry, information technology enabled services industry and the perception in the market about investments in the information technology sector; adverse media reports on us or the Indian information technology enabled services 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 the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

Notes:

- Public issue of 50,00,000 Equity Shares of Rs. 10 each at a price of Rs. 60/- for cash aggregating up to Rs 3000.00 Lakhs.
- The net worth of our Company as on March 31, 2007 was Rs. 2082.79 Lakhs.
- The book value per equity Share of Rs 10/- was Rs 33.63 as at March 31, 2007.

- The average cost of acquisition of Equity Shares by our Promoter is as under:
Aditya Narayan Singh 26,02,450 Equity Shares Rs 7.37 per share
- There is no interest of Promoter/director /KMP other than reimbursement of expenses or normal remuneration or Benefits.
- The Net Asset value per Equity Share as on March 31 2007 is Rs 33.63 as per recast Financial Statement appearing on page 79 of the prospectus.
- Investors are advised to see the section titled “Basis for Issue Price” on pages 34 and 35 of this Prospectus before making an investment in this Issue
- The name of our Company was changed from Celestial Technologies (P) Limited to Celestial Technologies Limited on 6th December, 1999. The name was further changed to Celestial Labs Limited on 13th February 2004.
- Except as disclosed in Notes 7&10 of the section titled “Capital Structure - Notes to the Capital Structure” appearing on page 12 of this Prospectus, our Directors, our Promoters have not purchased the securities of the company during the period of six months preceding the date of filing of the prospectus, details of which are disclosed on page no 18 of the prospectus and have not sold any securities of the Company during a period of six months preceding the date of the filing of the Prospectus.
- Refer to Annexure XV of the section titled “Financial Statements” on page 85 of this Prospectus for the related party transactions.
- Investors should note that in case of over subscription in the Issue, Allotment will be made on a proportionate basis in consultation with Stock Exchange(s) as per the prevailing guidelines in this regard.
- Investors may contact the Lead Manager for any clarification or information that they may require in connection with this Issue.
- There are no outstanding loans and advances to any persons in which directors are interested.
- Our Promoter, Mr. A.N. Singh has obtained shares at a price lower than the issue price in the last 12 months.

The details of the transfer are as follows:-

Name of the Transferee	No of Shares	Price	Date of Transfer
Aditya Narayan Singh	3,55,750	10	03.01.2006
Aditya Narayan Singh	1,450	10	25.01.2006

The promoters Directors have purchased and shares of the company during the month January 2006. The details are given below:

Sl No.	Date of Transfer	Transferor	Transferee	No. of Equity Shares	Price Rs.
1	03.01.06	U. Venubabu	Mr. A. N. Singh	5,900	10/-
2	03.01.06	G. Ananda Kumar	Mr. A. N. Singh	6,600	10/-
3	03.01.06	A. Ram Babu	Mr. A. N. Singh	6,600	10/-
4	03.01.06	N. Upendra	Mr. A. N. Singh	5,250	10/-
5	03.01.06	A. Ram Subba Reddy	Mr. A. N. Singh	5,300	10/-
6	03.01.06	L. Ramesh	Mr. A. N. Singh	6,100	10/-
7	03.01.06	Smt. K. Sujatha	Mr. A. N. Singh	6,200	10/-
8	03.01.06	N. Venkatesh	Mr. A. N. Singh	5,600	10/-
9	03.01.06	V. John Benny	Mr. A. N. Singh	5,150	10/-
10	03.01.06	D. Raja Ratnam	Mr. A. N. Singh	6,850	10/-
11	03.01.06	S. Chandra Shaker	Mr. A. N. Singh	6,750	10/-

Sl No.	Date of Transfer	Transferor	Transferee	No. of Equity Shares	Price Rs.
12	03.01.06	V. Narayana Swamy	Mr. A. N. Singh	6,700	10/-
13	03.01.06	K. Indira	Mr. A. N. Singh	5,400	10/-
14	03.01.06	P. Ramakrishna Reddy	Mr. A. N. Singh	5,750	10/-
15	03.01.06	K. Malla Reddy	Mr. A. N. Singh	5,100	10/-
16	03.01.06	T. Nagesh Babu	Mr. A. N. Singh	4,700	10/-
17	03.01.06	K. Ramana	Mr. A. N. Singh	6,700	10/-
18	03.01.06	P. Upendra	Mr. A. N. Singh	5,450	10/-
19	03.01.06	G. Arvind Reddy	Mr. A. N. Singh	5,100	10/-
20	03.01.06	M. Srinivas Reddy	Mr. A. N. Singh	3,450	10/-
21	03.01.06	M. Srinivas	Mr. A. N. Singh	5,750	10/-
22	03.01.06	M. Prasad	Mr. A. N. Singh	6,750	10/-
23	03.01.06	G. Seetharamulu	Mr. A. N. Singh	5,200	10/-
24	03.01.06	K. Raja Reddy	Mr. A. N. Singh	3,400	10/-
25	03.01.06	G. Tirupathi Reddy	Mr. A. N. Singh	5,900	10/-
26	03.01.06	K. Hanumantha Rao	Mr. A. N. Singh	5,750	10/-
27	03.01.06	Ch Rajender Reddy	Mr. A. N. Singh	5,400	10/-
28	03.01.06	Dr. C. Sai Prasad	Mr. A. N. Singh	6,500	10/-
29	03.01.06	K. Murari Rao	Mr. A. N. Singh	4,750	10/-
30	03.01.06	K. Nagababu	Mr. A. N. Singh	6,200	10/-
31	03.01.06	Subhash	Mr. A. N. Singh	20,000	10/-
32	03.01.06	Subhash	Mr. A. N. Singh	20,000	10/-
33	03.01.06	Anand Kumar	Mr. A. N. Singh	50,000	10/-
34	03.01.06	Y. Rajiv	Mr. A. N. Singh	5,500	10/-
35	03.01.06	Smt. Yogita	Mr. A. N. Singh	90,000	10/-
36	25.01.06	S.V. Rao	Mr. A. N. Singh	1,450	10/-
		Total		357,200	

All the aforesaid transfers to the promoter, Mr. A. N. Singh have taken place from non-promoters and entities not part of promoter group.

SECTION III- INTRODUCTION

BUSINESS SUMMARY

This is only a summary and does not contain all information that you should consider before investing in our Equity shares. You should read the entire Prospectus, including the information on “Risk Factors” and our Financial Statements and related notes appearing elsewhere in this Prospectus, before deciding to invest in our Equity shares

OVERVIEW OF BIOTECHNOLOGY INDUSTRY

Global Biotechnology Industry

The 4th BioSpectrum-ABLE Biotech Industry Survey indicates that the industry has attained the critical momentum. For the third year in a row, the industry has clocked growth in excess of 35 percent. In 2004-06, the industry grew by 37.42 percent to record \$1.45 billion (Rs 6,521 crore) in revenue. In the previous year, the industry recorded 36.5 percent growth to cross the \$1-billion threshold for the first time ever.

The major thrust in biotechnology is in bio-pharmaceuticals, with more than 350 products under various phases of advanced clinical trials. In the US alone, more than 90 new products have been approved by the FDA, while more than 2000 products are under development.

Biotechnology Industry in India

India's biotechnology sector is currently made of four major segments:

- bio-industrial products such as enzymes and bio fuel;
- bio-agricultural products such as genetically modified seeds, bio-fertilizers and bio-pesticides;
- bio-services such as contract research, contract manufacturing and clinical trials; and
- bio-pharmaceuticals.

Bio-pharma covers vaccines, therapeutics, diagnostics and animal health care, and has emerged as the largest segment, thanks in part to strong clinical and research capabilities developed through bio-services.

Bioinformatics Industry:

At present there are more than 45 companies in the Indian Bioinformatics market mainly based in southern cities like Bangalore, Chennai and Hyderabad. About 20 percent of them are based in Delhi and a few in Pune. Of these about 35 companies are actually involved in developing Bioinformatics tools and products while the rest are into marketing of the tools. In addition to Indian companies, multinationals are also in this space with direct presence in India. Some big are offering Bioinformatics services while others are providing the hardware.

With the changing scenario in the global market, many small and medium companies have either closed or joined hands with leading companies in the same space or with biosuppliers who are into marketing of equipments/ products to biopharmaceutical and biotechnology companies. One can expect the same trend in India also some companies entering this space.

Few companies offer forward integration of IT systems in drug development and also help in implementing clinical trial programs at lower cost with shorter time lines. By exhibiting cost saving skills, Indian firms are getting product enquiries and business related to data mining, scientific visualization, information storage, retrieval of special structure data and simulation of long DNA sequences.

Indian players have to leverage the lower costs of infrastructure and human resources. The cost of setting up and running a bioinformatics company in India is a fraction of the cost in the US. Indian companies will have to target pharmaceutical and biotechnology companies, as well as agribiotech and industrial biotech companies.

Some Indian bioinformatics enterprises have already been acknowledged in the US and European markets for their cost saving potential. These companies have demonstrated cost saving to the extent of 30-40 percent in drug development process. With this, many Indian enterprises are getting orders to jointly collaborate with major pharmaceutical and biotech companies.

Biopharmaceutical companies also have set up bioinformatics cells to undertake research in this space, only to meet their in-house research activities. Instead of coming as hindrance to the real bioinformatics companies these cells/units at the biopharmaceutical companies will help them in marketing their tools.

To promote the rapidly emerging field of bioinformatics in the country, many professional have joined hands and set up a non-profit society called Bioinformatics Society of India. This society is basically aimed at bridging the gap between the educational

and corporate sector. It will strive towards catering the needs of aspiring learners of this field by creating a genuine awareness and to attain perfection to set a benchmark in bioinformatics. In addition to this, the government is also making efforts to support the segment by setting up BioIT Park. The Department of Biotechnology has been working with other departments to set up this park, which is expected to position India in the global hub of Bioinformatics.

The Department of Biotechnology in its National Biotech Development Strategy has also pointed out some strategic action plans in the following areas - human resource development, infrastructure development, testing of public domain resources, inter agency coordination, strengthening of DICs and sub DICs and Bio IT parks and promotion of bioinformatics industries. These initiatives will support the segment to grow vertically and to take a major pie in the global bioinformatics sector in the next few years.

(source: <http://www.biospectrumindia.com>)

OUR BUSINESS

Celestial labs is a 9 years old, ISO 9001 Company located at Hyderabad working in the space of IT/ Bioinformatics, Biotechnology and Consultancy work.

Celestial labs offers enterprise resource planning solutions, data warehousing, business intelligence solutions and bio services like clinical data management, gene sequence analysis, molecular modeling, design and development of Drug Molecules dedicated to health sector to Govt. Institutions, pharma and Biotech companies, Hospitals and Medical centers in India and overseas.

Starting from IT and Bioservices, in due course of time, Celestial, because of its strong domain knowledge in biosciences which is scale up of its existing operations, has chosen health sector verticals and developed an integrated approach to offer its products and services to this sector. Celestial's in-depth understanding of life science and suitable technology transfer collaboration with leading research institutions is providing a unique edge in the innovative and economical enzyme manufacturing and distribution operation.

Celestial has made rapid technological advancement to develop Denovo Drug design tool for the first time in India to reduce the life cycle of the new drug Molecule development from 20 years to 5 years.

Celestial has also successfully developed a Bio molecule by using recombinant DNA technology to treat vitiligo, a white patch skin disorder with the technical collaboration with CCMB Hyderabad, a premier CSIR Biological Research Institute in India.

Celestial plans to develop 3 drugs from this molecule. Celestial has filed for 2 drug molecule patents in India.

PRESENT EXPANSION

The expansion has been planned:

- To scale up the contract research and existing Project management and Enterprise resource planning services dedicated to health and life science sector by increasing infrastructure and resources.
- To develop Drug molecules, perform clinical trials and provide licensing for global production
- To manufacture and market Enzymes with the proven and improved technology by leveraging the expertise in fermentation process

CELESTIAL during its expansion plan, has scaled up its service operations with the available resources and further developed a de novo drug design tool "CELSUITE" to aid drug discovery and strengthen related services in finding the lead Drug molecules. The CELSUITE has been filed for IPR under the Indian Copyright Act, 1957. The various modules of Celsuite help in providing the effective research services to the clients in the field of drug development.

Based on its own *in silico* expertise (applying the bioinformatics tools), CELESTIAL has developed therapeutic molecules to treat Leucoderma and multiple cancer and these have been filed for the Indian patent rights. CELESTIAL has completed the cloning of the therapeutic molecule for curing the vitiligo and currently, the purification stage is in progress at its collaborative institute, Department of Microbiology, Osmania University, Hyderabad.

Celestial has developed Celvision, an ERP solution applicable for pharma and biotech Industries and tied up for marketing with SONATA-IBM's initiative venture. Celestial has also developed a portal called www.sanjivani.biz and looking very aggressively to launch as b2b (business to business) and b2C (business to consumer) e-commerce activities to offer consultancy and distribution of biotech products and services across the globe. Offering online consultancy services is the unique feature in the portal. The portal has been developed on j2EE architecture

We have received SAP (System Application Process and Database) ECC version 6.0 and implementing it in both IT and BIO division of Celestial. Celestial is having domain knowledge and SAP expertise in these areas and this implementation will further enrich its experience. Apart from getting the fullest advantage of SAP, Celestial is also preparing the right team to scale up the SAP ERP services in pharma, biotech and health care system. Celestial's plan is to provide the SAP implementation and support services to health sector on an aggressive note globally.

As an upward integration strategy enhancing the regular revenue stream, CELESTIAL is leveraging its expertise in Fermentation process, has signed a technology transfer agreement with Institute of Microbial Technology (IMTECH), a premier CSIR organization at Chandigarh, India, to manufacture two industrially important enzymes, alpha Amylase and alkaline Protease and market them in India and overseas.

CELESTIAL is setting up facilities to accomplish diversified activities in the biotechnology section, including manufacturing of industrial enzymes and laboratories for developing new drug candidate molecules and licensing for manufacture and distribution globally. This facility is being setup in Genome Valley at Hyderabad in Andhra Pradesh.

CELESTIAL has competent and experienced personnel on its rolls to effectively carry out the scientific, engineering, finance and management functions of its project activities. CELESTIAL has an experienced and diverse Board of Directors to guide our core management to devise the right strategies and efficiently carry out the tasks to achieve the targets.

We have achieved business of Rs. 1412.76 Lakhs in the year 2006-07 in comparison to Rs. 1022.18 Lakhs during the year 2005-06.

Our Products & Services

CELSUITE

Structure-based drug design plays a crucial role in the discovery of novel chemical entities, which are of immense use in health care market. Using in silico tool, one can appreciably reduce the high costs involved in synthesizing and testing the potential bioactive compounds or drug molecules. CELESTIAL LABS has developed CELSUITE- a drug design tool, which facilitates molecular modeling; active site prediction and ligand build up, the important features of a drug discovery process. Starting with molecular coordinates of the test candidate, the CELSUITE predicts the potential of the ligand molecules, builds virtual drug, screens out unfavourables, and predicts toxicity through a logical and rational process. The visualizer displays the result molecules on the screen in a variety of representation and colours. CELSUITE will be licensed individually once it is integrated with toxicity prediction module and also it will be used by Celestial to offer the drug molecule development related services to pharma and biotech companies, globally.

BioProducts (Drug Molecule Development)

CELESTIAL LABS, based on its in silico expertise, has developed 2 molecules to treat Leucoderma / Vitiligo, tanning, wrinkles and multiple cancer. Purification of these cloned molecules is under active progress paving the way for rapid development of the final products and licensing. These molecules have been filed for the IPR protection in 2005.

Vitiligo/Wrinkle formation/Tanning

While the market for products to treat wrinkle formation and tanning needs is picking up tremendous growth, surveys show that 1 to 6 % of the world population is affected by the disorder of depigmentation popularly known as Leucoderma or Vitiligo. Drugs being developed to cure this disorder are of immense value as they reduce the mental depression and psychological trauma associated with the disorder and will certainly improve the quality of life, apart from avoiding the social withdrawal of the affected patients. Etiology of this disorder is not clear in spite of the fact that causes are partially hypothesized as genetic or of auto-immune nature or are due to growth factor deprivation.

Multiple Cancer

Development and application of peptide molecules as anti-cancer drugs is being actively pursued globally. However, keeping in mind the complex mechanism of action involved, selection of the peptide would need more rigorous and rational approach. Preparation of these peptides and its successful administration with selective targeting and specific delivery to cancer cells needs the knowledge pertaining to biological system comprising tubulin-targeting drugs. Using its in-house drug design tool, CELESTIAL has worked on the active site prediction of tubulin complex and designed a few promising ligands. Further work is in active progress and CELESTIAL is optimistic for generating potential peptide that can help in tubulin aggregation leading to anti-cancer activity.

Industrial Enzymes

The bio-industrial sector of the biotechnology industry in India has been recording impressive annual growth at the rate of more than 35%. Industrial enzymes represent the heart of biotechnology processes. The field of industrial enzymes now is experiencing major R&D initiatives, resulting both in the development of a number of new products, and in improvement in the process and performance of several existing products.

In view of the optimum utilization of expertise and resources, CELESTIAL LABS is developing the appropriate technological-base for the production of two important industrial enzymes, Alpha Amylase and Alkaline Protease, with the requisite infrastructure for manufacturing and quality control.

CELESTIAL LABS has tied up with IMTECH at Chandigarh for the technology transfer and will avail the services of leading plant & machinery providers to help us establish and scale-up of manufacturing processes.

Consumption of the proposed enzymes to be manufactured is shared mainly by detergents, textiles, food and pharmaceutical industries in India, currently with an import of 70% of these enzyme products.

Services

Celestial has been providing customized enterprise solutions, bioinformatics services to health and life science sector, like database preparation and management, gene sequence comparison and analysis, prediction modeling, design and development of Drug Molecules. Further the services are being strengthened by applying suitable resources and infrastructure.

Business Strategy

Our business plan is essentially based on scaling up the service operations such as ERP implementations, project management services, bioinformatics services, etc., already in place; the production and supply of the biotechnological products, which have very significant industrial implications, especially in pharmaceutical sector. The plan envisages a thorough groundwork in terms of building up of a technology base through relevant stakeholders and collaborators, further supported by market analysis and import-export imperatives.

The focus is to use multi disciplinary skills to visualize and tackle problems in right perspective. This has enabled CELESTIAL to attract and retain highly qualified personnel having a wide knowledge base in different areas such as microbiology, biochemistry, toxicology etc. Besides the technical, programme implementation and effective management skills, these personnel are equipped with expertise in research, economic affairs and entrepreneurship background.

A comprehensive distributor network will be set up across India with emphasis on specific needs of domestic enzyme market requirements. Export activities will be carried out in association with prospective agents to cater to the enzyme market requirements in Europe and USA. Marketing network already in place for CELESTIAL LABS' information technology products and services will complement to establish the domestic clientele for the enzyme products.

For licensing drug molecules, we will keep in contact with some leading consulting agencies operating world wide for assistance in licensing the drug molecules to pharma and biotech companies.

Marketing and distribution

A comprehensive distributor network will be set up across India with emphasis on specific needs of domestic enzyme market requirements. Export activities will be carried out in association with prospective agents to cater to the enzyme market requirements in Europe and USA. Marketing network already in place for CELESTIAL LABS' information technology products and services will complement to establish the domestic clientele for the enzyme products. Celestial and Sonata-IBM's joint marketing strategy for Celvision is quite fruitful and the same network will be utilized to market Celsuite, a denovo drug design tool

For licensing drug molecules, we will keep in contact with some leading consulting agencies operating world wide for assistance in licensing the drug molecules to pharma and biotech companies.

KEY STRENGTHS

- Dedicated and committed management team
- Experienced scientists and technical team
- Innovation
- Tremendous opportunity in Bio-Services and product
- Technological collaboration with leading research institutions.
- IPR Generations

THE ISSUE

PARTICULARS	EQUITY SHARES OF FACE VALUE OF RS 10/-
Equity Shares Offered by the Company	50,00,000
Of which:	
Reserved for Allotment to Employees	2,00,000
Qualified Institutional Buyers	18,00,000
Net Offer to Public in terms of this prospectus	30,00,000
Equity Shares outstanding prior to the issue	61,94,000
Equity Shares outstanding post the issue	1,11,94,000

- (i) Under subscribed portion in any reserved category may be added to any other reserved category.
- (ii) The unsubscribed portion, if any, after such inter se adjustments amongst the reserved category should be added back to the net offer to the public.
- (iii) In case of under subscription in the net offer to the public portion, spillover to the extent of under subscription shall be permitted inter se from any other categories, at the sole discretion of the company and LM.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following summary financial and operating information is derived from our restated financial statements as of March 31 2003, 2004, 2005, 2006 and 2007, as described in the Auditor's Report in the section titled "Financial Statements" beginning on page 77 of this Prospectus. These Financial statements have been prepared in accordance with the Indian GAAP, the Companies Act, 1956 and have been restated as required under SEBI Guidelines.

The summary financial and operating information presented below should be read in conjunction with the financial statements, the notes thereto included in the sections titled "Financial Statements" and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 77 & 86, respectively, of this Prospectus.

STATEMENT OF PROFITS AND LOSSES

(Rs. In Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
INCOME					
Sales	373.54	502.80	804.98	1,022.18	1,412.76
Others	0.00	0.00	2.09	0.00	0.00
Total	373.54	502.80	807.07	1,022.18	1,412.76
EXPENDITURE					
Salaries	169.96	192.36	253.55	288.91	330.13
Communications	15.26	17.55	21.94	21.11	27.05
Administrative Expenditure	78.44	94.16	164.44	188.98	203.45
Selling Expenses	14.76	36.20	50.82	78.76	94.53
Interest	0.63	1.58	0.00	0.15	0.31
Deferred Revenue - Expenditure write off	9.15	11.44	30.87	55.55	44.45
Deferred Revenue - Expenditure write off (Product Development)	0.00	0.00	0.00	31.10	72.47
Enzymes Expenses	0.00	0.00	0.00	0.00	89.35
Preliminary expenses w/o	0.01	0.01	0.01	0.01	0.01
Total	288.21	353.31	521.63	664.57	861.75
Profit Before Depreciation	85.33	149.49	285.44	357.61	551.01
Depreciation	18.55	26.92	17.50	25.53	30.72
Profit Before Tax	66.78	122.57	267.94	332.08	520.29
Provision for Taxation	5.26	9.65	0.00	1.49	0.00
Provision for Deferred Tax	0.00	20.00	2.98	2.35	5.88
Profit After Tax	61.52	92.92	264.96	328.23	514.41
Transfer to General Reserve	0.00	202.00	294.92	449.56	891.10
Balance tfr to Balance Sheet	61.52	294.92	559.88	777.79	1,405.51

ANNEXURE II - ASSETS AND LIABILITIES

(Rs. In Lakhs)

Particulars	Year Ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
Fixed Assets					
Gross Block	470.47	522.70	616.09	702.72	768.29
Less : Depreciation	41.62	68.55	86.05	111.59	142.30
Net Block	428.85	454.15	530.04	591.13	625.99
Product development	52.23	0.00	0.00	0.00	0.00
Deferred Revenue Exp	82.33	205.13	277.80	222.24	177.79
Molecule Development Expenditure	0.00	0.00	0.00	279.86	652.26
Public Issue Expenses	0.00	0.00	0.00	14.19	20.96
Current Assets, Loans & Advances					
Sundry Debtors	94.00	181.62	299.45	388.69	469.38
Cash and Bank Balances	15.59	28.55	30.82	55.26	53.62
Loans & Advances	31.40	25.03	57.90	90.26	424.28
Sub-total	140.99	235.20	388.17	534.21	947.28
Total Assets	704.40	894.48	1,196.01	1,641.63	2,424.28
Liabilities & Provisions					
Secured Loans	0.41	0.00	0.00	4.48	128.43
Unsecured Loans	0.00	20.00	0.00	30.00	60.00
Current Liabilities and Provisions	35.05	39.62	35.21	37.92	34.50
Total Liabilities & Provisions	35.46	59.62	35.21	72.40	222.93
Share Application money	12.00	0.00	0.00	0.00	0.00
Deferred Tax Liability	0.00	107.34	110.32	112.68	118.56
Net Worth	656.94	727.52	1,050.48	1,456.55	2,082.79
Net worth represented by:					
Shareholders' Funds					
Share Capital	295.00	540.00	568.55	619.40	619.40
Reserves & Surplus	362.00	187.57	481.97	837.18	1,463.40
Miscellaneous Expenditure (To the extent not written off or adjusted)	0.06	0.05	0.04	0.03	0.01
Total	656.94	727.52	1,050.48	1,456.55	2,082.79

GENERAL INFORMATION**CELESTIAL LABS LIMITED****Incorporation**

Our Company was originally incorporated in the State of Andhra Pradesh on November 19, 1997 under the Companies Act, 1956 under the name and style of “Celestial Technologies Private Limited” vide Company Registration No. 01-28374. It was transformed into a Public Limited Company under the name “Celestial Technologies Limited” and fresh Certificate of Incorporation was issued on December 6, 1999.

The name was changed to “Celestial Labs Limited” on February 13, 2004 and consequently fresh Certificate of Incorporation was issued on February 13, 2004.

Company Registration No.: 01-28374

Registrar of Companies: Registrar of Companies, Andhra Pradesh, Kendriya Sadan, Sultan Bazar, Hyderabad 500 001

Changes in the Registered Office since incorporation

Previously registered office was located at Plot No.235 A, Road No.36, Jubilee Hills, Hyderabad 500 033, Andhra Pradesh, and on 1st August 2005 it was relocated to 231/A, Road No:12, MLA colony, Banjara Hills, Hyderabad - 500034, Andhra Pradesh.

Registered Office of the Company:

231/A, MLA Colony, Road No.12, Banjara Hills, Hyderabad - 500034 Andhra Pradesh.

Tel.: +9140 23540008, 23552799, Telefax: +9140 23542844.

E-mail: ipo@celestiallabs.com

Website: www.celestiallabs.com

Board of Directors

The company is presently managed by its Board of Directors comprising of five directors. The day to day affairs of the company are being managed by Mr. Aditya Narayan Singh, its Managing Director. The board comprises of:

	NAME OF DIRECTOR	DESIGNATION	STATUS
1.	Mr. Aditya Narayan Singh	Chairman cum Managing Director	Promoter/Executive Director
2.	Dr. Deverakonda Chidvilasa Sastry	Director	Independent Director
3.	Mr. Subhash Srivastava	Director	Independent Director
4.	Mr. K. Chandramouleswar Sarma	Director	Independent Director
5.	Mrs. Padma Singh	Director	Non Executive & Non-Independent Director

For further details of our Chairman cum Managing Director and Directors, see the section titled “Our Management” appearing on page 65 of this Prospectus.

COMPANY SECRETARY

Mr. B. Kesava Rao,

Company Secretary

Celestial Labs Limited

231/A, M L A Colony

Road No.12, Banjara Hills,

Hyderabad - 500034

Andhra Pradesh

Tel.: +9140 23540008, 23552799

Telefax: +9140 23542844.

COMPLIANCE OFFICER

Mr. N.V. Ramana Murthy,
Sr. Finance Manager,
Celestial Labs Limited
231/A, M L A Colony
Road No.12, Banjara Hills,
Hyderabad - 500034
Andhra Pradesh
Tel.: +9140 23540008, 23552799
Telefax: +9140 23542844.
Email: rmurthy@celestiallabs.com

The Investors are requested to contact the Compliance Officer for any pre-issue/post-issue questions or information, including letter of allotment, refund orders, demat credits of allotted shares etc.

LEAD MANAGERS TO THE ISSUE

Chartered Capital and Investment Limited
13, Community Centre,
East of Kailash
New Delhi - 110 065
Tel: 011 26218274, 26419079
Fax: 011 26219491
Email: celestial@charteredcapital.net
Contact Person: Mr. Heemadri Mukerjea

LEGAL ADVISOR TO THE ISSUE

M/s. Suman Khaitan & Company, Advocates
W-13, West Wing, Greater Kailash Part-II
New Delhi-110048
Tel: 011 32964341, 41639538
Fax: 011 29217108
Email: suman@sumankhaitanco.com
Contact Person: Mr. Suman Jyoti Khaitan

REGISTRARS TO THE ISSUE

Karvy Computershare Private Limited
Karvy House, 46, Avenue 4
Street no.1, Banjara Hills,
Hyderabad - 500 034.
Tel: +91 40 2331 2454.
Fax: +91 40 2331 1968.
E-mail: celestial@karvy.com
Website: www.karvy.com
Contact Person: Mr. S. Ganapathy Subramanian

APPRAISER

Punjab National Bank
MID CORPORATE BRANCH
Sufi Chambers, Road No.1
Banjara Hills
Hyderabad-500034
Tel: : +91 40 23376688
Fax: +91 40 23301854
Contact Person: Mr. R. Mohanam

BANKERS TO THE ISSUE

1) HDFC Bank Ltd.
26A, Narayan Properties
Opposite Saki Vihar
Andheri(East)
BTI Operation, Mumbai
Tel: 91-22-28569228, 09324714629
Fax: 91-22-28569256

Contact Person: Clayton Mendonca
Email-clayton.mendonca@hdfcbank.com
Website: www.hdfcbank.com

2) UTI Bank Limited
G-4, Welcome Court Complex
Opposite Railway Degree College
Tarnaka, Secunderabad-500017
Tel: 91-40-27002118, 27002122
Fax: 91-40-27004462

Contact Person: K.Srinivas
Email: k.srinivas@utibank.co.in
Website: www.utibank.com

AUDITORS

M/s. G.V.Rao & Co., Chartered Accountants
G-4, Shanti Apartments, Anand Nagar Colony
Hyderabad 500004, Andhra Pradesh
Tel: 040 23316168
Email: punyavathi_academy@yahoo.co.in
Contact Person: Mr G.V.Rao.

BANKERS TO THE COMPANY

ICICI Bank Limited
Plot No. 1259, Road No. 36, Jubilee Hills
Hyderabad 500 033
Tel :91 040 23542809/10
Fax : 91 040 23542806
Email : Vikram.jayraj@icici.com
Contact Person: Mr. Vikram

State Bank of India
Industrial Financial Branch
Raj Bhawan Road, Somajiguda
Hyderabad-500 082
Tel: 91 040 23409413, 23412767

Punjab National Bank
Suti Chambers, Road No. 1
Banjara Hills
Hyderabad 500 034
Tel No. 91 040 23376688, 23316688
Contact Person : Mr. R. Mohanam, Asst. General Manager

BROKERS TO THE ISSUE

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

CREDIT RATING

This being a public issue of equity shares, no credit rating is required.

IPO GRADING

We have obtained IPO Grading from Credit Rating Information Services of India Limited (CRISIL). CRISIL has assigned and “IPO Grade 1” to the proposed initial public offering of the company.

About “CRISIL IPO Grade 1”

CRISIL has assigned a **CRISIL IPO Grade “1/5”** (pronounced “one on five”) grade to the proposed initial public offer of Celestial Labs Limited. (CELESTIAL). This grade indicates that the fundamentals of the issue are poor relative to other listed equity securities in India.

A CRISIL IPO grade represents CRISIL’s overall assessment of the fundamentals of the issue graded in relation to other listed equity securities in India. CRISIL IPO gradings are assigned on a five-point scale from 1 to 5, with a CRISIL IPO grade 5/5 indicating strong fundamentals and a CRISIL IPO grade 1/5 indicating poor fundamentals.

The grading reflects CRISIL’s opinion that the fundamentals of the issue are poor relative to other listed securities in India.

DISCLAIMER BY CRISIL, THE GRADING AGENCY

A CRISIL IPO grading is a one time exercise and reflects CRISIL’s current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India, and does not constitute an audit of the issuer by CRISIL. A CRISIL IPO grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO grading is based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO grading is not a recommendation to buy/ sell or hold the graded instrument; it does not comment on the current market price, future market price or suitability for a particular investor. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers/users/transmitters/distributors of CRISIL IPO gradings.

TRUSTEES

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

MONITORING AGENCY

No agency has been appointed to monitor utilization of Funds.

UNDERWRITING

We do not propose to execute the option for underwriting the Issue.

WITHDRAWAL OF THE ISSUE

We, in consultation with the Lead Managers, reserves the right not to proceed with the Issue at any time after the Issue Opening Date but before Allotment, without assigning any reason whatsoever.

APPRAISAL

The project has been appraised by Punjab National Bank. The strengths and weaknesses of the Company as per the report are as follows:

Strengths

1. Sunrise Bio Industry scenario.
2. Promoter has strong technical and business management background.
3. Very good top management.
4. Tax exemption in this project will bring benefits to the Company and its shareholders.
5. Andhra Pradesh Government has a supportive policy towards BIO/ IT industry
6. Existing and consistently profit making company.

Weaknesses

1. Ist generation entrepreneur.
2. Gestation period of the project is slightly high.
3. Firm marketing arrangement for Industrial enzymes still not in place.
4. Firm agreement for opening of US office not yet completed.
5. Working Capital is not yet tied up.

CAPITAL STRUCTURE OF THE COMPANY

Share Capital as on the date of filing of Prospectus with SEBI

(Amount in Lakhs)

	NOMINAL VALUE	AGGREGATE VALUE
A. Authorized Share Capital 1,40,00,000 Equity shares of Rs.10/- each	1400.00	
B. Issued, Subscribed and paid-up capital 61,94,000 Equity shares of Rs.10/- each	619.40	675.80
C. Present Public Issue 50,00,000 Equity shares of Rs.10/- each being offered at a premium of Rs.50/- per share each fully paid up	500.00	3000.00
D. Out of (C) above		
(i) 2,00,000 Equity Shares of Rs.10/- each being issued at a premium of Rs.50/- each fully paid up reserved for allotment to Employees on competitive basis.	20.00	120.00
(ii) 18,00,000 Equity Shares of Rs.10/- each being issued at a premium of Rs. 50/- each fully paid up reserved for allotment to NRIs/ FIIs on competitive basis.*	180.00	1080.00
(iii) Net Offer to Public 30,00,000 Equity Shares of Rs.10/- each being offered at a premium of Rs.50/- each fully paid up payable in cash	300.00	1800.00
E. Total paid-up capital after the Public Issue 1,11,94,000 Equity Shares of Rs.10/- each	1119.40	3675.80
F. Share Premium Account		
Before the Issue		56.40
After the Issue		2556.40

- (i) Under subscribed portion in any reserved category may be added to any other reserved category
- (ii) The unsubscribed portion, if any, after such inter se adjustments amongst the reserved category shall be added back to the net offer to the public.
- (iii) In case of under subscription in the net offer to the public portion, spillover to the extent of under subscription shall be permitted from the reserved category to the net offer to the public.

Notes to Capital Structure

1. Details of Increase in Authorized Capital

SR. NO.	PARTICULARS OF INCREASE	DATE OF MEETING	NATURE OF MEETING
1.	Rs 150 Lakhs	Since Incorporation	-
2.	From Rs. 150 Lakhs to Rs. 200 Lakhs	October 22, 1998	EGM
3.	From Rs. 200 Lakhs to Rs. 300 Lakhs	August 12, 1999	EGM
4.	From Rs. 300 Lakhs to Rs. 600 Lakhs	March 22, 2004	EGM
5.	From Rs. 600 Lakhs to Rs. 700 Lakhs	July 25, 2005	EGM
6.	From Rs. 700 Lakhs to Rs. 1400 Lakhs	November 30, 2005	EGM

2. Capital Buildup: The existing Share Capital of the Company has been subscribed and allotted as under:

DATE OF ALLOTMENT/ FULLY PAID UP	NO. OF SHARES	FACE VALUE (RS.)	ISSUE PRICE (RS.)	CONSIDERATION	VALUE (RS.)	CUMULATIVE CAPITAL	DESCRIPTION
19.11.1997	20	10	10	Cash	200	200	Initial Subscription
22.10.1998	719,980**	10	10	Cash	7,199,800	7,200,000	Further Issue
07.11.1998	305,000	10	10	Cash	3,050,000	10,250,000	Further Issue
21.10.1999	179,560	10	10	Cash	1,795,600	12,045,600	Further Issue
28.02.2001	1,745,440	10	10	Cash	17,454,400	29,500,000	Further Issue
23.02.2004	650,000	10	10	Cash	6,500,000	36,000,000	Further Issue
08.03.2004	1,800,000	10	0	Bonus 1:2	18,000,000	54,000,000	Bonus Issue in the ratio 1:2
25.02.2005	90,000	10	10	Cash	900,000	54,900,000	Further Issue
25.02.2005	163,000	10	25	Cash	1,630,000	56,530,000	Further Issue
25.02.2005	1,000	10	35	Cash	10,000	56,540,000	Further Issue
28.03.2005	31,500	10	25	Cash	315,000	56,855,000	Further Issue
20.06.2005	420,000	10	10	Cash	4,200,000	61,055,000	Further Issue
20.06.2005	5,500	10	25	Cash	55,000	61,110,000	Further Issue
20.06.2005	2,000	10	30	Cash	20,000	61,130,000	Further Issue
20.06.2005	1,000	10	35	Cash	10,000	61,140,000	Further Issue
30.09.2005	20,000	10	30	Cash	200,000	61,340,000	Further Issue
30.09.2005	7,000	10	25	Cash	70,000	61,410,000	Further Issue
31.10.2005	3,000	10	25	Cash	30,000	61,440,000	Further Issue
31.10.2005	50,000	10	50	Cash	500,000	61,940,000	Further Issue
Total	61,94,000						

* Bonus Issue is made by capitalizing Rs.1,80,00,000 from General Reserve in the Ratio of One share for every two shares held.

** Allotment was made for 719,980 shares while the return that was filed was for 720,000 shares which was inclusive of the shares subscribed to in the Memorandum.

3. Promoter holding and lock-in period

The following Equity Shares of the Promoters shall be locked-in for a period of three years as a part of Promoter's Contribution:

Name of the promoter	Date of allotment/ Transfer/ and Date when fully paid-up	Consideration	No. of shares	Face value (Rs.)	Issue / Transfer Price (Rs.)	% to post issue capital	Lock-in period
Aditya Narayan Singh	07.11.98	Cash	75,000	10	10		3 years
	21.10.99	Cash	121,560	10	10		3 years
	28.02.01	Cash	35,500	10	10		3 years
	28.02.01	Cash	1,134,540	10	10		3 years
	08.03.04	Bonus	683,300	10	0		3 years
	25.02.05	Cash	10,000	10	10		3 years
	25.04.05	Transfer	185,350	10	10		3 years
	03.01.2006	Transfer	3,55,750	10	10		3 years
	25.01.2006	Transfer	1,450	10	10		3 years
Total (A)			2602,450			23.25	

Lock-in period will commence from date of allotment in this issue. Besides this, entire pre-issue share capital, other than that locked in as promoter's contribution for 3 years, will be locked in for a period of one year from the date of allotment in this public issue.

4. Aggregate Shareholding of the Promoters and Promoters Group and Lock-in period

NAME OF THE LOCK-IN PROMOTER	DATE OF ALLOTMENT/ TRANSFER/ AND DATE \WHEN FULLY PAID-UP	CONSIDERATION	NO. OF SHARES	FACE VALUE (RS.)	ISSUE / TRANSFER PRICE (RS.)	% TO POST ISSUE CAPITAL	LOCK-IN PERIOD
A. PROMOTER Aditya Narayan Singh	07.11.98	Cash	75,000	10	10		3 years
	21.10.99	Cash	1,21,560	10	10		3 years
	28.02.01	Cash	35,500	10	10		3 years
	28.02.01	Cash	11,34,540	10	10		3 years
	08.03.04	Bonus	6,83,300	10	0		3 years
	25.02.05	Cash	10,000	10	10		3 years
	25.04.05	Transfer	1,85,350	10	10		3 years
	03.01.2006	Transfer	3,55,750	10	10		3 years
	25.01.2006	Transfer	1,450	10	10		3 years
	Total (A)		26,02,450			23.25	

NAME OF THE LOCK-IN PROMOTER	DATE OF ALLOTMENT/ TRANSFER/ AND DATE \WHEN FULLY PAID-UP	CONSIDERATION	NO. OF SHARES	FACE VALUE (RS.)	ISSUE / TRANSFER PRICE (RS.)	% TO POST ISSUE CAPITAL	LOCK-IN PERIOD
PROMOTER GROUP							
1. Padma Singh							
	07.11.98	Cash	1,50,000	10	10		1 year
	21.10.99	Cash	45,000	10	10		1 year
	28.02.01	Cash	3,13,800	10	10		1 year
	08.03.04	Bonus	2,54,400	10	0		1 year
	25.02.05	Cash	10,000	10	10		1 year
	25.04.05	Transfer	1,83,150	10	10		1 year
	Total		9,56,350			8.54	
2. Amit Kumar							
	21.10.99	Cash	13,000	10	10		1 Year
	28.02.01	Cash	57,000	10	10		1 Year
	08.03.04	Bonus	35,000	10	0		1 Year
	25.02.05	Cash	10,000	10	10		1 Year
	25.04.05	Transfer	98,750	10	10		1 Year
	Total		2,13,750			1.91	
3. Nitin Kumar							
	28.02.01	Cash	70,000	10	10		1 Year
	08.03.04	Bonus	35,000	10	0		1 Year
	25.02.05	Cash	10,000	10	10		1 Year
	25.04.05	Transfer	80,000	10	10		
	Total		1,95,000			1.74	
	Total (B)		13,65,100			12.19	
Grand Total (A + B)			39,67,550			35.44	

5. Shares held by promoter(s) which are locked in, may be transferred to and amongst promoter/promoter group or to a new promoter or persons in control of the company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997, as applicable.
6. 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, the equity shares held by promoters, which are locked in, may be transferred to and among promoter/ promoter group or to a new promoter or persons in control of the Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable. The Promoters may pledge their Equity Shares with banks or financial institutions as additional security for loans whenever availed by them from banks or financial institutions.

7. The Pre Issue and Post Issue Shareholding Pattern of Promoter and Promoter group is as under:

Particulars	No. of equity shares of Rs.10/- each	Pre Issue % Holding	No. of equity shares of Rs.10/- each	Post Issue % Holding
a) Promoters				
Aditya Narayan Singh	2,602,450	42.02%	2,602,450	23.25%
Sub-total	2,602,450	42.02%	2,602,450	23.25%
b) Immediate relatives of promoter/ Director (Spouse, parent, child, brother, sister)				
Padma Singh	956,350	15.44%	956,350	8.54%
Amit Kumar	213,750	3.45%	213,750	1.91%
Nitin Kumar	195,000	3.15%	195,000	1.74%
Sub-total	1,365,100	22.04%	1,365,100	12.19%
c) Company in which 10% or more of the share capital is held by the promoter his immediate relative firm or HUF in which the promoter or His immediate relative is a member	0	0.00%	0	0.00%
Sub-total	0	0.00%	0	0.00%
d) Company in which the Company mentioned (c) above holds 10% or more of the share capital	0	0.00%	0	0.00%
Sub-total	0	0.00%	0	0.00%
e) HUF in which aggregate share of the promoter and his immediate relatives is equal or more than 10% of the total	0	0.00%	0	0.00%
Total	3,967,550	64.06%	39,67,550	35.44%

8. The pre and post issue shareholding pattern of the company is given below:

Category	Pre-Issue			Post Issue
	Number of Shares	% Holding	Number of Shares	% Holding
a) Promoter	2,602,450	42.02%	2,602,450	23.25%
Promoter Group	1,365,100	22.04%	1,365,100	12.19%
Non Promoter	2,183,700	35.26%	2,183,700	19.51%
b) Public	0	0.00%	3,000,000	26.80%
NRI's	0	0.00%	900,000	8.04%
Banks, Mutual Funds & Indian Financial Institutions		0.00%	900,000	8.04%
Employees	42,750	0.69%	242,750	2.17%
Total	6,194,000	100.00%	11,194,000	100.00%

Note: The category of 'non-promoter' consists of entities who are friends and distant relatives of the promoter.

9. Equity Shares held by top ten shareholders

- a. The ten largest shareholders as on the date of filing of the Prospectus with ROC are as follows:

Name	No. of shares	% holding
Sri. Aditya Narayan Singh	2,602,450	42.02%
Smt. Padma Singh	956,350	15.44%
Sri. Amit Kumar	213,750	3.45%
Sri. Nitin Kumar	195,000	3.15%
Sri. Chetan Mehta	110,000	1.78%
INDCAP Financial Limited	110,000	1.78%
Sri. Subhash Srivastava	100,000	1.61%
Sri. Manoj Mittal	100,000	1.61%
Sri. D. Suresh	80,000	1.29%
Sri. Gopal Das Bhagavan Das	60,000	0.97%

- b. The ten largest shareholders, 10 days prior to the date of filing of the Prospectus with ROC are as follows:

Name	No. of shares	% holding
Sri. Aditya Narayan Singh	2,602,450	42.02%
Smt. Padma Singh	956,350	15.44%
Sri. Amit Kumar	213,750	3.45%
Sri. Nitin Kumar	195,000	3.15%
Sri. Chetan Mehta	110,000	1.78%
M/s. INCAP Financial Limited	110,000	1.78%
Sri. Subhash Srivastava	100,000	1.61%
Sri. Manoj Mittal	100,000	1.61%
Sri. D. Suresh	80,000	1.29%
Sri. Gopal Das Bhagavan Das	60,000	0.97%

- c. The ten largest shareholders, two years prior to the date of filing of the Prospectus with ROC are as follows:

Name	No. of shares	% holding
Sri. Aditya Narayan Singh	1366600	46.32%
Smt. Padma Singh	508800	17.24%
M/s. Seven Hills Technology & Solutions Pvt Ltd	100000	3.39%
Sri. D. Suresh	80000	2.27%
Sri. Amit Kumar	70000	2.37%
Sri. Nitin Kumar	70000	2.37%
Sri. Naresh Shah	30000	1.02%
Sri. R. Ranga Rao	17400	0.54%
Sri. G. Venkatesh	15700	0.53%
Sri. A. Krishna Murthy	14000	0.47%

10) The details of sale/ purchase/ financing of shares by Promoters/Directors:

The promoters Directors have purchased shares of the company during the month January 2006. None of the transfers have been made within the promoter group. They have been made from other sources. The details are given below:

Sl No.	Date of Transfer	Transferor	Transferee	No of Equity Shares	Price Rs.
1	03.01.06	U. Venubabu	Mr. A. N. Singh	5,900	10/-
2	03.01.06	G. Ananda Kumar	Mr. A. N. Singh	6,600	10/-
3	03.01.06	A. Ram Babu	Mr. A. N. Singh	6,600	10/-
4	03.01.06	N. Upendra	Mr. A. N. Singh	5,250	10/-
5	03.01.06	A. Ram Subba Reddy	Mr. A. N. Singh	5,300	10/-
6	03.01.06	L. Ramesh	Mr. A. N. Singh	6,100	10/-
7	03.01.06	Smt. K. Sujatha	Mr. A. N. Singh	6,200	10/-
8	03.01.06	N. Venkatesh	Mr. A. N. Singh	5,600	10/-
9	03.01.06	V. John Benny	Mr. A. N. Singh	5,150	10/-
10	03.01.06	D. Raja Ratnam	Mr. A. N. Singh	6,850	10/-
11	03.01.06	S. Chandra Shaker	Mr. A. N. Singh	6,750	10/-
12	03.01.06	V. Narayana Swamy	Mr. A. N. Singh	6,700	10/-
13	03.01.06	K. Indira	Mr. A. N. Singh	5,400	10/-
14	03.01.06	P. Ramakrishna Reddy	Mr. A. N. Singh	5,750	10/-
15	03.01.06	K. Malla Reddy	Mr. A. N. Singh	5,100	10/-
16	03.01.06	T. Nagesh Babu	Mr. A. N. Singh	4,700	10/-
17	03.01.06	K. Ramana	Mr. A. N. Singh	6,700	10/-
18	03.01.06	P. Upendra	Mr. A. N. Singh	5,450	10/-
19	03.01.06	G. Arvind Reddy	Mr. A. N. Singh	5,100	10/-
20	03.01.06	M. Srinivas Reddy	Mr. A. N. Singh	3,450	10/-
21	03.01.06	M. Srinivas	Mr. A. N. Singh	5,750	10/-
22	03.01.06	M. Prasad	Mr. A. N. Singh	6,750	10/-
23	03.01.06	G. Seetharamulu	Mr. A. N. Singh	5,200	10/-
24	03.01.06	K. Raja Reddy	Mr. A. N. Singh	3,400	10/-
25	03.01.06	G. Tirupathi Reddy	Mr. A. N. Singh	5,900	10/-
26	03.01.06	K. Hanumantha Rao	Mr. A. N. Singh	5,750	10/-
27	03.01.06	Ch Rajender Reddy	Mr. A. N. Singh	5,400	10/-
28	03.01.06	Dr. C. Sai Prasad	Mr. A. N. Singh	6,500	10/-
29	03.01.06	K. Murari Rao	Mr. A. N. Singh	4,750	10/-
30	03.01.06	K. Nagababu	Mr. A. N. Singh	6,200	10/-
31	03.01.06	Subhash	Mr. A. N. Singh	20,000	10/-
32	03.01.06	Subhash	Mr. A. N. Singh	20,000	10/-
33	03.01.06	Anand Kumar	Mr. A. N. Singh	50,000	10/-
34	03.01.06	Y. Rajiv	Mr. A. N. Singh	5,500	10/-
35	03.01.06	Smt. Yogita	Mr. A. N. Singh	90,000	10/-
36	25.01.06	S.V. Rao	Mr. A. N. Singh	1,450	10/-
		Total		357,200	

The promoters Group/Directors have not sold/financed any shares of the Company during the past 6 months.

- 11) The Company/Promoters/Director/Lead Manager has not entered in to buyback/standby or similar arrangements for purchase of securities issued by the Company through this Prospectus.
- 12) Permanent /regular employees can also apply in the “Net offer to the Public” portion.
- 13) As per SEBI guidelines, a minimum of 50% of the net offer to the public is reserved for allotment to individual investors applying for equity shares of a value of not more than Rs. 1,00,000/-. The remaining 50% of the offer to the public is reserved for individuals applying for equity shares of a value more than Rs.1,00,000/- and for corporate bodies/institutions etc. Unsubscribed portion in either of these categories shall be added to the other category interchangeably.
- 14) An over-subscription to the extent of 10% of the net offer to public can be retained for the purpose of rounding off to the nearest integer subject to a minimum allotment being equal to 100 shares, which is the minimum application size in this Issue, while finalizing the allotment.
- 15) In the event of over-subscription, Allotment will be on proportionate basis as detailed in Para on “Basis of Allotment”
- 16) The equity shares offered through this public issue shall be made fully paid up on allotment.
- 17) In case of under subscription in net offer to public portion, spillover to the extent of under subscription shall be permitted from the reserved category to net offer to the public portion.
- 18) The Company has not issued any shares out of revaluation reserves.
- 19) Shares issued for consideration other than cash On March 8, 2004, the Company has issued 18,00,000 bonus shares in the ratio of 1 shares for every 2 shares held in the Company by capitalization of Rs. 180.00 Lakhs from General reserves
- 20) The shareholders of the Company do not hold any warrant, options, convertible loan or any debenture, which would entitle them to acquire further shares of the Company.
- 21) The Company does not currently have any Employee Stock Option Plan.
- 22) There are no “bridge loans” from any Bank taken by the Company against the proceeds of the issue.
- 23) No single applicant can make an application for number of shares, which exceeds the number of shares offered.
- 24) 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 the Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed.
- 25) The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split / consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company goes in for acquisitions and joint ventures, the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.
- 26) At any given point of time, there shall be only one denomination for the Equity Shares of the Company.
- 27) No payment, direct or indirect in the nature of discount, commission allowance or otherwise shall be made either by the Company or the promoter to the persons who receive firm allotment in this Public Issue.
- 28) The Company had 198 members as on 31.03.2007.
- 29) Only eligible employees would be eligible to apply in the issue under the employee reservation portion on competitive basis.
- 30) The securities offered through this public issue shall be made fully paid up or may be forfeited within 12 months from the date of allotment of securities in the manner specified in clause 8.6.2 of the SEBI (DIP) Guidelines 2000.
- 31) The promoter’s contribution has been brought in to the extent of not less than the specified minimum lot, from persons defined as promoters under the SEBI DIP guidelines, in this prospectus.
- 32) Persons belonging to the reserved category will not be eligible to make application in the ‘net public offer’ category.
- 33) Any single applicant in a reserved category can make an application for a number of securities which exceeds the reservation.

OBJECTS OF THE ISSUE

The objects of the issue are :

(A) To raise financial resources for:

- a. Setting up infrastructure for Manufacturing of Enzymes.
- b. Enhancing existing infrastructure for Bioinformatics and Drug molecule development and related services
- c. Setting up of Marketing and liaison office at USA
- d. To procure funds for meeting the incremental working capital requirements.

(B) To meet the expenses of the issue.

The main object clause and objects incidental or ancillary to the main objects of the Company's Memorandum of Association enables it to undertake existing activities and activities for which the funds are proposed to be raised through the present issue.

Funds Required

	(Rs. in Lakhs)
Description	Total project cost
1. Setting up infrastructure for Manufacturing of Enzymes	1466.86
2. Enhancing existing infrastructure for Bioinformatics and Drug molecule development and related services	1734.07
3. Marketing and liaison office at USA	190.95
4. Incremental working capital	417.48
5. Public issue expenses	250.00
Total	4059.36

Means of Finance

	(Rs. in Lakhs)
DESCRIPTION	AMOUNT
Proceeds from the present Public Issue	3000.00
Term Loan from Punjab National Bank, Hyderabad	200.00
Term Loan from DSIR, New Delhi #	75.00
Term Loan from TDB, New Delhi *	490.00
Internal Accrual	294.36
Total	4059.36

DSIR has disbursed Rs 60 Lakhs as first two installments

* Loan application has been filed with TDB on 24th August 2005 and an agreement to that effect has been entered between the Company and TDB on 27th July 2006. First Installment of Rs. 125 Lakhs has been received on 23 August 2006.

The shortfall, if any, in our capital expenditure may be met with by surplus funds, if any available in the other areas and/or our company's internal accruals(as on March 31 2007 our reserves stood at Rs. 1463.40 Lakhs).

1. Setting up infrastructure for Manufacturing of Enzymes

Project Cost

(Rs. In Lakhs)

Description	Total project cost
Land	121.16
Building	218.50
Plant & Machinery	831.49
Furniture & Fixtures	40.00
Transportation	75.00
Deposits	7.50
Pre Operative Expenses	118.70
Contingencies	54.51
Total	1466.86

Land

The Company has been allotted 4 Acre land in the Genome Valley in Shapoorji Pallonji Biotech Park , Hyderabad for the project. The Cost of Land and development is Rs. 121.16 Lakhs

Building

The break-up of building cost is as follows:

(Rs. In Lakhs)

Particulars	Area (sq.feet)	Cost per sq.ft/acre	Amount
Building	25000	750	187.50
Boundary Walls			4.00
Approach Road for Building			12.00
Landscaping			15.00
Total			218.50

The above estimates have been worked out by an architect **M/s. Tripuranth and Associates.**

Plant & Machinery

The company intends to purchase the following Plant and Machinery for the manufacture of enzymes:

(Rs. In Lakhs)

PLANT & MACHINERY	QUANTITY	AMOUNT	NAME & ADDRESS OF SUPPLIER	DATE OF QUOTATION
Fermentors				
Production 1000L	1	111.10	Adam Fabriwerk Pvt Ltd 103, Rajguru New Nagardas Road Andheri (E), Mumbai 400069	27.03.2007
Production 20 KL	2	319.60	Alfa Laval (India) Ltd Life Science Technology Division, Mumbai Pune Road Dapodi Pune-411012 Pune , Maharashtra	27.03.2007

PLANT & MACHINERY	QUANTITY	AMOUNT	NAME & ADDRESS OF SUPPLIER	DATE OF QUOTATION
Down Streaming				
Cross-flow Micro-filtration System	1	83.90	Nishotech System P Ltd 48-B, Vasavi Colony Vikrampur, Secunderabad 500 015	30.03.2007
Ultrafiltration System	1	27.10	Nishotech System P Ltd 48-B, Vasavi Colony Vikrampur, Secunderabad 500 015	30.03.2007
Utilities				
Tanks (Holding/ Mixing/Storage)	1	32.50	K.K.Metal fabricators IDA Nacharam Hyderabad	14.03.2007
CIP Module 2500L & 1000 L	1	49.30	Adam Fabriwerk Pvt Ltd 103, Rajguru New Nagardas Road Andheri (E), Mumbai 400069	27.03.2007
SIP Module	1	8.00	Adam Fabriwerk Pvt Ltd 103, Rajguru New Nagardas Road Andheri (E), Mumbai 400069	27.03.2007
Water Treatment System	1	48.40	Ganga Filters & Traders Plot No. 341, Sadat Manzil Lane, Opp Green Park Hotel, Ameerpet, Hyderabad 016	29.03.2007
Boiler	1	12.50	K.K.Metal Fabricators Hyderabad	14.03.2007
Air Conditioner and Air Handling System	1	25.90	Air Control Engineers, H.No.95, Gagan Mahal Colony, Near Post Office, Domalguda, Hyderabad 500 029	14.03.2007
Generator 200 KVA	1	10.99	Jakson Generators Pvt Ltd, A-301, View Towers, 6-2-1, Lakdi-ka-pul, Hyderabad 500 004	24.03.2007
Pollution Control Equipment	1	3.60	Indwa Technologies Pvt Ltd,, Topaz Building, Pangangutta, Hyderabad	17.03.2007
Transformers & Electricals	2	30.00	KPP Softtech Pvt Ltd (Power division) Hyderabad	27.03.2007
Effluent Treatment Plant	1	11.00	Indwa Technologies Pvt Ltd,, Topaz Building, Pangangutta, Hyderabad	17.03.2007

PLANT & MACHINERY	QUANTITY	AMOUNT	NAME & ADDRESS OF SUPPLIER	DATE OF QUOTATION
Fire Fighting Systems	4	16.00	Safex Fire Services Ltd, 5-3-307-309, 43, Hyderbasti, Secunderabad 500 003	17.03.2007
UPS	1	15.60	Vivek Control Systems Pvt Ltd, Plot No.8, G Block Colony, Above Oriental Bank of Commerce, Dr. A.S. Rao Nagar, Hyderabad 500062	29.03.2007
Digital EPABX	1	6.00	Sri Sai Tele Systems, Survey No. 53 & 55, Flat No.6 JVR Residency, Jayanagar, Bowenpally, Secunderabad	16.03.2007
Essential Spare Parts		20.00	Provision for spares	Will be purchased as when required
TOTAL		831.49		

Furniture & Fixtures

The estimated cost of furniture and fixture to be procured is as .

(Rs. in Lakhs)

PARTICULARS	SFT	AMOUNT	NAME & ADDRESS OF THE SUPPLIER	DATE OF QUOTATION
Furniture and Fixtures	8000	40.00	VB Engineers Pvt. Ltd. 301, Pavan's Vanijya Vihar 6-3-790/4B & 4, Ameerpet Main Road, Hyderabad 016	28.03.2007
Total		40.00		

Transportation

The Company proposes to buy buses to ferry employees, volunteers and visitors from city to site & vice versa. The estimated expense on this amounts to Rs. 75 Lakhs.

(Rs. in Lakhs)

PARTICULARS	NOS	AMOUNT	NAME & ADDRESS OF THE SUPPLIER	DATE OF QUOTATION
Bus	5	75.00	Automotive Manufacturers Pvt. Ltd. 8571 Rashtrapathi Road Secunderabad 500003	28.03.2007

Pre-operative Expenses (until July 2007)

(Rs. in Lakhs)

PARTICULARS	AMOUNT
Salaries and Training	12.60
Consultancy	45.00
Travel	2.00
Trial Runs	43.70
Business Development	15.40
Total	118.70

Contingencies

(Rs. in Lakhs)

PARTICULARS	AMOUNT (RS.IN LAKHS)
Building	10.92
Plant & Machinery	37.84
Furniture & Fixtures	2.00
Transportation	3.75
Total	54.51

2. Enhancing existing Bioinformatics and Drug molecule development and related services

(Rs. in Lakhs)

Description	Total project cost
Building	112.50
Plant & Machinery	614.30
Furniture & Fixtures	125.00
Bio Tool Development	291.15
Drug Molecule Development	403.00
Pre Operative Expenses	121.53
Contingencies	66.59
Total	1734.07

Building

The break-up of building cost is as follows:

(Rs. in Lakhs)

Particulars	Area (sq.feet)	Cost per sq.ft/acre	Amount
Building	15000	750	112.50
Total			112.50

The above estimates have been worked out by a architect M/s. Tripuranth and Associates.

Plant & Machinery

The company intends to purchase the following Plant and Machinery for Enhancing existing Bioinformatics and Drug molecule development and related services.

(Rs in Lakhs)

PLANT & MACHINERY	QTY	AMOUNT	NAME & ADDRESS OF SUPPLIER	DATE OF QUOTATION
Fermentor 5000L	1	111.31	Alfa Laval (India) Ltd Life Science Technology Division, Mumbai Pune Road Dapodi Pune-411012 Pune , Maharashtra	17.03.2007
Fermentor 10 KL	1	133.00	Alfa Laval (India) Ltd Life Science Technology Division, Mumbai Pune Road Dapodi Pune-411012 Pune , Maharashtra	17.03.2007

PLANT & MACHINERY	QTY	AMOUNT	NAME & ADDRESS OF SUPPLIER	DATE OF QUOTATION
Research Fermentor 100L	1	36.09	Sartorius India Pvt Ltd, 10, 3rd Phase, Peenya, 6th Main, KIADB Indl.Area, Bangalore 560058	19.03.2007
HPLC System (Iso Cratic System-Analytical)	1	8.36	Smart Labtech Pvt Ltd, C-65, Madhuranagar, Hyderabad 500 038	28.03.2007
HPLC Preparative	1	44.90	Inkarp Instruments Pvt Ltd, 2-45, Street No.2, Kakateeya Nagar Colony, Habsiguda, Hyderabad 500 007	15.03.2007
Lyophilizer (Freeze Drier) Lab Scale	1	26.56	Spinco Biotech Pvt Ltd, Post Box No.6114, No.4, Vaidyaram Street, T Nagar, Chennai 600 017	29.03.2007
Lyophilizer (Freeze Drier) Pilot Scale	1	53.02	Spinco Biotech Pvt Ltd, Post Box No.6114, No.4, Vaidyaram Street, T Nagar, Chennai 600 017	31.03.2007
Rotary Evaporator	1	0.38	The Indian Chemicals & Instruments, 26 to 28 Dattasai Complex, Opp. Sapthagiri Theatre, RTC X Roads, Hyderabad 500 020	24.03.2007
Spectrophotomerer (UV-Vis)	1	6.13	Smart Labtech Pvt Ltd, C-65, Madhuranagar, Hyderabad 500 038	29.03.2007
Digital pH Meter	1	0.25	Elico Limited, 209 Model House, 6-3-456/A/1, Punjagutta, Hyderabad 500 082	23.03.2007
Oven-Hot Air	1	0.35	The Indian Chemicals & Instruments, 26 to 28 Dattasai Complex, Opp. Sapthagiri Theatre, RTC X Roads, Hyderabad 500 020	24.03.2007
Over - Vacuum	1	2.27	Inkarp Instruments Pvt Ltd, 2-45, Street No.2, Kakateeya Nagar Colony, Habsiguda, Hyderabad 500 007	29.03.2007
Centrifuge - Bench top (Refrigerated)	1	8.86	Inkarp Instruments Pvt Ltd, 2-45, Street No.2, Kakateeya Nagar Colony, Habsiguda, Hyderabad 500 007	15.03.2007
Centrifuge - High Speed	1	9.67	Noki Technologies (P) Ltd, 12-13-557, Tarnaka, Hyderabad 500 017	28.03.2007
Centrifuge - Large Capacity	1	17.78	Noki Technologies (P) Ltd, 12-13-557, Tarnaka, Hyderabad 500 017	28.03.2007
Vacuum Pump (single stage)	1	0.11	Digisum Electronics, 6-3-668/10/36, 1st Floor, Durganagar Colony, Punjagutta, Hyderabad 500 082	27.03.2007
Ice Flaker	1	2.56	Inkarp Instruments Pvt Ltd, 2-45, Street No.2, Kakateeya Nagar Colony, Habsiguda, Hyderabad 500 007	22.03.2007

PLANT & MACHINERY	QTY	AMOUNT	NAME & ADDRESS OF SUPPLIER	DATE OF QUOTATION
Incubator - bacteriological	1	0.63	The Indian Chemicals & Instruments, 26 to 28 Dattasai Complex, Opp. Saphthagiri Theatre, RTC X Roads, Hyderabad 500 020	16.03.2007
Incubator - B.O.D.	1	1.34	The Indian Chemicals & Instruments, 26 to 28 Dattasai Complex, Opp. Saphthagiri Theatre, RTC X Roads, Hyderabad 500 020	16.03.2007
Deep Freeze (-80C)	1	3.53	Smart Labtech Pvt Ltd, C-65, Madhuranagar, Hyderabad 500 038	21.03.2007
Autoclave	1	0.50	Smart Labtech Pvt Ltd, C-65, Madhuranagar, Hyderabad 500 038	21.03.2007
Microscopy System	1	12.00	DSS Imagetech Pvt. Ltd, F-504 Gharonda, Kanaka Lakshmi Apartments, Padmarao Nagar, Secunderabad 500 025	28.03.2007
Water Purification System	1	3.94	Smart Labtech Pvt Ltd, C-65, Madhuranagar, Hyderabad 500 038	21.03.2007
Laminar Flow	1	0.62	Laminar Flow Systems, 8-234/1, Old Air Port Road, Bowenpally, Secunderabad 500 011	28.03.2007
Fume Hood	1	0.75	Digisum Electronics, 6-3-668/10/36, 1st Floor, Durganagar Colony, Punjagutta, Hyderabad 500 082	26.03.2007
Precision Balance	1	2.44	Smart Labtech Pvt Ltd, C-65, Madhuranagar, Hyderabad 500 038	28.03.2007
Video Conference	1	12.25	Total Presentation Devices Pvt Ltd, Flat No. 401- A, Meridan Plaza, Ameerpet, Hyderabad 500 016	29.03.2007
1 MBPS Line	1	1.30	Pioneer Online Pvt Ltd, 3D Samrat Complex, Saifabad, Hyderabad 500 004	30.03.2007
Multimedia Projector	2	7.00	Total Presentation Devices Pvt Ltd, Flat No. 401- A, Meridan Plaza, Ameerpet, Hyderabad 500 016	29.03.2007
Airconditioners for Corporate Office	1	70.72	Air Control Engineers, H.No.95, Gagan Mahal Colony, Near Post Office, Domalguda, Hyderabad 500 029	19.03.2007
Generator 600 KVA	1	33.08	Jakson Generators Pvt Ltd, A-301, View Towers, 6-2-1, Lakdi-ka-pul, Hyderabad 500 004	24.03.2007

PLANT & MACHINERY	QTY	AMOUNT	NAME & ADDRESS OF SUPPLIER	DATE OF QUOTATION
Xerox Machine	2	2.60	Xerox Modicorp Limited, Somajiguda, Hyderabad	26.03.2007
	TOTAL	614.30		

Furniture & Fixtures

The estimated cost of furniture and fixture to be procured is as:

(Rs. In Lakhs)

PARTICULARS	SFT	AMOUNT	NAME & ADDRESS OF THE SUPPLIER	DATE OF QUOTATION
Furniture and Fixture	22000	125.00	VB Engineers Pvt. Ltd. 301, Pavan's Vanijya Vihar 6-3-790/4B & 4, Ameerpet Main Road, Hyderabad 016	27.03.2007
	Total	125.00		

Bio Tool Development

(Rs. In Lakhs)

Expenditure Head	Estimated Cost
Design Cost	171.00
Consultancy	25.00
Software and Equipment	23.20
Acquiring data base	10.00
Testing	8.00
Patenting	12.00
Travel	7.00
Overheads	34.95
Total	291.15

Drug Molecule Development

(Rs. in Lakhs)

Particulars		Amount
Technical Consultancy		
CELSUITE	8	
Vitiligo	5	
Allied products	5	
Multiple Cancer	10	
Sub Total		28.00
Regulatory and Patent		
In India, USA and other countries	70	
Regulatory affairs	10	
Sub Total		80.00

Particulars		Amount
Clinical Trials		
Investigators	40	
Volunteers	50	
Hospital charges	150	
Monetary and control measures	30	
Reporting and documentation	25	
Sub Total		295.00
Total		403.00

Pre-operative Expenses (until July 2007)

(Rs. In Lakhs)

PARTICULARS	AMOUNT
Salaries and Training	85.13
Trial Runs	1.30
Business Development	35.10
Total	121.53

Contingencies

(Rs. in Lakhs)

PARTICULARS	AMOUNT
Building	5.62
Plant & Machinery	34.57
Drug Molecule Development Equipment	20.15
Furniture & Fixtures	6.25
Total	66.59

3. Marketing and Liaison office at USA

The Company intends to set up a marketing and liaison office in USA for marketing its products. The company is looking for a suitable place in USA

(Rs. in Lakhs)

PARTICULARS	AMOUNT
Legal & registration expenses for opening a subsidiary	40.00
Advance rental	29.39
Purchase of office equipment	22.30
Computers, laboratory material, etc	45.26
Salary of staff for 6 months	54.00
Total	190.95

4. Additional Working Capital Requirement

The investment in additional working capital requirement is calculated as follows:

Amount (Rs. In Lakhs)		
Particulars	31.03.2007	31.03.2008
Receivables		878.88
Salaries and Wages		288.38
Administrative Expenses		102.58
Selling Expenses		60.42
Total Current Assets	947.29	1330.26
Less: Current Liabilities	34.51	0.00
Working Capital Gap	912.78	1330.26
Additional working capital		417.48

5. Public Issue Expenses

(Rs. In Lakhs)	
PARTICULARS	AMOUNT
Lead Manager Fees and selling expenses	75.00
Advertising and Marketing Expenses	70.00
Printing, Stationery & Distribution expenses	50.00
Others (Exchange fee, Listing fee, Fee to Legal Advisors)	30.00
Registrar fee and other expenses	25.00
Total	250.00

APPRAISALS

PUNJAB NATIONAL BANK

Punjab National Bank has appraised for technical, commercial feasibility of the total project and established the project cost for Rs. 4059.36 Lakhs. Out of the total project cost, the Bank has sanctioned a Term Loan of Rs 200 Lakhs vide letter dated 31st March 2006. The Details of Funds submitted and appraised by PNB are as:

FUNDS REQUIREMENT

(Rs. In Lakhs)	
Description	Total project cost
Land	121.16
Building	331.00
Plant & Machinery	956.71
Bio Tool Development	291.15
Drug Molecule Development Lab	646.04
Miscellaneous Fixed Assets	246.04
Furniture & Fixtures	165.00
Transportation	75.00
Deposits	7.50
Pre Operative Expenses	240.23
Public Issue Expense	250.00
Establishment of office in USA	190.95
Incremental Working Capital	417.48
Contingencies	121.10
Total	4059.36

Punjab National Bank, Hyderabad

Department of Science and Technology (DSIR), Govt. of India

Technology Development Board, Govt. of India

Balance

Rs. 200 Lakhs Term Loan

Rs. 75 Lakhs Term Loan

Rs. 490 Lakhs Term Loan

IPO and Internal Accruals

Other Terms and Conditions :

Interest : BPLR plus 1.5% and term premium of 0.50% with a minimum of 12.75%.

Security : First pari-passu charge on the Block assets of the company by way of hypothecation of Plant, Machinery, Equipment and other fixed assets and equitable mortgage of land and building of the company , present and future, ranking pari-passu with Technology Development Board of Government of India.

Repayment : 20 quarterly installments of Rs 10 Lakhs each with a moratorium of one year from the date of first disbursement .

Purpose: For part funding the company's Industrial Enzymes and Drugs manufacturing and Drug Tools Development project at Hyderabad at an estimated cost of Rs 4059.36 Lakhs.

DEPARTMENT OF SCIENCE AND TECHNOLOGY, GOVT. OF INDIA, NEW DELHI

Out of the total expansion cost, the R&D component for developing the Drug Design tool has been appraised and funded by Department of Industrial Research, Ministry of science and Technology, Govt of India vide letter no DSIR/TDDP/CLL-8/2005-06/75 dated September 26,2005. The project for Bio tool development is Rs 291 Lakhs and term loan sanctioned is Rs 75 Lakhs. DSIR has disbursed Rs 60 Lakhs as first two installments to meet part of initial expenses and the funds has been utilized for development of Module I and II of Bio Tool Development.

(Rs. In Lakhs)

Expenditure Head	Estimated Cost	DSIR Contribution
Design Cost	171.00	49.00
Consultancy	25.00	0.00
Software and Equipment	23.20	16.00
Acquiring data base	10.00	0.00
Testing	8.00	10.00
Patenting	12.00	0.00
Travel	7.00	0.00
Overheads	34.95	0.00
Total	291.15	75.00

TECHNOLOGY DEVELOPMENT BOARD (TDB), GOVT. OF INDIA, NEW DELHI

Company had filled the loan application to TDB on 24th Aug 2005. TDB had informed vide letter no TDB/Y-24/2005-06 dated 28th June 2006 that it had granted its in-principle approval to provide loan assistance not exceeding Rs 490 Lakhs as Term Loan for manufacturing of Industrial Biotech product called Alpha Amylase and Alkaline Protease, which are developed by premier Research Institute IMTECH Chandigarh. Further, an agreement to that effect has been entered between the Company and TDB on 27th July, 2006 and the first installment of Rs.125 Lakhs has been received on 23 August 2006.

(Rs. In Lakhs)

Expenditure Head	Estimated Cost
Land & Land Development	121.20
Building, Roads and Landscaping	218.50
Plant & Machinery	692.40
Miscellaneous Fixed Assets	119.10
Plant and Machinery - Spares	20.00
Furniture and Fixtures	40.00
Deposits	7.50
Pre Operative Expenses	118.70
Working Capital Margin	84.10
Contingencies	54.50
Total	1476.00

Raw Material

Raw material is required only for the media preparation in industrial enzymes and has been covered in detailed in the enzymes write up and the raw material is available plenty in Andhra Pradesh.

Utilities

Power

The power consumption estimated around 600 KW per month for the entire project including air conditioning of the building, laboratories and equipment, will be sourced from the State Electricity Board - APCPDCL and further support from our own generators. It will be cleared through single window clearance

Water

The project required approximately about 50KL per day. The required water supply would be sourced from SP Biotech Park and Hyderabad Metro Water Works. It will be cleared through single window clearance

Man Power

Our philosophy of holistic human resource management has led to the combination of an efficient and enterprising set of individuals with unified goals and a missionary zeal. We encourage qualification enhancement and self-management and have focused in-house training facilities. We also provide need-based skills development for the employees at reputed institutes. Presently we have total workforce of 94 employees. And we propose to employ another 100 workforce in addition to the existing man power of 94 for the expansion plan.

Schedule of implementation

	PARTICULARS	COMMENCE- MENT DATE	COMPLETION DATE	REMARKS
A.	Bio Tool & Drug Development			
1	Development of Drug Design tool - Celsuite, Modules I & II	Jun-05	Jan-06	Completed
2	Toxicity Prediction - Celsuite, Module III	Jan-06	Mar-07	Completed
3	Drug Molecule Development - Vitiligo	May-05	Mar -07	Completed
4	Drug Molecule Development - Cancer	May-05	Dec -07	In progress
5	Clinical Trials - Vitiligo	Apr -07	Mar-08	In progress
B.	Enzymes Manufacturing & Lab Facilities			
1	Land Development	Mar-06	Jan 07	Completed
2	Construction of Plant, Utilities, Admin Building	Jul-07	Feb-08	Yet to commence
3	Critical Lab Equipment	Feb-06	Dec-07	Orders placed
4	Plant and Machinery	Dec-07	Mar-08	Quotations obtained, orders to be placed
5	Receiving and Installation of P & M	Apr-08	July-08	Yet to commence
6	Commencement of Trial Run	Jul-08	Aug-08	Yet to commence
7	Commercial Production	Sep-08	-	Yet to commence

SOURCES & DEPLOYMENT OF FUNDS

The company has received the Sources and Deployment Funds Certificate dated 18 May 2007 from M/s.G.V.Rao & Co., Chartered Accountants and Statutory Auditors of the Company. The certificate states that the company has deployed amounts aggregating Rs.638.43 Details of the sources and deployment of funds as per the certificate is as follows:

(Rs. In Lakhs)

Expenditure	Amount
Land	25.00
Building - Architech Advance	20.00
Bio Tool Development	121.94
Advance paid towards Plant and Machinery	342.20
Preoperative Expenses	108.73
Public Issue Expenses	20.56
Total	638.43
Sources of Funds	
Internal Accruals	453.43
DSIR	60.00
TDB	125.00

Total 638.43

DETAILS OF BALANCE FUND DEPLOYMENT

The remaining amount of Rs. 3420.93 Lakhs is proposed to be incurred by the Company in the fiscal years 2007 and 2008. The quarter wise break-up of the fund deployment is as follows:

(Rs. In Lakhs)

Expenditure	Already Incurred Amount	2007 Apr-Jun	2007 Jul-Sep	2007 Oct-Dec	2008 Jan-Mar	Total
Land	25.00	75.00	21.16	0.00	0.00	121.16
Building	20.00	52.50	198.75	45.63	14.12	331.00
Plant , Machinery and Equipment	342.20	229.13	450.60	120.69	60.13	1,202.75
Bio Tool Development	121.94	169.21	0.00	0.00	0.00	291.15
Drug Molecule Development	0.00	161.51	323.02	161.51	0.00	646.04
Furniture & Fixtures	0.00	33.00	82.50	41.25	8.25	165.00
Transportation	0.00	15.00	37.50	18.75	3.75	75.00
Pre Operative Expenses	48.73	80.00	100.00	11.50	0.00	240.23
Public Issue Expenses	20.56	229.44	0.00	0.00	0.00	250.00
Establishment of Office in USA	0.00	0.00	190.95	0.00	0.00	190.95
Working Capital Margin	60.00	204.90	152.58	0.00	0.00	417.48
Contingencies	0.00	0.00	0.00	0.00	121.10	121.10
Deposits	0.00	0.00	7.50	0.00	0.00	7.50
Total	638.43	1,249.69	1,564.56	399.33	207.35	4,059.36

INTERIM USE OF PROCEEDS

The management, in accordance with the policies established by its Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the proceeds out of the Issue for the purposes described above, the Company intends to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks. Such investments would be in accordance with the investment policies approved by the Board of Directors from time to time.

BASIC TERMS OF ISSUE

The Equity shares being offered are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this Prospectus and the Application Form. The Equity Shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchange, RBI, ROC and/ or other authorities as in force on the date of the issue and to the extent applicable.

Application should be for a minimum of 90 Equity Shares and in multiple of 90 Equity Shares thereafter. The entire price of the equity shares of Rs.60/- per share (Rs 10/- face value + Rs 50/- premium) is payable on application. In case of allotment of lesser number of equity shares then the number applied , the excess amount paid on application shall be refunded by us to the applicants .

BASIS OF ISSUE PRICE

QUALITATIVE FACTORS

1. Celestial is an existing profit making company with an existence of over 8 years and experienced management team.
2. An ISO 9001:2000 certified Company.
3. The Company is primarily engaged in and specializes in bioinformatics, biotechnology and related services
4. The Company developed India's first Computer aided drug design tool - Celsuite.
5. The Company's in-house Research & Development Unit has been recognized by the Department of Scientific and Industrial Research, Ministry of Science & Technology, Govt. of India,
6. The Company has filed the IPR for drug molecules for Anti-Cancer and Anti-Vitiligo and also copyrights for ERP packages like 'Ratna', 'Vyasa', 'Sahakar' and 'Dhanvantari' and also for 'CELSUITE', a Denovo drug design tool.
7. Molecule development through rDNA technology is based on proven facts.
8. The First Indian Drug Design tool approved by DSIR will create business potential and increase the valuation.

QUANTITATIVE FACTORS

1. Earning Per Share (EPS) of Equity Share having face value of Rs.10 each (as adjusted for changes in capital)

YEAR	EPS (RUPEES)	WEIGHT
2004-05	4.66	1
2005-06	5.30	2
2006-07	8.30	3
Weighted Average EPS	6.69	

Note:

- a. on year ended March 31, 2007 EPS calculations have been done in accordance with Accounting Standard 20 - "Earnings per share" issued by the Institute of Chartered Accountants of India.
- b. The weighted average of adjusted EPS for these fiscal years have been computed by giving weights of 1, 2 and 3 for the fiscal years ending March 31, 2005, 2006 and 2007 respectively.
2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. 60
 - a. Based, EPS of Rs.8.30 - P/E is 7.22
 - b. Industry P/E. We are a biotechnology company and there is no other listed company engaged in same activities as ours. Hence industry PE Ratio is not available.
3. Average Return on Net Worth ("RONW")

Return on Net Worth (RONW)

YEAR	RONW (%)	WEIGHT
2004-05	25.22%	1
2005-06	22.53%	2
2006-07	24.70%	3
Weighted Average RONW	24.06%	

Note:

The average return on net worth has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/ regroupings pertaining to earlier years.

4. Minimum Return on Increased Net Worth to maintain pre-issue EPS is 18.28%

5. Net Asset Value per share ("NAV")

(RS.)

Net Asset Value (pre-issue) (as on 31/3/2007)

33.63

Net Asset Value (post issue)

45.41

Issue Price

60.00

6. Comparative Figures (for the year ended 31st March, 2007)

We are operating in the Bioinformatics segment and there is no other listed company engaged in same activities as ours as such we cannot do bench-mark vis-à-vis any peer group Company.

Celestial is in the business of offering IT, Bioinformatics and Consulting services to pharma and bio companies and also Celestial has proposed to manufacture and market industrial enzymes and development and licensing of drug molecules.

PARTICULARS	EPS (RS.)	P/E	RONW(%)	NAV (RS.)
Celestial Labs Limited	8.30	7.22 (Considering Issue Price of Rs. 60 per share)	24.70	33.63

7. The face value of Equity Shares of Celestial is Rs 10/- per share and the issue price is 6 times of the face value.

The Issue Price of Rs. 60/- has been determined by the Company in consultation with the Lead Manager, on the basis of assessment of market demand for the Equity Shares and the same is justified on the basis of the above factors.

STATEMENT OF TAX BENEFITS

The Board of Directors
Celestial Labs Limited
231/A, M L A Colony
Road No.12, Banjara Hills,
Hyderabad - 500034
Andhra Pradesh

Dear Sirs,

We hereby certify that the enclosed annexure states the tax benefits available to M/s Celestial Labs Limited (the "Company") and to the shareholders of the company under the provisions of the Income tax Act, 1961 and other direct and indirect tax laws presently in force.

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

A shareholder is advised to consider in his/her/its own case, the tax implication 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.

For
G.V Rao and Co.
Chartered Accountants

G.V. Rao
Proprietor
Membership No 216153
Date: 18.05.2007
Place: Hyderabad

TAX BENEFITS TO THE COMPANY AND IT'S SHAREHOLDERS:

The Company is advised that under the current provisions of the Income tax Act, 1961 (hereinafter referred to as "The Act") and existing laws for the time being in force, the following benefits are available to the Company and to its Shareholders. The tax benefits available to the "Company" and its Shareholders are as under the current tax law presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

A1. SPECIAL TAX BENEFITS TO THE COMPANY:**Income Tax, Section 10A**

Under the provisions of Section 10A of the Act, an undertaking which is engaged in the manufacturing or production of articles or things or computer software in Software Technology Park and subject to satisfaction of other conditions is eligible to claim a benefit with respect to profits derived by its undertaking/s from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous years in which the undertaking/s begin to manufacture or produce such articles or things or computer software.

However, for the assessment year 2005-06, the tax holiday under Section 10A of the Act was limited to 81 per cent of the eligible profits instead of 100 per cent of such profit. For the assessment year 2006-07, the tax holiday under section 10A of the Act was limited to 89 per cent of the eligible profits instead of 100 per of such profit.

In-house R&D Centre tax benefits, Section 35(2AB)

Under the provisions of Section 35(2AB), an undertaking which is engaged in In-House Research and Development, are eligible for weighted tax deduction of a sum equal to one and one-fourth times of any expenditure, which includes Hardware & Software incurred on scientific research approved by the 'Prescribed Authority'. Secretary, Department of Scientific and Industrial Research, Ministry of Science and Technology, New Delhi has been designated as the "Prescribed Authority" for purposes of Section 35(2AB) of I.T. Act, as per rule 6 (1B).

A2. GENERAL TAX BENEFITS TO THE COMPANY:

In accordance with, and subject to the provisions of Section 32 of the Act, the Company will be entitled to claim depreciation to tangible and specified intangible assets at the rates specified. Besides normal depreciation the Company shall be entitled in terms of section 32(1)(ia) to claim additional depreciation of 25% of actual cost of new machinery and plant acquired and installed after 31st March, 2005.

By virtue of section 10(34) of the Act, any dividend income received by the Company will be exempted from tax.

In accordance with and subject to the conditions specified in section 35D of the Income Tax Act, the Company is entitled to amortization, over a period of five years, of all expenditure in connection with the proposed Public Issue subject to the overall limit prescribed in the said section as the Public Issue is for the extension of the business.

By virtue of new section 10(35) of the Act, the following income shall be exempted, subject to the certain conditions, in the hands of the Company:

- a) Income received in respect of the unit of a Mutual Fund specified under clause (23D); or
- b) Income received in respect of units from the administration of the specified undertaking; or
- c) Income received in respect of units from the specified Company;

By virtue of section 10(38) of the Act long term capital gains on sale of shares where the transaction of sale is entered into on a recognized stock exchange in India, on or after 1st October, 2004 shall be exempted from tax.

By virtue of Section 111A of the Act short term capital gains on sale of shares where the transaction of sale is entered into on a recognized stock exchange in India, on or after 1st October, 2004 shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and Education Cess).

In accordance with, and subject to the conditions and to the extent specified in section 54EC of the Act, long term capital gains arising on transfer of long term capital asset, shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase / acquisition of specified assets.

In accordance with, and subject to the conditions and to the extent specified in section 54ED of the Act, long term capital gains arising on transfer of listed securities or units, shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase / acquisition of specified assets.

Under section 48 of the Act, if any shares are sold by the Company after being held for not less than twelve months, the gains (not being exempt gains), 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 / improvement.

Under section 112 of the Act and other relevant provision of the Act, long term capital gains (not being exempt gains) arising on transfer of listed securities or units or zero coupon bonds, shall be taxed at the rate of 20% (plus applicable surcharge and education cess) [after indexation as provided in the second proviso to section 48] or at the rate of 10% (plus applicable surcharge and education cess)[without indexation], at the option of the Company.

The company is registered under the Software Technology Parks ('STP') Scheme. The Key benefits that are available under direct and indirect tax laws to a STP Unit, subject to satisfaction of various conditions, are as under:

Customs Duty

Specified goods, which are in the nature of capital goods, office equipment, components etc procured by a STP unit, are exempt from customs duty. All goods, other than prohibited goods under the EXIM Policy are exempt from customs duty.

Excise Duty

The local purchases by the Company will qualify as deemed exports. Further, the Company can avail of an exemption from payment of Central Excise duty on all goods as per its entitlement for creating a central facility for use by software development units.

Sales Tax

Concession under the State Sales Tax legislations (depending upon the relevant State where the unit is set-up) is available. Further, the Company can claim a reimbursement of the Central Sales Tax paid on its local purchases. Further, export sales made by the company would not be subject to Sales Tax. Purchases by a unit in a SEZ will also be exempt from Central Sales Tax. Further, in order to avail the above benefits, the unit will be required to meet prescribed export obligations.

Service Tax

A company which renders services in relation to computer software is eligible for exemption available to "Consulting Engineer" from levy of service tax on services rendered.

B. To Shareholders of the Company - Under the Act.

Income received by an assessee as dividend from an Indian Company is exempted under section 10(34) of the Act.

In accordance with section 48 of the Act, long term capital gains arising to a resident assessee out of sale of shares of the Company shall be computed after indexing the cost of acquisition / improvement. Under Section 112 of the Act, such gains which are not exempt under section 10(38) of the Act, shall be taxed at the rate of 20% (subject to surcharge as applicable) where the tax so payable exceeds 10% (subject to surcharge as applicable) of the amount of capital gains computed before indexing the cost of acquisition, improvement, then such excess shall be ignored.

By virtue of Section 111A of the Act that short-term capital gains on sale of shares where the transaction of sale is entered into in a recognized stock exchange in India, on or after 1st October, 2004 shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and Education Cess).

By virtue of Section 10(38) of the Act that long term capital gains on sale of shares where the transactions of sale is entered into in a recognized stock exchange in India, on or after 1st October, 2004 shall be exempt from tax.

In accordance with, and subject to the conditions and to the extent specified in section 54EC of the Act, long term capital gains tax arising on transfer of the shares of the Company, shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase / acquisition of specified assets.

In accordance with, and subject to the conditions and to the extent specified in section 54ED of the Act, long term capital gains arising on transfer of the shares of the Company, shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase / acquisition of specified assets. Income by way of short term capital gains or long term capital gains (not being exempt gains) realised by FIIs on sale of shares in the company would be taxed at the following rates as per section 115AD of the Act:

Short term capital gains - at the rate of 30% (plus applicable surcharge and education cess). However, the income from short term capital gains referred to under section 111A shall be taxed at the rate of 10% (plus applicable surcharge and education cess).

Long term capital gains (not being exempt gains) - at the rate of 10% (plus applicable surcharge and education cess).

In accordance with, and subject to the conditions and to the extent specified in section 54F of the Act, long term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided family shall be exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years subject to the condition that the assessee should not own more than one residential house, other than the new asset, on the date of transfer of original asset and the assessee should not purchase or construct any residential house, other than the new asset, in case of purchase within a period of one year after the date of transfer of original asset and in case of construction, within a period of three years after the date of transfer of original asset.

In accordance with, and subject to Section 48 of the Act, capital gains arising to non-resident, out of transfer of capital assets being shares in an Indian Company shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer of the capital assets into the same foreign currency as was initially utilized in the purchase of shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency.

Additional Benefits Available to Non-Resident Indians

Non-resident Indian has the option to be governed by the provisions of Chapter XII-A of the Act according to which :

- a) Under section 115E of the Act, any income from investment acquired out of convertible foreign exchange will be taxable at 20% (subject to surcharge as applicable) while income from long term capital gains on transfer of shares of the Company acquired out of convertible foreign exchange shall be taxed at the rate of 10% (subject to surcharge as applicable)
- b) Under section 115F of the Act, subject to the conditions and to the extent, specified therein, long term capital gains arising to a Non-Resident Indian from transfer of shares of a company acquired out of convertible foreign exchange, shall be exempt from capital gains tax if the net consideration is invested within six months of the date of transfer of the asset in any specified asset or in any saving certificate referred to in clause (4B) of Section 10 of the Act.
- c) Under section 115G of the Act, it is not necessary for a Non-Resident Indian to file a Return of Income under section 139(1) of the Act, if his total income consists only of investments income and / or long term capital gains earned on transfer of such investments acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of chapter XVII B of the Act.

C. Under the Wealth Tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of the Wealth Tax Act, 1957; hence Wealth Tax Act will not be applicable.

Please note that all the above tax benefits will be available only to the sole / first named holder in case the shares are held by joint holders. Legislation, its judicial interpretation and the policies of the regulatory authorities are subject to change from time to time and these may have a bearing on the advice that we have given. Accordingly, any change or amendment in the law or relevant regulations would necessitate a review of the above. Unless specifically requested, we have no responsibility to carry out any review of our comments for changes in laws or regulations occurring after the date of issue of this Note.

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 country in which the nonresident has fiscal domicile.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of ordinary shares. The statements made above are based on the tax laws in force as also under the Finance Bill, 2005 and as interpreted by the relevant taxation authorities as of date. The Investors in your Company are advised to consult their tax advisors with respect of the tax consequences of their holdings based on their residential status and the relevant double taxation conventions.

D. Benefits available to Mutual Funds

Under section 10(23D) of the Income Tax 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 equity shares of a Company.

E. Benefits available to Venture Capital Companies /Funds

Under section 10(23FB) of the Income Tax Act, all venture capital companies / funds registered with the Securities and Exchange Board of India, subject to the specified, are eligible for exemption from income-tax on all their income, including income from investment in the equity shares of a company.

F. Benefits available to resident shareholders under the Gift Tax Act, 1958

Gifts made on or after October 1, 1998 are not liable to any Gift Tax and hence gift of shares of the Company would not be liable for any gift tax.

Notes:

1. All the above benefits are as per the current tax laws. The stated benefits will be available only to the sole /first named holder in case joint holders hold the shares.
2. In respect of non residents , the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double taxation Avoidance Agreements, if any, between India and the country in which non resident has fiscal domicile.
3. in view of the individual nature of tax consequence, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

SECTION IV-ABOUT THE COMPANY

INDUSTRY OVERVIEW

BIOTECH INDUSTRY OVERVIEW

The biotechnology sector is witnessing an impressive annual growth realized through incremental revenues and the addition of new companies.

The 4th BioSpectrum-ABLE Biotech Industry Survey indicates that the industry has attained the critical momentum. For the third year in a row, the industry has clocked growth in excess of 35 percent. In 2004-06, the industry grew by 37.42 percent to record \$1.45 billion (Rs 6,521 crore) in revenue. In the previous year, the industry recorded 36.5 percent growth to cross the \$1-billion threshold for the first time ever.

The major thrust in biotechnology is in bio-pharmaceuticals, with more than 350 products under various phases of advanced clinical trials. In the US alone, more than 90 new products have been approved by the FDA, while more than 2000 products are under development.

Biotechnology Industry in India

India's biotechnology sector is currently made of four major segments:

- bio-industrial products such as enzymes and bio fuel;
- bio-agricultural products such as genetically modified seeds, bio-fertilizers and bio-pesticides;
- bio-services such as contract research, contract manufacturing and clinical trials; and
- bio-pharmaceuticals.

Bio-pharma covers vaccines, therapeutics, diagnostics and animal health care, and has emerged as the largest segment, thanks in part to strong clinical and research capabilities developed through bio-services.

SWOT Analysis of the Indian Biotech Industry

STRENGTHS <ul style="list-style-type: none"> Trained manpower and knowledge base Good network of research laboratories Rich Bio-diversity Well developed base industries e.g. Pharmaceuticals Access to intellectual resources of NRIs in the area 	WEAKNESSES <ul style="list-style-type: none"> Missing link between research and implementation Research initiative going waste if new product is developed and launched by Competitor prior to launch of product Finding and retaining trained and qualified manpower is a challenge Image of Indian industry - doubts about the ability of Indian products to meet international quality standards
OPPORTUNITIES <ul style="list-style-type: none"> Large local market Export market Base for contract research for international companies due to rising R & D costs abroad Large number of patients covering a wider range of diseases 	THREATS <ul style="list-style-type: none"> Other developing countries like China are investing heavily and giving policy push to this sector Danger of anti-biotech propaganda gaining grounds IPR policies are subject to change so as to adversely affect the Industry. Inadequate policy framework

Definition of Bioinformatics

Bioinformatics derives knowledge from computer analysis of biological data. These can consist of the information stored in the genetic code, but also experimental results from various sources, patient statistics, and scientific literature. Research in bioinformatics includes method development for storage, retrieval, and analysis of the data. Bioinformatics is a rapidly developing

branch of biology and is highly interdisciplinary, using techniques and concepts from informatics, statistics, mathematics, chemistry, biochemistry, physics, and linguistics. It has many practical applications in different areas of biology and medicine.

Roughly, bioinformatics describes any use of computers to handle biological information. In practice the definition used by most people is narrower; bioinformatics to them is a synonym for “computational molecular biology”- the use of computers to characterize the molecular components of living things

(Molecular) bio informatics: bioinformatics is conceptualizing biology in terms of molecules (in the sense of Physical chemistry) and applying informatics techniques(derived from disciplines such as applied mathematics, computer science and statistics) to understand and organise the information associated with these molecules, on a large scale. In short, bioinformatics is a management information system for molecular biology and has many practical applications.

Origin & History of Bioinformatics :

By 1981, 579 human genes had been mapped and mapping by in-situ hybridization had become a standard method. Marvin Carruthers and Leory Hood made a huge leap in bioinformatics when they invented a method for automated DNA sequencing. In 1988, the Human Genome organization (HUGO) was founded. This is an international organization of scientists involved in Human Genome Project. In 1989, the first complete genome map was published of the bacteria *Haemophilus influenza*.

The following year, the Human Genome Project was started. By 1991, a total of 1879 human genes had been mapped. In 1993, Genethon, a human genome research center in France Produced a physical map of the human genome. Three years later, Genethon published the final version of the Human Genetic Map. This concluded the end of the first phase of the Human Genome Project.

Bioinformatics was fuelled by the need to create huge databases, such as GenBank and EMBL and DNA Database of Japan to store and compare the DNA sequence data erupting from the human genome and other genome sequencing projects.

Today, bioinformatics embraces protein structure analysis, gene and protein functional information, data from patients, pre-clinical and clinical trials, and the metabolic pathways of numerous species.

Origin of bioinformatic/biological databases:

The first bioinformatic/biological databases were constructed a few years after the first protein sequences began to become available. The first protein sequence reported was that of bovine insulin in 1956, consisting of 51 residues. Nearly a decade later, the first nucleic acid sequence was reported, that of yeast alanine tRNA with 77 bases. Just a year later, Dayhoff gathered all the available sequence data to create the first bioinformatic database.

The Protein Databank followed in 1972 with a collection of ten X-ray crystallographic protein

structures, and the SWISSPROT protein sequence database began in 1987. A huge variety of divergent data resources of different types and sizes are now available either in the public domain or more recently from commercial third parties. All of the original databases were organised in a very simple way with data entries being stored in flat files, either one per entry, or as a single large text file. Later on lookup indexes were added to allow convenient keyword searching of header information.

Bioinformatics Industry

Studies of IDC points out that India will be a potential star in bioscience field in the coming years after considering the factors like bio-diversity, human resources, infrastructure facilities and government’s initiatives. According to IDC, bioscience includes pharma, Bio-IT (bioinformatics), agriculture and R&D. IDC has reported that the pharmaceutical firms and research institutes in India are looking forward for cost-effective and high-quality research, development, and manufacturing of drugs with more speed.

Bioinformatics has emerged out of the inputs from several different areas such as biology, biochemistry, biophysics, molecular biology, biostatics, and computer science. Specially designed algorithms and organized databases is the core of all informatics operations. The requirements for such an activity make heavy and high level demands on both the hardware and software capabilities.

This sector is the quickest growing field in the country. The vertical growth is because of the linkages between IT and biotechnology, spurred by the human genome project. The promising start-ups are already there in Bangalore, Hyderabad, Pune, Chennai, and Delhi. There are over 200 companies functioning in these places.

Government initiatives

Informatics is a very essential component in the biotech revolution. Ranging from reference to type-culture collections or comparing gene sequences access to comprehensive up-to-date biological information; all are crucial in almost every aspects

of biotechnology. India, as a hub of scientific and academic research, was one of the first countries in the world to establish a nation wide bioinformatics network.

The department of biotechnology (DBT) initiated the program on bioinformatics way back in 1986-87. The Biotechnology Information System Network (BTIS), a division of DBT, has covered the entire country by connecting to the 57 key research centers. BTIS is providing an easy access to huge database to the scientists. Six national facilities on interactive graphics are dedicated to molecular modeling and other related areas. More than 100 databases on biotechnology have been developed. Two major databases namely coconut biotechnology databases and complete genome of white spot syndrome of shrimp has been released for public use. Several major international databases for application to genomics and proteomics have been established in the form of mirror sites under the National Jai Vigyan Mission.

The BTIS proposes to increase the bandwidth of existing network and provide high-speed internet connectivity to continue with its present activities of training, education mirroring of public utility packages, consideration of R&D projects and support to different research activities in this field. The DBT is planning to set up a National Bioinformatics Institute as an apex body for the bioinformatics network in the country. The DBT also proposes to bolster a proper education in bioinformatics through publication of textbooks and monographs by reputed scientists in the field. Collaboration with the industry is also poised to increase in the coming years.

The government's life science focus provides a great deal of the necessary backbone to develop and deliver innovative products and technologies. This focus will also helps to build fast-growing and lucrative enterprises, attract international investment, and create additional high-value employment opportunities.

Hence the focus of the IT sector should be on products and services that aligns with bioscience needs. Demonstrating a true understanding of the IT requirements of biotechnology processes is the key for IT suppliers to bridge the chasm that currently exists between IT and Science.

Advantages India has:

India is well placed to take the global leadership in genome analysis, as is in a unique position in terms of genetic resources. India has several ethnic populations that are valuable in providing information about disease predisposition and susceptibility, which in turn will help in drug discovery.

However, as India lacks the records of clinical information about the patients, sequence data without clinical information will have little meaning. And hence partnership with clinicians is essential. The real money is in discovering new drugs for ourselves and not in supplying genetic information and data to the foreign companies, who would then use this information to discover new molecules .

The genomic data provides information about the sequence, but it doesn't give information about the function. It is still not possible to predict the actual 3-D structure of proteins. This is a key area of work as tools to predict correct folding patterns of proteins will help drug design research substantially. India has the potential to lead if it invests in this area.

Looking at this biotech and pharma companies need tremendous software support. Software expertise is required to write algorithms, develop software for existing algorithms, manage databases, and in final process of drug discovery.

Some major opportunity areas for IT companies include:

- Improving content and utility of databases.
- Developing better tools for data generation, capture, and annotation.
- Developing and improving tools and databases for comprehensive functional studies.
- Developing and improving tools for representing and analyzing sequence similarity and variation.
- Creating mechanisms to support effective approaches for producing robust, software that can be widely shared.

As major pharmaceutical and genome-based biotech companies invest heavily in software, Indian IT companies have a great business opportunity to offer complete database solutions to major pharmaceutical and genome-based biotech companies in the world.

Pure cost benefits for the biotech companies will definitely drive the bioinformatics industry in the country. The biotech industry spends a high percentage of its expenses on R & D. Success for many will mean a drastic reduction in R&D costs. Thus biotech companies will be forced to outsource software rather than developing propriety software like in the past. Since the cost of programs for handling this data is extremely high in the west, Indian IT companies have a great business opportunity to offer complete database solutions to major pharmaceutical and genome-based biotech companies in the world.

The IT industry can also focus more on genomics through different levels of participation areas such as hardware, database product and packages, implementation and customization of software, and functionality enhancement of database.

The alignment of a vast pool of scientific talent, a world-class IT industry, an active generic pharmaceutical sector and government initiatives in establishment of public sector infrastructure and research labs are positioning India to emerge as a significant participant on the global biotech map.

With an objective to help and rise bioinformatics sector to the world map the Bioinformatics Society of India (Inbios) has been working since August 2001. It has become a common informal platform for the younger generation to learn and contribute to this sun rising field in India.

Problems in the sector

The major issue for India is its transition from a recognized global leader in software development to areas of real strength upon which it can capitalize in the biosciences. The identifiable areas are in computation biology and bioinformatics, where a substantial level of development skills are required to develop custom applications to knot together and integrate disparate databases (usually from several global locations), simulations, molecular images, docking programs etc.

The industry people, meanwhile, say that the mushrooming of bioinformatics institutes is creating a problem of finding talented and trained individuals in this industry. While many of them has a superficial knowledge and a certificate, India lacks true professionals in this area.

Most people, who opt for bioinformatics are from the life sciences areas that do not have exposure to the IT side of bioinformatics, which is very important. Another issue is that some companies face shortage of funds and infrastructure. The turn around time for an average biotech industry to breakeven would be around three to five years.

Biotechnology Information Systems (BTIS)

The objective of setting up BTIs

- To provide a national bioinformation network designed to bridge the inter-disciplinary gaps in biotechnology information and to establish link among scientists in organisations involved in R&D and manufacturing activities in biotechnology.
- To build up information resources, prepares databases on biotechnology and to develop relevant information handling tools and techniques.
- To continuously access information requirements, organize creation of necessary infrastructure and to provide information and computer support services to the national community of users.
- To establish linkages with international resources in Biotechnology information (e.g. Databanks on genetic materials, published literature, patents and other information of scientific and commercial value).
- To evolve and implement programmes on education of users and training of information scientists responsible for handling of biotechnology information and its applications to biotechnology research and development.
- To develop, support and enhance public information resources for biotechnology in India, e.g. Genbanks, molecular biology data and related research information resources.
- To undertake preparing and publishing surveys, state of the art reports and forecasts for several branches of the sector.
- To provide a national backbone for exchange and analysis of information covering aspects of multi-disciplinary Biotechnology amongst the national community comprising scientists, research scholars, students, industry and planning personnel.

(source: <http://www.geocities.com>)

At present there are more than 45 companies in the Indian Bioinformatics market mainly based in southern cities like Bangalore, Chennai and Hyderabad. About 20 percent of them are based in Delhi and a few in Pune. Of these about 35 companies are actually involved in developing Bioinformatics tools and products while the rest are into marketing of the tools. In addition to Indian companies, multinationals are also in this space with direct presence in India. Some big are offering Bioinformatics services while others are providing the hardware.

With the changing scenario in the global market, many small and medium companies have either closed or joined hands with leading companies in the same space or with biosuppliers who are into marketing of equipments/ products to biopharmaceutical and biotechnology companies. One can expect the same trend in India also some companies entering this space.

Few companies offer forward integration of IT systems in drug development and also help in implementing clinical trial programs at lower cost with shorter time lines. By exhibiting cost saving skills, Indian firms are getting product enquiries and business related to data mining, scientific visualization, information storage, retrieval of special structure data and simulation of long DNA sequences.

Indian players have to leverage the lower costs of infrastructure and human resources. The cost of setting up and running a bioinformatics company in India is a fraction of the cost in the US. Indian companies will have to target pharmaceutical and biotechnology companies, as well as agribiotech and industrial biotech companies.

Some Indian bioinformatics enterprises have already been acknowledged in the US and European markets for their cost saving potential. These companies have demonstrated cost saving to the extent of 30-40 percent in drug development process. With this, many Indian enterprises are getting orders to jointly collaborate with major pharmaceutical and biotech companies.

Biopharmaceutical companies also have set up bioinformatics cells to undertake research in this space, only to meet their in-house research activities. Instead of coming as hindrance to the real bioinformatics companies these cells/units at the biopharmaceutical companies will help them in marketing their tools.

To promote the rapidly emerging field of bioinformatics in the country, many professional have joined hands and set up a non-profit society called Bioinformatics Society of India. This society is basically aimed at bridging the gap between the educational and corporate sector. It will strive towards catering the needs of aspiring learners of this field by creating a genuine awareness and to attain perfection to set a benchmark in bioinformatics. In addition to this, the government is also making efforts to support the segment by setting up BioIT Park. The Department of Biotechnology has been working with other departments to set up this park, which is expected to position India in the global hub of Bioinformatics.

The Department of Biotechnology in its National Biotech Development Strategy has also pointed out some strategic action plans in the following areas - human resource development, infrastructure development, testing of public domain resources, inter agency coordination, strengthening of DICs and sub DICs and Bio IT parks and promotion of bioinformatics industries. These initiatives will support the segment to grow vertically and to take a major pie in the global bioinformatics sector in the next few years.

(source: <http://www.biospectrumindia.com>)

BUSINESS OVERVIEW

OUR BUSINESS

Celestial labs is an 9 years old, ISO 9001 Company located at Hyderabad working in the space of IT/ Bioinformatics, Biotechnology and Consultancy work.

Celestial labs offers enterprise resource planning solutions, data warehousing, business intelligence solutions and bio services like clinical data management, gene sequence analysis, molecular modeling, design and development of Drug Molecules dedicated to health sector to Govt. Institutions, pharma and Biotech companies, Hospitals and Medical centers in India and overseas.

Starting from IT and Bioservices, in due course of time, Celestial, because of its strong domain knowledge in biosciences which is scale up of its existing operations, has chosen health sector verticals and developed an integrated approach to offer its products and services to this sector. Celestial's in-depth understanding of life science and suitable technology transfer collaboration with leading research institutions is providing a unique edge in the innovative and economical enzyme manufacturing and distribution operation.

Celestial has made rapid technological advancement to develop Denovo Drug design tool for the first time in India to reduce the life cycle of the new drug Molecule development from 20 years to 5 years.

Celestial has also successfully developed a Bio molecule by using recombinant DNA technology to treat vitiligo, a white patch skin disorder with the technical collaboration with CCMB Hyderabad, a premier CSIR Biological Research Institute in India.

Celestial plans to develop 3 drugs from this molecule. Celestial has filed for 2 drug molecule patents in India.

PRESENT EXPANSION

The expansion has been planned:

- * To scale up the contract research and existing Project management and Enterprise resource planning services dedicated to health and life science sector by increasing infrastructure and resources.
- * To develop Drug molecules, perform clinical trials and provide licensing for global production
- * To manufacture and market Enzymes with the proven and improved technology by leveraging the expertise in fermentation process

CELESTIAL during its expansion plan, has scaled up its service operations with the available resources and further developed a de novo drug design tool "CELSUITE" to aid drug discovery and strengthen related services in finding the lead Drug molecules. The CELSUITE has been filed for IPR under the Indian Copyright Act, 1957. The various modules of Celsuite help in providing the effective research services to the clients in the field of drug development.

Based on its own in silico expertise (applying the bioinformatics tools), CELESTIAL has developed therapeutic molecules to treat Leucoderma and multiple cancer and these have been filed for the Indian patent rights. CELESTIAL has completed the cloning of the therapeutic molecule for curing the vitiligo and currently, the purification stage is in progress at its collaborative institute, Department of Microbiology, Osmania University, Hyderabad.

Celestial has developed Celvision, an ERP solution applicable for pharma and biotech Industries and tied up for marketing with SONATA-IBM's initiative venture. Celestial has also developed a portal called www.sanjivani.biz and looking very aggressively to launch as b2b (business to business) and b2C (business to consumer) e-commerce activities to offer consultancy and distribution of biotech products and services across the globe. Offering online consultancy services is the unique feature in the portal. The portal has been developed on j2EE architecture

The Company has received SAP (System Application Process and Database) ECC version 6.0 and implementing it in both IT and BIO division of Celestial. Celestial is having domain knowledge and SAP expertise in these areas and this implementation will further enrich its experience. Apart from getting the fullest advantage of SAP, Celestial is also preparing the right team to scale up the SAP ERP services in pharma, biotech and health care system. Celestial's plan is to provide the SAP implementation and support services to health sector on an aggressive note globally.

As an upward integration strategy enhancing the regular revenue stream, CELESTIAL is leveraging its expertise in Fermentation process, has signed a technology transfer agreement with Institute of Microbial Technology (IMTECH), a premier CSIR organization at Chandigarh, India, to manufacture two industrially important enzymes, alpha Amylase and alkaline Protease and market them in India and overseas.

CELESTIAL is setting up facilities to accomplish diversified activities in the biotechnology section, including manufacturing of industrial enzymes and laboratories for developing new drug candidate molecules and licensing for manufacture and distribution globally. This facility is being setup in Genome Valley at Hyderabad in Andhra Pradesh.

CELESTIAL has competent and experienced personnel on its rolls to effectively carry out the scientific, engineering, finance and management functions of its project activities. CELESTIAL has an experienced and diverse Board of Directors to guide the core management of the company to devise the right strategies and efficiently carry out the tasks to achieve the targets.

The company has achieved business of Rs. 1412.76 Lakhs in the year 2006-07 in comparison to Rs. 1022.18 Lakhs during the year 2005-06.

Products & Services of the company

CELSUITE

Structure-based drug design plays a crucial role in the discovery of novel chemical entities, which are of immense use in health care market. Using in silico tool, one can appreciably reduce the high costs involved in synthesizing and testing the potential bioactive compounds or drug molecules. CELESTIAL LABS has developed CELSUITE- a drug design tool, which facilitates molecular modeling; active site prediction and ligand build up, the important features of a drug discovery process. Starting with molecular coordinates of the test candidate, the CELSUITE predicts the potential of the ligand molecules, builds virtual drug, screens out unfavourables, and predicts toxicity through a logical and rational process. The visualizer displays the result molecules on the screen in a variety of representation and colours. CELSUITE will be licensed individually once it is integrated with toxicity prediction module and also it will be used by Celestial to offer the drug molecule development related services to pharma and biotech companies, globally.

BioProducts (Drug Molecule Development)

CELESTIAL LABS, based on its in silico expertise, has developed 2 molecules to treat Leucoderma / Vitiligo, tanning, wrinkles and multiple cancer. Purification of these cloned molecules is under active progress paving the way for rapid development of the final products and licensing. These molecules have been filed for the IPR protection in 2005.

Vitiligo/Wrinkle formation/Tanning

While the market for products to treat wrinkle formation and tanning needs is picking up tremendous growth, surveys show that 1 to 6 % of the world population is affected by the disorder of depigmentation popularly known as Leucoderma or Vitiligo. Drugs being developed to cure this disorder are of immense value as they reduce the mental depression and psychological trauma associated with the disorder and will certainly improve the quality of life, apart from avoiding the social withdrawal of the affected patients. Etiology of this disorder is not clear in spite of the fact that causes are partially hypothesized as genetic or of auto-immune nature or are due to growth factor deprivation.

Multiple Cancer

Development and application of peptide molecules as anti-cancer drugs is being actively pursued globally. However, keeping in mind the complex mechanism of action involved, selection of the peptide would need more rigorous and rational approach. Preparation of these peptides and its successful administration with selective targeting and specific delivery to cancer cells needs the knowledge pertaining to biological system comprising tubulin-targeting drugs. Using its in-house drug design tool, CELESTIAL has worked on the active site prediction of tubulin complex and designed a few promising ligands. Further work is in active progress and CELESTIAL is optimistic for generating potential peptide that can help in tubulin aggregation leading to anti-cancer activity.

Industrial Enzymes

The bio-industrial sector of the biotechnology industry in India has been recording impressive annual growth at the rate of more than 35%. Industrial enzymes represent the heart of biotechnology processes. The field of industrial enzymes now is experiencing major R&D initiatives, resulting both in the development of a number of new products, and in improvement in the process and performance of several existing products.

In view of the optimum utilization of expertise and resources, CELESTIAL LABS is developing the appropriate technological-base for the production of two important industrial enzymes, Alpha Amylase and Alkaline Protease, with the requisite infrastructure for manufacturing and quality control.

CELESTIAL LABS has tied up with IMTECH at Chandigarh for the technology transfer and will avail the services of leading plant & machinery providers to help the company establish and scale-up of manufacturing processes.

Consumption of the proposed enzymes to be manufactured is shared mainly by detergents, textiles, food and pharmaceutical industries in India, currently with an import of 70% of these enzyme products.

Services

Celestial has been providing customized enterprise solutions, bioinformatics services to health and life science sector, like database preparation and management, gene sequence comparison and analysis, prediction modeling, design and development of Drug Molecules. Further the services are being strengthened by applying suitable resources and infrastructure.

Business Strategy

The business plan of the company is essentially based on scaling up the service operations such as ERP implementations, project management services, bioinformatics services, etc., already in place; the production and supply of the biotechnological products, which have very significant industrial implications, especially in pharmaceutical sector. The plan envisages a thorough groundwork in terms of building up of a technology base through relevant stakeholders and collaborators, further supported by market analysis and import- export imperatives.

The focus is to use multi disciplinary skills to visualize and tackle problems in right perspective. This has enabled CELESTIAL to attract and retain highly qualified personnel having a wide knowledge base in different areas such as microbiology, biochemistry, toxicology etc. Besides the technical, programme implementation and effective management skills, these personnel are equipped with expertise in research, economic affairs and entrepreneurship background.

A comprehensive distributor network will be set up across India with emphasis on specific needs of domestic enzyme market requirements. Export activities will be carried out in association with prospective agents to cater to the enzyme market requirements in Europe and USA. Marketing network already in place for CELESTIAL LABS' information technology products and services will complement to establish the domestic clientele for the enzyme products.

For licensing drug molecules, the company will keep in contact with some leading consulting agencies operating world wide for assistance in licensing the drug molecules to pharma and biotech companies.

Marketing and distribution

A comprehensive distributor network will be set up across India with emphasis on specific needs of domestic enzyme market requirements. Export activities will be carried out in association with prospective agents to cater to the enzyme market requirements in Europe and USA. Marketing network already in place for CELESTIAL LABS' information technology products and services will complement to establish the domestic clientele for the enzyme products. Celestial and Sonata-IBM's joint marketing strategy for Celvision is quite fruitful and the same network will be utilized to market Celsuite, a denovo drug design tool

For licensing drug molecules, the Company will keep in contact with some leading consulting agencies operating world wide for assistance in licensing the drug molecules to pharma and biotech companies.

KEY STRENGTHS

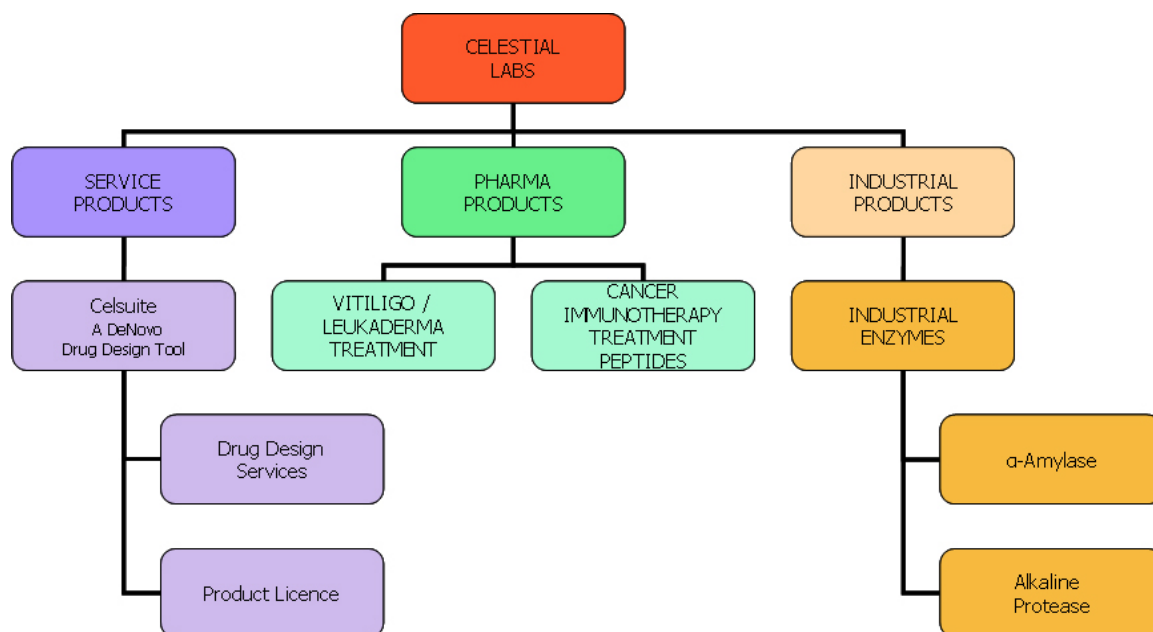
- Dedicated and committed management team
- Experienced scientists and technical team
- Innovation
- Tremendous opportunity in Bio-Services and product
- Technological collaboration with leading research institutions.
- IPR Generations

BIO-PRODUCTS

Biotechnology-based pharmaceutical products are expected to be the main source of drugs in years to come. Biopharmaceutical based medicines are typically proteins, peptides or genomic materials which are produced from living organisms, usually in fermenters or bioreactors. They account for an increasing proportion of the world pharmaceutical markets.

Celestial Labs is poised to carve itself a place in this upcoming sector with unique products and services, and will continue to grow in the marketplace with an aggressive pro-active approach.

Celestial's business model is uniquely complementing with synergistic values derived from its divisions. The following depicts its product and service lines.



CELSUITE: (A DENOVO DRUG DESIGN TOOL)

An Overview

CELESTIAL has acquired the skill-sets in data mining, molecular modeling while offering various customized enterprise solutions to the clients. Celestial is leveraging these skill- sets with the functional knowledge of molecular biology, biochemistry and toxicology to develop a de novo drug design tool “CELSUITE” comprising of activity site prediction, ligand design and visualization aspects. CELSUITE would facilitate the drug industry in their pursuit for designing lead molecules.

The success of structure-based drug design methodology has encouraged the development of various computational methods that can make use of structural information of bio-molecules to suggest novel structures, which may either prove to be useful lead compounds or act as a stimulus to the creativity of de novo drug designers. Ideally, these methods should be fast, objective and produce a set of diverse yet chemically reasonable structures.

Current methods for structure-based drug design can be divided roughly into two categories. The first category is about “finding” Ligands for a given receptor, which is usually referred as database searching or Virtual Screening. In this case, a large number of molecules are screened to find those fitting the binding pocket of the receptor. The key advantage of database searching (Virtual screening) is that it saves synthetic effort to obtain new lead compounds. The second category of structure-based drug design is about building of molecules with the active site of protein which is termed as de novo design.

But, it is not just enough, if we find a molecule fitting into binding pocket of the target protein. We also need to predict toxicity parameters of the Ligands in order to cut down the high costs and precious time involved in screening these large numbers of candidate chemicals and laborious pre-clinical animal testing. It is very important to predict the potential risk of chemicals with little or no empirical data. The ability to predict toxicity both quickly and accurately comes from a thorough understanding of Ligands and their involvement in various metabolic pathways. However, there is a definite gap existing with reference to the mining of knowledge about this drug- like candidate molecules.

Today, the major challenges in the area of drug design are predicting the active site of a target protein and designing a small molecule (Ligand) with a strong binding affinity for that active site. As the cost of synthesizing and testing these Ligands is very high, there is a great need for the development of new Computational tools to generate molecules virtually based on the target structure and predict the potential toxicity in the initial stages of drug discovery.

Salient Features

- predicts potential active sites in a given protein target based on alpha shapes algorithm,
- builds virtual drug like molecules from a fragment library of chemicals based on a genetic algorithm,
- screens out unfavorable structures and predicts synthetically feasible drug like molecules based on a rule-based algorithm,

- predicts toxicity based on the chemical substructure capable of producing toxic responses using a novel algorithm, and,
- incorporates a parallel computing method for speedy retrieval of results.

Technology Trends

Current efforts for toxicity prediction fall in two categories. One is knowledge-based system that relies on a set of rules distilled from available knowledge or human experts, who represent predictive systems. The other is correlative model approach that relies on the use of statistics for exploring the relationship between structure and activity, which primarily includes the technology of QSARs (Quantitative Structure-Activity Relationships) and is adopted by programs. Knowledge-based systems are restricted to human experts and incapable of discovering new relationships automatically, while, classic correlative QSARs are limited to within co-generic (belonging to same genus) series of chemicals. Therefore, some new schemes should be proposed to explore the databases of non-congeneric chemicals effectively.

Many of the de novo design and toxicity prediction software tools utilize extensive mathematical calculations involving large amount of complicated data. These operations can take a long time to complete using only one processor. Parallel or distributed computing can be advantageous when such calculations are performed using multiple processors, thereby drastically reducing the time needed to obtain the final solution.

The commercially available in silico tools for the structure based prediction of potential Ligands fall under two categories. One is to build a chemical molecule to fit into the target protein, which is termed, as de novo drug design and the other category is searching a database of molecules to find a molecule which exactly fit into the target protein (Virtual screening). In both the methods, there is no provision to avoid toxic, unfavorable structures. These parameters must be taken care in order to avoid high costs involved in synthesizing and testing these chemicals resulting a poor computational prediction.

Several of the software tools available for drug screening and in silico toxicity prediction work on multiple platforms (Windows, Linux and Mac) but none of these are designed to take advantage of parallel computing Linux clusters. Linux cluster has ability to use free computing power present in a group of systems in an organization this will help the organization to get the results faster without any need to go for very expensive hardware supports.

Market Analysis

Leading pharmaceutical companies such as SmithKline, Glaxo, Merck, Novartis, etc. have made a substantial commitment to genomic research. They are using latest tools and technology in all stages of drug discovery process starting from target identification through lead validation and optimization through drug response profiling and clinical diagnostics. Companies like Welcome Group, Bayer, Pfizer, etc. offer great potential for using bioinformatics tools for health discovery process. Most companies are switching over from traditional drug discovery process to in silico process during lead optimization and sequence analysis phases.

The applied research software services and tools market is estimated at about US \$ 60 billion worldwide and India will be able to tap at least 5% of the market which works out to US \$ 3 billion (India Market Research by Prof. Charles Cooney, Massachusetts Institute of Technology).

USP of Celsuite

- A Linux based system that operates on cluster with optimum utilization of resources.
- Economical than imported tool
- Better user interface and visualization.
- Less operational time to build the ligand

Competitors & Users Profile

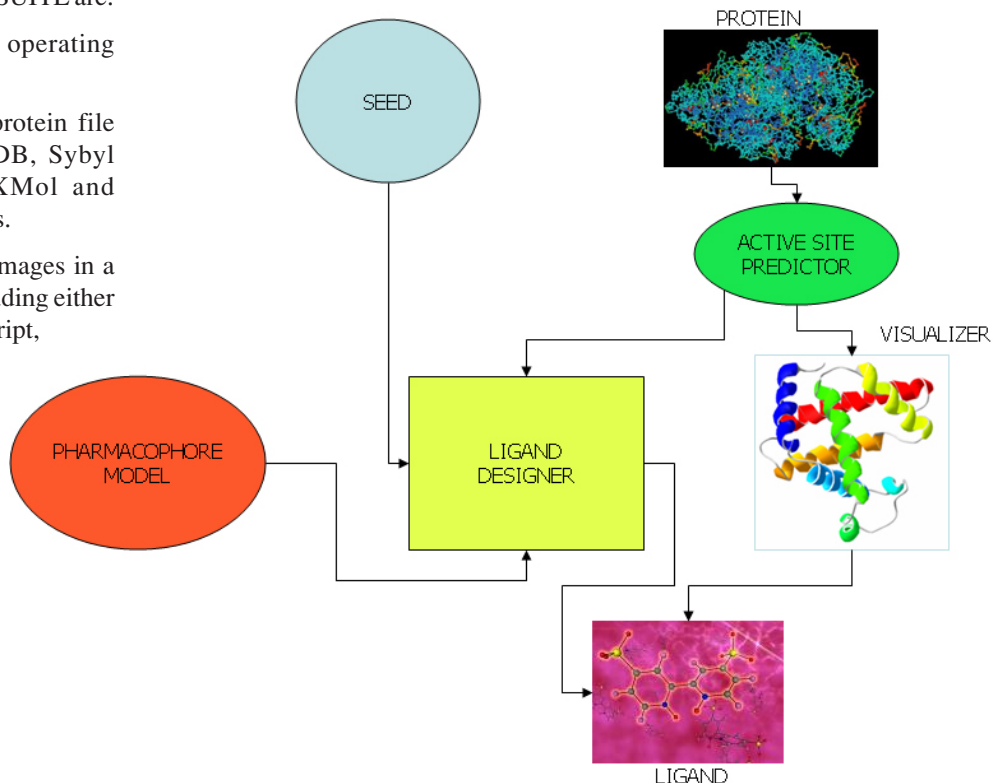
Although, the international companies like Accelrys, Tripos and MOE are offering the drug design tools, the method adapted in CELSUITE to design candidate drug molecules is unique by designing the candidate drug molecules using a novel genetic algorithm. CELSUITE will be used by pharma companies, research institutes and universities involved in de novo drug design.

An Overview

CELSUITE is an integrated and customized software toolkit. It is a structure based drug design program having “MAZE CRACKER” (Active Site Predictor) and “INLIB” (Ligand designer) modules integrated with a Visualizer. The Visualizer is developed as an interface for viewing the outputs of Maze Cracker and INLIB and is developed in X Windows.

The General features of CELSUITE are:

- It operates on Linux operating system
- It accepts the entire protein file formats including PDB, Sybyl Mol2, MDL Mol, XMol and CHARMM format files.
- It can write rendered images in a variety of formats including either raster or vector PostScript,



GIF, PPM, BMP, PICT, Sun raster file or as a MolScript input script or Kinemage.

- It can load molecules and display as wire frame bonds, cylinder 'Dreiding' stick bonds, alpha-carbon trace, space-filling (CPK) spheres, macromolecular ribbons either smooth shaded solid ribbons or parallel strands, hydrogen bonding and dot surface representations.

The three modules of CELSUITE are explained in detail below:

Module 1A - MAZE CRACKER

Maze Cracker identifies cavities/spaces between atoms of a given protein. Proteins owe their function in large part to the special three-dimensional shape or fold they adopt in the cell. These shapes allow proteins to fit favorably together, for example, during protein-to-protein interactions, or to enable a molecule to fit into a protein's active site.

The main feature of the program is based on alpha-shape theory, which is based on spatial characteristics of the atoms in the protein. The alpha-shape theory is used for analytical computation of protein volume and area, and for cavity identification and measurement. It is also applied to binding site identification and molecular mesh generation and electrostatic calculations based on boundary elements.

Module 1B - INLIB

INLIB is used for structure-based drug design approaches. Based on the structural constraints of the target protein, INLIB builds up Ligands iteratively by using a library of organic fragments. The program provides growing and linking strategies to build up Ligands and the whole construction process is, controlled by a genetic algorithm. The protein-Ligand binding affinity is evaluated by using an empirical scoring function instead of force field energies. Besides binding affinity, biological availability of the Ligand is also taken into account by applying certain chemical rules.

The important features of INLIB are:

- Based on 3D structure of the target Protein, it builds Ligand molecules within the binding pocket.
- The program analyzes the binding pocket of the target protein and derives the key interaction sites. A 'pharmacophore' model is suggested and it could be applied to 3D database search for finding novel Ligand molecules.
- Molecules are constructed by using fragments as building blocks. Various kinds of structural manipulation are provided, such as growing, linking, and mutation. On-the-fly minimization of conformation is performed during the building-up

procedure. While the target protein is kept rigid, flexibility of the Ligand molecules is considered. User can choose either growing strategy or linking strategy to develop Ligand molecules.

- Chemical rules are adopted for evaluating “drug-likeness” of the resultant molecules. Chemical stability, synthesis feasibility, and toxicity can also be taken into account by defining “forbidden structure” libraries.

Module 2 - VISUALIZER

It is a molecular graphics program intended for the visualization of proteins, nucleic acids and small molecules. It reads in molecular co-ordinate files and interactively displays the molecule on the screen in a variety of representations and color schemes. The outputs of both Maze Cracker and INLIB are viewed in the Visualizer. Based on the merit and validation of above modules, Department of science and industrial research, Ministry of science and Technology New Delhi is funding the project to develop further Toxicity module and integrate with rest of the module.

Module 3 - TOXICITY PREDICTION MODULE

Toxicity Prediction module is under development and likely to be completed in 5 months time.

VITILIGO/LEUCODERMA (DRUG MOLECULES)

Vitiligo / Leucoderma / white patches is an acquired pigmentary disorder characterized by the patchy de-pigmentation of skin. The patchy de-pigmentation of skin is disfiguring particularly more so in the dark skinned population of the world. It often produces psychological trauma and mental depression in the affected individual, barring the loss of pigment. This could lead to depression or social withdrawal of the Vitiligo affected individual. The chances of sunburn of the skin increase because of this depigmentation

The depigmented patches are otherwise normal in all other respects except that these patches get sunburn on prolonged exposure to sunlight. Vitiligo affects about 1% of world population without any racial, sexual or regional differences. But, some reports suggest that the incidence in India, Egypt and Japan is higher and it ranges from 1.25% to 6% of the population.

The etiology of the disease is unclear. It is generally believed that the Vitiligo skin is devoid of pigment producing cells - melanocytes. But, recent studies however, confirm the earlier observation that the Vitiligo skin does contain non-functional melanocytes. They could be made functional to produce pigment under certain conditions invitro. There are many hypotheses to explain the causes of Vitiligo.

- **Genetic Basis:** There is suggestive evidence to indicate that human Vitiligo may be inherited. However, this is not according to the Mendelian genetic basis but possibly due to simultaneous involvement of two or more genes.
- **Autoimmunity:** Plenty of evidence in the literature suggests that Vitiligo may be an autoimmune disorder. Recently, mice vaccinated with recombinant Vaccinia virus encoding a protein that resides in a pigment producing part of melanocyte developed skin de-pigmentation resembling human Vitiligo 3 weeks after the second immunization.
- **Growth factor deprivation:** This hypothesis formed the basis on which a new mode of treatment for Vitiligo was developed.

Traditional ways of treatment

Traditional therapies for Vitiligo mainly include photo-chemotherapy with topical/oral Psoralens followed by exposure to ultraviolet light or topical/oral steroids in the case of fast spreading Vitiligo. The former therapy is essentially based on the observations described in Atharvaveda more than 3 thousand years ago. Vitiligo was also treated by homeopathic system of medicine. But, the success rate by these traditional methods of treatment is not satisfactory, firstly, because they are not completely effective, and secondly because they have many undesirable side effects. Hence, there is indeed a need to develop new drugs for treating this disorder.

Drawbacks of traditional methods of treatment

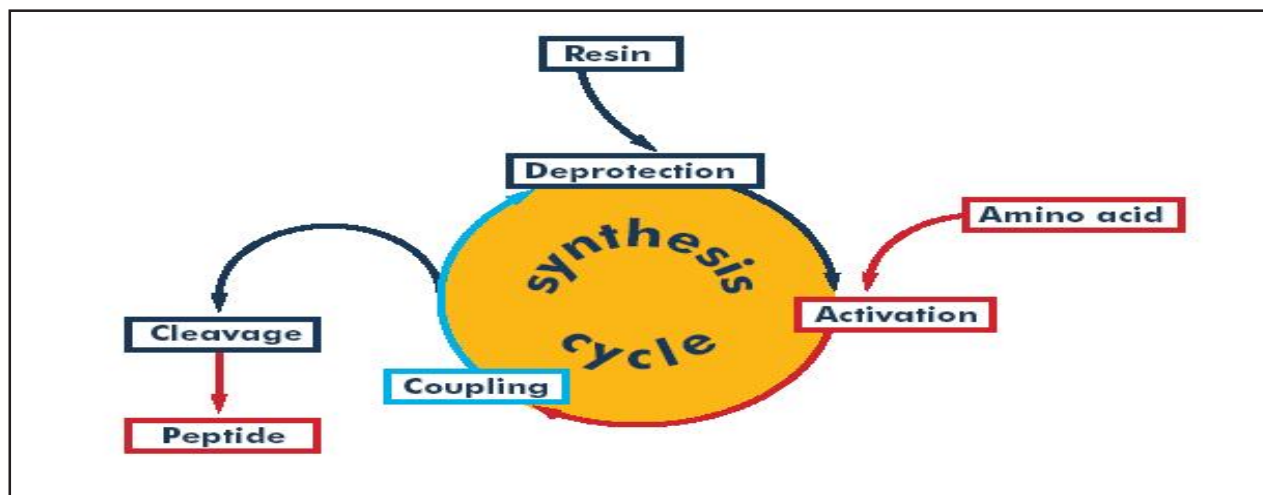
All the present methods of treatment of Vitiligo are not satisfactory for the following reasons:

- Only 50-70% of the patients undergoing treatment by present methods respond to some extent. Even for those who respond, complete repigmentation rarely occurs.
- The popular existing traditional methods of treatment particularly like psoralens Plus UV-A or steroid therapy produce many undesirable side effects.
- Lastly, they are totally ineffective in treating Vitiligo on the lips, palms, finger tips etc.

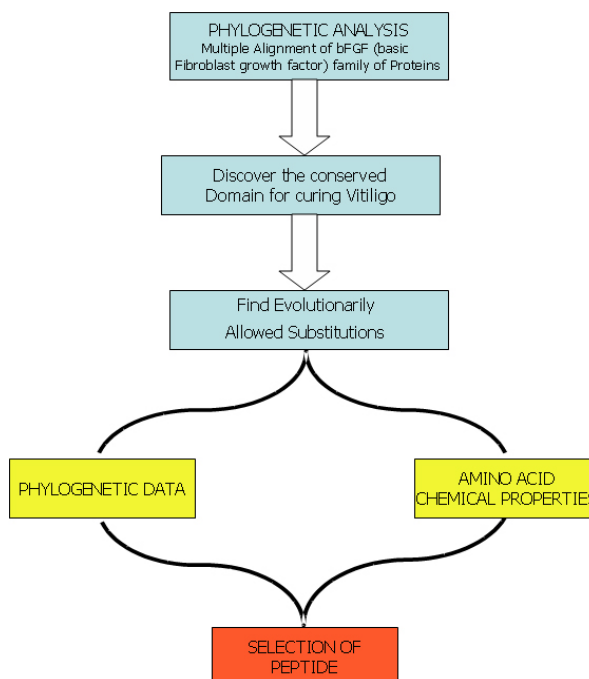
CELESTIAL LABS' Value Proposition

Celestial has adopted the insilico method to identify active and conserved peptide domains in bFGF protein as the deprivation of bFGF leads to vitiligo. The basic principle involved in the solid phase synthesis of peptides is given below.

Peptides derived from synthetic methods are linear and may not be very effective and costly. To overcome, this problem, celestial has adopted recombinant DNA (rDNA0) Technology to clone the DNA sequence for the production of peptide to treat vitiligo.



METHODOLOGY: (Biotech Route)



Cloning, Purification & Formulation Process of Vitiligo therapeutic peptide

- Sequence of peptide obtained from in silico
- Degenerative PCR/ Oligo synthesis
- Directional cloning of peptide at Carboxy terminal of additional tag in E.coli
- Sequence and conformation of recombinant gene with Insilico data

- Expression and purification of peptide
- Peptide along with tag is expressed with Lac, promoter with IPTG induction
- Cell lysis and protein extraction
- Ion exchange Chromatography to purify peptide
- Formulation with Psorolin

Market Analysis

Vitiligo & related products market

Presently, there are no competitive BIO drugs in the market. However, Epitan an Australia based company claims that its tanning product called Melanotan treats even Vitiligo. But, their own literature states that it has side effects, and the medicine is applied through injections. Our competitive advantage is that the drug developed by us (“VITICARE”) needs only a local application with no known side effects.

The world market for Vitiligo and related future products are given below.

	PRODUCT	MARKET SIZE	DATA SOURCE
1	Vitiligo drug molecule	US \$ 3 Billion	National Vitiligo Foundation
2	Skin tanning molecule	US \$ 5 Billion	Epitan Australia
3	Anti Wrinkles/ Stretch molecule	US \$ 2 Billion	Helix biomedix
4	Wound healing molecule	US \$ 5 Billion	Biocentury foundation

ANTI CANCER BIO-DRUG

Lack of specificity in the action of drugs, which leads to increased toxicity, and many side effects, is creating dissatisfaction about conventional cancer therapies among patients. To rectify these problems, Celestial Labs has devised a biotech related strategy that is more target specific and patient friendly, thereby less toxic, and with fewer harmful side effects. This drug will act only on cancerous cells with lesser drug concentration, thus reducing toxicity and side effects.

Globally around 10 million people were diagnosed with cancer and 4 million people died due to the disease. Incidence of all types of cancer - breast, prostate, lung, melanoma, and non-Hodkins lymphoma, the most common cancers, has increased across all age groups. Some reasons for this rise are poor food habits, smoking, stress, and exposure to carcinogenic materials at work.

Greater access to healthcare facilities as well as improving awareness of the disease and treatment options available has encouraged oncology research in the Asia Pacific region. Technology advances in biotechnology have immensely helped research and development of several technology platforms leading to treatment options. Improvements in genomics and proteomics have also significantly aided diagnostics and therapeutic developments in oncology.

This has created a demand for biotech based treatment strategies which will increase once there is a greater acceptance of the treatment method, both by the patient and the physician.

Celestial seeks to build proprietary knowledge and strengthen product pipelines with newer drugs, by focusing and investing in oncology R&D activities. To maximize its potential for growth, Celestial will create strategic programs that deliver improved market success. Our strengths lie in combining strategic understanding with market expertise and applying these with absolute commitment to company's growth.

What is Cancer?

Cancer is characterized primarily by an increase in the number of abnormal cells derived from a given normal tissue, invasion of adjacent tissues by these abnormal cells, or lymphatic or blood-borne spread of malignant cells to regional lymph nodes and to distant sites (metastasis). Clinical data and molecular biologic studies indicate that cancer is a multi-step process that begins with minor pre-neoplastic changes, which may under certain conditions progress to neoplasia.

The incidence of cancer continues to climb as the general population ages, as new cancers develop, and as susceptible populations (e.g., people infected with AIDS) grow. A tremendous demand therefore exists for new methods and compositions that can be used to treat patients with cancer.

Methods of Cancer Treatment

Surgery

In this method, tumors are removed by surgical incisions to inhibit the growth and spread of the disease. There are certain disadvantages that make surgery non-feasible in some cases.

Radiotherapy

Radiotherapy is localized and involves exposing the tumor cells to small amounts of intense radiation to destroy them. The cancer cells are destroyed by the high-energy radiation, whereas the normal cells recover after a period.

Chemotherapy

Chemotherapy is the treatment of cancer using drugs that inhibit growth and multiplication of cells. In combination chemotherapy, two or more drugs are given together to treat the disease. It is a widely prevalent method of treatment but has several side effects and hence, increasing number of patients are looking for better options. Commonly used drugs in chemotherapy are alkylating agents (cyclophosphamide and mechlorethamine), nitrosoureas (carmustine and lomustine), antimetabolites (6-mercaptopurine and 5-fluorouracil), anti tumor antibiotics (doxorubicin and mitomycin-C), plant alkaloids (vincristine and vinblastine), and steroid hormones (tamoxifen and flutamide).

Hormone Therapy

Hormone therapy is a systematic therapy used for breast and prostate cancers. In this method, drugs are used to block the effects of hormones (estrogen and progesterone) that have potential to promote cancers.

Immunotherapy

Immunotherapy makes use of monoclonal antibodies that specifically bind to the antigen expressed by the malignant cells and causes antibody dependent cell mediated cytotoxicity (ADCC). Since the action of these drugs is very specific to the tumor cells, the concentration of the drug need not be high. Moreover, other cells are not affected and hence toxicity is less than in chemotherapy. This in turn, reduces the side effects. Humanized monoclonal antibody, interferon alpha, and interleukins are all used in immunotherapy.

Market Opportunity

Most of cancer patients do not die from the cancer at the time of diagnosis or surgery, but rather die from the metastasis and the recurrence of the cancer.

In chemotherapy, toxic side effects of antineoplastic drugs impose a ceiling upon the intensity of dosing per treatment cycle. The treatment depends on using the highest dose of an antineoplastic agent that a patient is able to tolerate, and to administer the drug as frequently as possible. Chemotherapy can be effective for local cancer therapy at early stage, but there are severe side effects. Because of these extremely toxic side effects, many cancer patients cannot successfully finish a complete chemotherapy regimen. Some cancer patients die from the chemotherapy due to poor tolerance to the chemotherapy. The extreme side effects of anticancer drugs are caused by the poor target specificity of such drugs. The drugs circulate through most normal organs of patients as well as intended target tumors. The efficacy of chemotherapy is further decreased by poor retention of the anti-cancer drugs within the target tumors.

This is leading to the development of biotech based oncology treatments and a wider adoption and acceptance of monoclonal antibodies as a treatment strategy.

Celestials' Value Proposition

The highly qualified team of Celestial Labs has embarked upon inventing and commercializing production of biotechnological peptides as artificial anti-mitotic peptides to be administered for treatment of cancer, as Immunotherapy will become mainstream cancer cure process.

Using our proprietary 'CelSuite', the R&D team of Celestial designed active site of tubulin complex and its possible ligands. Peptides obtained were used for docking studies and the docking results were used to analyze binding free energy using SWISS PRPT spdb. Free energy of artificial peptide tubulin complex was then compared with GTP tubulin complex. Two peptides that effectively bind with tubulins' active pocket and inhibit GTP binding were selected.

The present invention provides peptides to cause allosteric inhibition for the binding of GTP with alpha and beta tubulins and also causes the aggregations of tubulins for anti tumor activity.

The advantage of the present peptides is that the little amount of peptide having less molecular weight can now be administered topically. Though studies have yet to be effected, it is believed that the peptides of the present invention can also be employed for selective penetration in to tumor cells.

Once we arrive at a viable peptide solution, we will initiate clinical trials of the product, while building strategic partnerships with distribution networks to bring the product to the market.

INDUSTRIAL ENZYMES

The field of industrial enzymes now is experiencing major R&D initiatives resulting both in the development of a number of new products and in improvement in the process and performance of several existing products.

India imports about 70% of the total enzyme consumption, majority for detergents, textiles, starch and pharmaceutical industries.

Bacteria and fungi are the microorganisms best suited to the industrial production of enzymes. Bacillus strains are widely used as important sources of industrial enzymes. Genetic engineering can be applied to improve the efficiency and economy of enzyme systems and fermentation process for starch bioconversions. Utilization of high concentrations of starch, thermostability, and protein yield are important criteria for commercialization. Thermostable enzymes isolated from thermophilic organisms have found a number of commercial applications because of their overall inherent applications in industrial sectors. The genus Bacillus produces a large variety of extracellular enzymes of which amylases and proteases are of significant industrial importance.

Keeping in view the growth potential for enzyme manufacturing in India and the awareness of biotechnology benefits gaining ground, we believe the timing is right for our entry into the industrial enzymes market. Modern biotechnology is helping the enzyme industry to develop safe host organism systems for the production of new enzymes. Genetic engineering can be applied to improve the efficiency and economy of enzyme systems and fermentation processes for various industrial applications.

Technology Tie-up:

Technology tie-up with Institute of Microbial Technology (IMTECH, a premier CSIR research institution) at Chandigarh will facilitate immensely to achieve the objective of CELESTIAL LABS towards development of

- Improved enzymes in terms of cost-effectiveness, value addition and environment-friendly processes.
- Reduction of the import burden
- Catering to the increasing export market and
- Collaboration with the potential over-seas companies for contract manufacturing services

Source of bacterial strains: IMTECH has standardized the technology and general methods of processing for production of protease and amylase by submerged fermentation. We have tied up with IMTECH for the source of bacterial strains needed for the manufacturing of α -Amylase and alkaline Protease. Apart from this, IMTECH would assist us in the up-scale of their technology to commercial scale in consultation with Celestial and Alpha Level.

α -Amylase (IMTECH Technology transfer - 100/1000 liter)

Strain: BGAT-9 is a Bacillus subtilis strain transformed with cloned amylase gene from a thermophilic Bacillus sp.

Alkaline Protease (IMTECH Technology transfer - 100/1000 liter)

Strain: Bacillus sphaericus

Pilot Plant

The pilot plant will be built with an emphasis on a large degree of flexibility. It is proposed to ensure that the process and GMP knowledge are in compliance with current GMP rules, that the documentation meets regulatory requirements. Products manufactured in the pilot plant can therefore be used for clinical testing, registration of new products, and for process optimization.

Capacity Utilization

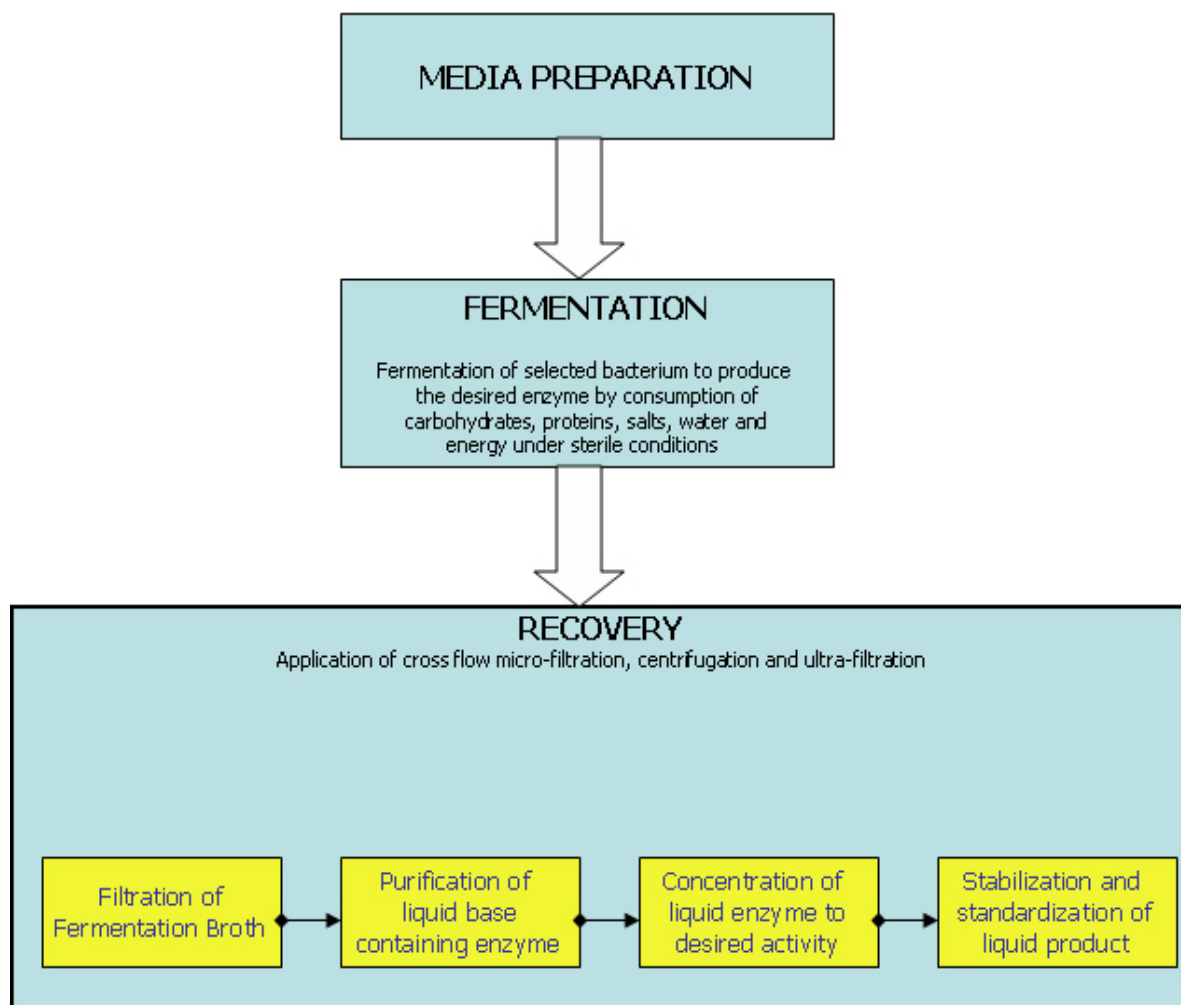
The capacity utilization after expansion shall be as follows:

(In Kgs)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
% of Utilization	0	0	0	0	60	70	75	80	85
Alpha Amylase	0	0	0	0	56160	65520	70200	74880	79560
Alkaline Protease	0	0	0	0	40500	47250	50625	54000	57375

Production

The enzyme production typically involves the following steps:



Market Analysis

Today, the Indian biotech sector has attained critical mass in manufacturing as well as research services and has slowly built a market for biotech products and services. Indian Biotechnology is now poised to leverage its scientific skills and technical experience to make a global impact on a strong innovation led platform.

The world market for industrial enzymes is currently \$3.7 billion (Source: biospectrumindia.com).

INFRASTRUCTURE

Infrastructure requirements for enzyme manufacturing

Part 1:

- Nutrient media preparation facility,
- Quality control laboratory,
- Filtration equipment section (micro - and ultra-filtration units).

Part 2:

- Fermentation department with inoculation apparatus,
- Inoculation station (with a bank of pure cultures),
- Laboratories for monitoring production.

Part 3:

- Spray-driers,
- Vacuum-evaporators,
- Standardization and packaging of finished products.

The submerge-culture fermentation block will be equipped with sophisticated fermenters supported by seed fermenters, dosing vessels for nutrients and media batching tanks. All the fermenters will be equipped with automatic systems for foam breaking and pH-control. Appropriate technologies will be procured for separating the microbiological biomass, enzyme concentration process and to standardize the packing and finished products. A sewage treatment system would also be installed nearby.

Infrastructure requirements for manufacturing drug molecules

- The drug manufacturing unit, that would facilitate
- production, purification, lyophilization, formulation, vialing & packing of the drug, and
- a well-equipped wet biology laboratory to carry out R & D on other related molecular products.

All the fermenters will be equipped with automatic systems for foam breaking and pH-control. Appropriate technologies will be procured for separating the microbiological biomass, enzyme concentration process and to standardize the packing and finished products. A sewage treatment system would also be installed nearby.

MARKET STRATEGIES

Strategy for Marketing Celsuite

CELESTIAL follows 5 stages of lead generation to finalize a contract for marketing CELSUITE (Services and Licenses)

- University Professors
- Scientists at Research Institutes
- Doctors at Medical Research Centers
- Pharma Distributors
- Consultants.

Strategy for marketing Drug Molecules

- Licensing the Technology to manufacture molecules to MNC through consulting agencies

Strategy for marketing Celvision (ERP)

- Celestial has entered into an agreement with Sonata-IBM's initiative venture to market the its ERP products jointly.

Strategy for marketing Industrial enzymes

A nationwide distributor network will be set up across India with emphasis on specific needs of domestic enzyme market requirements. Export activities will be carried out in association with prospective agents to cater to the enzyme market requirements in Europe and USA. Marketing network already in place for CELESTIAL LABS' informatics products and services will complement to establish the domestic clientele for the enzyme products.

Brand Building

CELESTIAL participates in trade shows, seminars, etc., and has become a member of professional associations, trade associations to develop a brand image in the Pharma industry. Celestial will also engage in direct sales activity by making presentations, generating proposals to Pharma companies, Research Institutes, Universities and other opinion leaders in the Pharma industry. This direct activity will generate a deep understanding of customer needs, market trends and competition offerings to Celestial and that would help in pushing its sales through.

Recruitment Strategy

CELESTIAL Human Resource division is in touch with several leading biotechnological institutes, pharmaceutical companies and placement agencies to meet the various requirements in biopharmaceuticals. CELESTIAL will also opt to advertise the positions in leading newspapers for suitable candidates.

KEY STRENGTHS

- Dedicated and committed management team
- Experienced scientists and technical team
- Innovation
- Tremendous opportunity in Bio-services and product
- Technological collaboration with Leading Research Institutions.

Property

The registered office of the company is situated at leased property from Mrs S. Indrani for a period of 2 years starting from May 15, 2005. The Monthly rent is Rs 20,000/- only

The company is planning to set up its Biotechnology facility at Shapoorji Pallonji Biotech Park in Genome Valley at Hyderabad in Andhra Pradesh and has been allotted 4 Acre land for this project.

Details of property to be acquired

- **Name of vendor:** M/s. Shapoorji Pallonji Biotech Park Pvt. Ltd, A-13, Ground Floor, R.K. Nivas, Street No. 3, Indian Airlines Colony, Begumpet, Secunderabad 500 003.
- **Descriptions and occupations of the vendors:** Shapoorji Pallonji Biotech Park Pvt. Ltd. , a joint venture Company with the Government of Andhra Pradesh and Andhra Pradesh industrial infrastructure corporation has been incorporated for developing and managing the Biotech Park.
- **The amount paid or payable in cash, shares or debentures to the vendor and, where there is more than one separate vendor, or the company is a sub purchaser, the amount so paid or payable to each vendor, specifying separately the amount, if any, paid or payable for goodwill:** The land cost is 116.16 lacs. Out of this we have paid a sum of Rs. 25 lacs. Balance to be payable is Rs. 91.16 lacs.
- **The nature of the title or interest in such property acquired or to be acquired by the issuer company:** The land shall be registered in the name of the company
- **Short particulars of every 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, or a director or proposed director of the**
company had any interest, direct or indirect, specifying the date of the transaction and the name of such promoter, director or proposed director and stating the amount payable by or to such vendor, promoter, director or proposed director in respect of the transaction. NIL

KEY INDUSTRY REGULATIONS

- 1) Department of Biotechnology, Govt. of India governs the regulatory matters relating to manufacture/processing of biotech products, such as drugs for human consumption.
- 2) Further Drug Controller General of India governs the procedure to be followed for conducting clinical trials and the results are to be submitted to the Ethical Committee constituted by the Department of Science & Technology, Govt. of India.
- 3) However, when the Company will need to conduct clinical trials for their drug discovery initiative, the permissions from Drug Controller General of India or Ethical Committee would be required and the same would be obtained as and when applicable.

Foreign Investment Regulations

The new industrial policy was formulated in 1991 to implement the Government's liberalization program and consequently, the industrial policy reforms relaxed industrial licensing requirements and restrictions on foreign investment. The relaxations are applicable to biotechnology companies also. The company enjoys permission of FDI upto 100%.

Environmental and Other Regulations

The Company is seeking 'single window clearance' for setting up of manufacturing facilities at the biotechnology park (Genome Valley) setup by the Government of Andhra Pradesh. However, the company has to comply with the normal provisions of the Environment Protection Act- 1986, Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act- 1981, Hazardous Waste (Management and Handling) Rules- 1989 and the Hazardous Chemicals Rules- 1989 once the manufacturing facilities are setup.

HISTORY AND CERTAIN CORPORATE MATTERS

CELESTIAL LABS LIMITED was incorporated as a Private Limited Company on November 19, 1997 as “Celestial Technologies Private Limited”. The subscribers to the memorandum were Mr. Rajani Kanth Katragadda and Mr. Vijay Marur. The company was later converted into a Public Limited Company under the name “Celestial Technologies Limited” on December 6, 1999 and has been subsequently renamed as “CELESTIAL LABS LIMITED” effective from February 13, 2004. The present promoter of the company is Mr. Aditya Narayan Singh. The Original promoters sold their holding to the present promoter on 7.11.1998.

At Celestial Technologies Limited the main business activities were IT product development, offering IT and Consultancy services. However, after the change of name to Celestial Labs Ltd., the focus shifted to IT, Bioinformatics and Consultancy services completely dedicated towards healthcare verticals. Also as a diversification strategy, the Company is planning to manufacture and market industrial biotech products and also molecule drug development and licencing.

Celestial labs is an 9 years old, ISO 9001 Company located at Hyderabad working in the space of IT/ Bioinformatics, Biotechnology and Consultancy work.

Celestial labs offers enterprise resource planning solutions, data warehousing, business intelligence solutions and bio services like clinical data management, gene sequence analysis, molecular modeling, design and development of Drug Molecules dedicated to health sector to Govt. Institutions, pharma and Biotech companies, Hospitals and Medical centers in India and overseas.

Starting from IT and Bioservices, in due course of time, Celestial, because of its strong domain knowledge in biosciences which is scale up of its existing operations, has chosen health sector verticals and developed an integrated approach to offer its products and services to this sector. Celestial’s in-depth understanding of life science and suitable technology transfer collaboration with leading research institutions is providing a unique edge in the innovative and economical enzyme manufacturing and distribution operation.

CELESTIAL LABS is in contact with Centre for Cellular & Molecular Biology (CCMB) under the aegis of Council for Scientific and Industrial Research, Ministry of Science and Technology, Government of India and Indian Institute of Chemical Technology (IICT), premier chemical and Biological Institutions in Hyderabad to work on collaborative research projects to be funded by Department of Science and Technology New Delhi. The in-house research and development centre of CELESTIAL LABS is recognized by the Department for Scientific and Industrial Research, Ministry of Science and Technology, New Delhi

Major Events in the history of the Company are given below:

Year	Event
1997	The Company was Incorporated on 19th November 1997 as Celestial Technologies Pvt Ltd by Mr. Rajani Kanth Katragadda and Mr. Vijay Marur.
1999	Mr. A. N. Singh has taken over the charge of the company on 06th September 1999 from previous management. The company was converted to Celestial Technologies Limited on 06th December 1999.
2000	The company has obtained ISO 9000-1994 Certification from M/s. American Quality Assessors, USA.
2004	The company has obtained ISO 9001-2000 Certification from M/s. American Quality Assessors, USA on 1st April 2004
2004	The company started the development of a de novo drug design tool” CELSUITE” to aid the pharma industry in discovering new molecules for curing different diseases
2004	Change of name from Celestial Technologies Limited to Celestial Labs Limited to suit the present business of bioinformatics and biotechnology
2004	The company started the development of a bio-molecule to treat Vitiligo
2005	The company started the designing a of bio-molecule to treat multi cancer

The company has developed a de novo drug design tool “CELSUITE” to aid the pharma industry in discovering new molecules for curing different diseases. This tool will enable the company not only to design new molecules for its own purpose but also to provide the bio-informatics services to the various pharma and biotech companies. This tool has filed for protection of the IPR under the Copy Right Act vide Dairy no 147-151 /05 on 20.06.2005 to the department.

Based on the company's in silico expertise (applying bioinformatics tools), the company has developed therapeutic molecules to treat Leucoderma and multiple cancers. The cloned molecules are being subjected for purification by the wet lab procedures at the company's collaborative Institute, Department of Microbiology, Osmania University, Hyderabad.

In the industrial biotechnology area, the company has signed the technology transfer agreement with IMTECH Chandigarh (a very reputed Council of Scientific & Industrial Research organization) for the manufacture of two industrial enzymes - alpha Amylase and alkaline Protease. Initially these would be marketed in India and later overseas.

The company has initiated setting up of a biotechnology facility to develop its drug molecules and manufacture industrial enzymes. This facility would also include the research laboratories for carrying out further R & D activities to develop new related products for reducing wrinkles / stretch marks and acceleration of wound healing from the same chemical structure of vitiligo. The proposed facility will be set up at Shapoorji Pallonji Biotech Park in Genome Valley at Hyderabad in Andhra Pradesh.

The company has also plans to cater to the laboratory process outsourcing by using innovative platform technologies/services in the field of analytical laboratory and bio-computational systems. The company is positioned to drive innovations and support activities in post genome advancements via clinical trials (CT) and laboratory process outsourcing (LPO) to be a significant player in personalized medicine in select disease areas.

Main Objects of the Company- as contained in the Clause of the Memorandum of Association of the Company

- 1) To carry on the business of designing, developing, improving, executing, demonstrating, purchasing, selling, exporting, importing, sub-contract, and give on license basis all types of software and computer programmes.
- 2) To carry on the business of information technology training nation wide either by setting up its own institutions or by becoming franchises of any established training organisations and to spread and impart the knowledge of computers and computer programming languages by way of publication and distribution of books, journals, data, bulletins, course materials, circulars, newsletter.
- 3) To undertake and execute feasibility studies for computerisation, setting up of all kinds of computer systems and digital/electronic equipment and the selection, acquisition and installation thereof whether for the company or its customers or other users.
- 4) To set up and run electronic data processing centres and computer networking facilities and to carry on the business of consultancy, system studies, management consultancy, techno-economic feasibility studies of projects, design and development of management information systems, share/debenture issues management and/or registration and share/debenture transfer agency and to act as recruitment and consultancy agency both in domestic and foreign in the above related areas.
- 5) To setup bioinformatics/biotech units, establish network with distributors, retailers providing services & products to customers offering consultancy, system studies and techno economic feasibility and also to carry on bioinformatics/bioscience services, develop tools and algorithms, design the drugs, patenting from medicinal plants and offering clinical trial and testing.

Changes in Object Clause of the Memorandum of Association

The Object Clause was altered on 31st January, 2004 by insertion of clause 5 in the object clause as stated above.

Subsidiaries of the Company

The Company does not have any subsidiary

Shareholder's Agreements

There is no Shareholders' Agreement existing as on date.

Strategic & Financial Partners

The Company does not have any strategic/ financial partner, formed in the ordinary course of business.

Other Agreements

S.No	Date	Name of Party	Valid Upto	Remarks
1	26.09.2005	President of India acting through Under Secretary , Department of Scientific and Industrial Research , Ministry of Science and Technology, Govt of India, and National Research Development Corporation	25.09.2015	None
2	28.10.2005	National Research Development Corporation	5 years from the commercial sale of the products	None
3.	29.07.2005	Council of Scientific and Industrial Research /IMTECH	5 years from the date of handing over the Technology Transfer Report	None
4.	7.11.2005	Inventes Inc, a Delaware Corporation	Two Years	None
5.	09.10.2006	Centre for Cellular and Molecular Biology	Nine Months	None

Agreement for development of toxicity prediction module and integration with CELSUITE- A computer aided drug design tool.

A Tripartite agreement was entered on 26th September, 2005 between President of India through Under Secretary, Department of Scientific & Industrial Research, Ministry of Science and Technology, Government of India (hereinafter referred as DSIR) and National Research Development Corporation (hereinafter referred as NRDC) and CELESTIAL LABS LIMITED (hereinafter referred as CLL) for development of toxicity prediction module and integration with CELSUITE - A computer aided drug design tool.

As per the agreement CLL would

- To provide the necessary infrastructure, manpower services, building, utilities and supporting equipment needed for development of technology.
- To achieve specifications and prepare and finalize the complete design, documentation, material specification of the product(s)
- To develop, commission and carryout user trials while ensuring that all the pollutants/effluents generated are treated as per relevant pollution control standards in force.
- To provide funds as specified in the agreement.
- To pay NRDC annual lump sum royalty of Rs. 19.5 Lakhs per year for a total period of 5 years. NRDC will receive the sum on behalf of DSIR.
- To enter into a separate agreement with NRDC within 120 days from the date of first sanction letter under the project.
- To receive from DSIR the grant and to disburse the same.
- To manufacture/ license to manufacture the product

NRDC would deal with all legal matters and would receive royalty payment on behalf of DSIR. NRDC can also license to third parties, the technology developed through the project (with prior license from CLL) and would periodically receive royalty/ lump sum payments from third party.

DSIR would appoint a Project Review Committee to periodically review and monitor the project. It will provide the necessary funds to CLL and assist in expanding issues related to the progress of the project.

DSIR would grant Rs. 75 Lakhs for the Project and CLL would bring in Rs. 216.15 Lakhs. Both the contributions will be kept in a separate account called "TDDP Project Account". The utilisation of funds would be as follows:

The Project will be completed in a period not exceeding eighteen months from the date of first sanction and need for its extension if, essential will be reviewed by the Project Review Committee. The project will be deemed to have been complete when CLL has designed, developed, produced, tried and tested products as per specifications.

Agreement for Collection of Royalty

An agreement was entered into between National Research Development Corporation (hereinafter referred to as NRDC) and CELESTIAL LABS LIMITED (hereinafter referred to as the company) on 28th October 2005. The company had entered into an agreement with DSIR for the development of toxicity prediction module and integration with CELSUITE- a computer aided drug design tool (hereinafter referred to as TDPU agreement). As per the terms of TDPU agreement the company will enter an agreement with NRDC for payment of Lump sum Royalty on behalf of DSIR.

The Company shall pay to NRDC on behalf of DSIR annual Lump sum Royalty of Rs. 19.50 Lakhs per annum on the first day of April every year for five years from the commercial sale of product. The payment shall be made within 90 days of stipulated date or interest would be charged. The company shall make the payment without prejudice to any improvements or modifications in know-how. All the other terms would be as laid down in TDPU agreement.

Agreement with IMTECH Chandigarh

A Licensing Agreement dated 29th July 2005 was entered into between Council of Scientific and Industrial Research (hereinafter referred as CSIR) through its Institute of Microbial Technology, Chandigarh (hereinafter referred as IMTECH) and the CELESTIAL LABS LIMITED (hereinafter referred as the company) to grant license to the company for utilizing the KNOW HOW of processes for the manufacture of alpha Amylase and alkaline Protease. The company would pay the following licensing fee

1. Rs. 1.00 lakh on or before signing the agreement.
2. Rs. 7.00 Lakhs on successful demonstration of the processes.
3. Rs. 7.00 Lakhs on successful trials in 1KL Fermenter.

The license would be granted to the company by CSIR for utilization of know-how in India for a period of 5 years on exclusive basis from the date of handing over the Technology Transfer Report and non-exclusive thereafter.

Except the contracts/agreements entered in the ordinary course of the business carried on or intended to be carried on by the company, the company has not entered into any other Agreement/Contract.

Agreement with Inventes Inc, a Delaware Corporation

The company entered into a Master Service Agreement with Inventes Inc, a Delaware Corporation ("Inventes") on November 7, 2005.

As per the Master Service Agreement, Inventes shall purchase service e.g. software from the company. The initial term of this agreement is two years, however this agreement contains provisions for renewal of the agreement beyond two years.

Agreement with Centre for Cellular and Molecular Biology (CCMB), Hyderabad

An agreement dated October 09, 2006 was entered into between Centre for Cellular and Molecular Biology (hereinafter referred to as CCMB) and Celestial Labs Limited (hereinafter referred to as the company) for taking up the following collaborative project:

- i) Expression and purification of cloned basic fibroblast growth factor (bFGF) peptide (intein-tagged _-FGF protein),
- ii) Cloning and expression of a 42 amino acid synthetic peptide (poly KL).

The Company would pay the following consideration:

Rs. 4,25,000/- on or before signing of agreement.

Rs. 1,97,035- within 30 days of signing of agreement.

Rs. 1,97,035- within 120 days of signing of agreement.

The agreement would remain valid for a period of nine months from date of its execution.

CCMB would undertake the collaborative work as per scope of work detailed in the agreement and would complete the work including submission of the final report within 1 month from date of completion of work. The period of completion of work could be increased as required and mutually agreed between CCMB and the Company.

OUR MANAGEMENT

As per the Articles of Association, the Company must have a minimum of three and maximum of twelve Directors. The Company has five Directors as on date, out of which only the Managing Director is the full time Director. The following Director sets forth information regarding the Board of Directors, as on date:

Details of Board of Directors:

NAME & FATHERS NAME	STATUS	QUALIFI-CATIONS	ADDRESS	OCCUPA-TION	DATE OF APPOINT-MENT	OTHER DIRECTOR-SHIPS
Mr. Aditya Narayan Singh S/o Late Mr. S.K. Singh	Promoter/ Executive Director	B.Tech, MBA	H. No. 3/B, Krupa Krishna Apartments, Bharani Colony, Sainikpuri, Secunderabad 500 594	Industrialist	06.09.1999	None
Dr.Deverakonda Chidvilasa Sastry S/o Mr. D Satyanarayana	Independent Director	Ph.D	Plot No. 25, Sri Venkateswara Colony , Lothukunta, Hyderabad 500 015	Consultant	16.06.2005	None
Mr. Subhash Srivastava S/o Sheo Parshan Lal	Independent Director	B.Tech	Flat No. 109, Plot No. 3, Sector No. 7, Dwaraka Phase I, New Delhi 110045	Consultant	16.01.2004	None
Mr.K.Chandramouleswar Sarma S/o Mr. K. Seshayya	Independent Director	AICWA	102, Ankitha Apartments, 27-16-15/3 Sri Krishnanagar Colony, Safilguda, Secunderabad 500 056	Consultant	16.06.2005	None
Mrs. Padma Singh W/o Mr. Aditya Narayan Singh	Non Executive & Non- independent Director	Diploma in Computer Application	H. No. 3/B, Krupa Krishna Apartments, Bharani Colony, Sainikpuri, 500 594	Social Worker	Appointed on 22.10.98 Resigned on 11/5/2000 Re-appointed on 1/6/2000	None

The brief profile of the Directors of the Company other than Promoters is given below:

Subhash Srivastava, aged about 70 years is a B.Tech graduate of IIT Kharagpur and worked as a Deputy General Manager in Tata Group of Industries and in USA. He has 30 years of experience in Technology Transfer, Finance, Consulting and liaison work. He is responsible for liaising with Government of India, which will aid the project, while dealing with regulatory authorities in New Delhi.

Dr. Deverakonda Chidvilasa Sastri, aged about 54 years is M.Sc Postgraduate from Sri Venkateswara University, Tirupati and doctorate in Biotechnology from University of Delhi, New Delhi. He has 32 years of experience in Biotechnology, worked as postdoctoral fellow in ICRISAT and visiting Scientist, CSIRO Division of Plant Industry, Canberra, Australia. He is the recipient of Young Scientist Award - Science Academy Medal for young scientists under 32 years by the Indian National Science Academy, New Delhi 1983.

He is a member of Plant Tissue Culture Association of India., International Plant Molecular Biology Association, USA, International Association Plant Tissue and Organ Culture, Japan. International Society for Plant Morphologists, Delhi. He has published over 35 research papers in international journals, conference proceedings and invited chapters for edited volumes in India and abroad and a monograph.

His experience in drug development and fermentation process is the requirement of the project.

K. Chandramouleswar Sarma, aged about 77 years is a Cost Accountant having 35 years of experience in Finance. He worked as Financial Controller of Andhra Pradesh Industrial Development Corporation Limited, Managing Director of Andhra Pradesh Industrial Technical Consultancy Organisation Limited. Experienced in conducting seminars & training programmes on Knowledge Management, Intellectual Property Rights and Intellectual Capital Management essentials.

His expertise will be good support in controlling finance and corporate governance.

Mrs Padma Singh, aged about 45 years, has 10 years of experience and a computer application professional, actively engaged in social activities. Working closely with different social clubs to help the weaker society members to increase the literacy among unprivileged. Organizing eye camp, blood donation camps and distribution of medicines and essentials to needy aged members and children of weaker sections of society.

She is quite supporting in the welfare of the Celestial employees and their family and thus providing valuable support.

Details of Borrowing Powers

The company has passed resolution at the extra ordinary general meeting held at the registered office of the company on June 30,2003 authorizing the Board of Directors of the Company to borrow upto a maximum amount of Rs. 15 crores by pledge/ mortgaging the fund assets of the Company.

Term and Remuneration of Managing Director - Aditya Narayan Singh

Designation	Managing Director
Term	From 1.10.2005 to 30.9.2010
Remuneration	Rs. 7,20,000/- p.a.
Date of appointment	01.10.1999 re-approved on 1.10.2005
Date of Shareholders Approval	30.09.2005

Break up of the Remuneration :

1. Salary Rs. 6,60,000/- p.a.
2. Reimbursement of expenses for Mr. Aditya Narayan Singh and family subject to ceiling of Rs. 36,000 p.a.
3. Provision for car and telephone at the residence for company Rs. 24,000/- p.a.

CORPORATE GOVERNANCE

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to the Company immediately upon the listing of our Equity Shares on the Stock Exchanges. CELESTIAL intends to comply with such provisions, including with respect to the appointment of independent Directors in the Board and the constitution of the following Board committees:

- The Audit Committee;
- The Remuneration Committee; and
- Investors Grievance Committee.

Celestial has adopted the Corporate Governance Code in its meeting of the Board of Directors held on April 20, 2006 as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

The details of these committees are as follows:

Composition of Board of Directors:

The Board of Directors of the Company has an optimum combination of executive and non-executive Directors as envisaged in Clause 49 of the Listing Agreement, with not less than fifty percent of the Board of Directors comprising of Non-Executive Directors.

Moreover, since the Chairman of the Company is a Executive Director accordingly not less than 50% of the Board of Directors comprises of Independent Directors.

Audit Committee

Composition of Audit Committee

The following members constitute our Audit Committee:

	NAME OF THE DIRECTOR	DESIGNATION	CATEGORY
1	Mr. K. Chandramouleswar Sarma	Chairman	Independent
2	Dr. Deverkonda Chidvilasa Sastry	Member	Independent
3	Mr. Subhash Srivastava	Member	Independent

Powers of Audit Committee:

The Audit Committee can:

- investigate any activity within its frame work and scope of activity which can refer to finance, accounts, management strategies, internal systems and procedures, delegation of authority, etc
- seek any information from any employee within its terms of reference and in connection with execution of its powers
- obtain legal or professional advices from third parties in connection with carrying out its objectives, but within the frame work of the terms of reference, and not the least
- secure the attendance of outsiders which relevant expertise, if it considers necessary for carrying out the objects for which the committee is formed

Role of Audit Committee

The role of Audit committee includes the following:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - Changes, if any, in accounting policies and practices and reasons for the same
 - Major accounting entries involving estimates based on the exercise of judgment by management
 - Significant adjustments made in the financial statements arising out of audit findings
 - Compliance with listing and other legal requirements relating to financial statements
 - Disclosure of any related party transactions
 - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i): The term “related party transactions” shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

Explanation (ii): If the company has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.

Remuneration Committee

The Remuneration Committee has been constituted as under:

	NAME OF THE DIRECTOR	DESIGNATION	CATEGORY
1	Dr. Deverkonda Chidvilasa Sastry	Chairman	Independent
2	Mr. Subhash Srivastava	Member	Independent
3	Mr. K. Chandramouleswar Sarma	Member	Independent

The Committee performs the functions of Remuneration Committee as recommended in the Listing Agreement to be entered into with the Stock Exchanges. It will determine the Company’s policy on specific packages for Executive Directors.

Investors Grievances Committee

The Investor Grievances Committee has been constituted as under:

	NAME OF THE DIRECTOR	DESIGNATION	CATEGORY
1	Mr. Subhash Srivastava	Chairman	Independent
2	Dr. Deverkonda Chidvilasa Sastry	Member	Independent
3	Mrs. Padma Singh	Member	Non Executive

The Committee has been constituted to look into the redressal of shareholders’ and investors’ complaints like non-receipt of share certificates sent for transfer, etc. ; approve issue of duplicate/split/ consolidated share certificates and oversee the matters connected with the transfer of securities.

Mr. N.V. Ramanamurthy, Compliance Officer and Senior Finance Manager, shall be the person responsible for redressal of the investor grievances related to the issue.

Shareholding of Directors in the Company

NAME	NO. OF SHARES	% OF PRESENT CAPITAL
Mr. Aditya Narayan Singh	2602450	42.02
Dr. Deverkonda Chidvilasa Sastry	5000	0.12
Mr. Subhash Srivastava	100000	1.61
Mrs. Padma Singh	956350	15.44

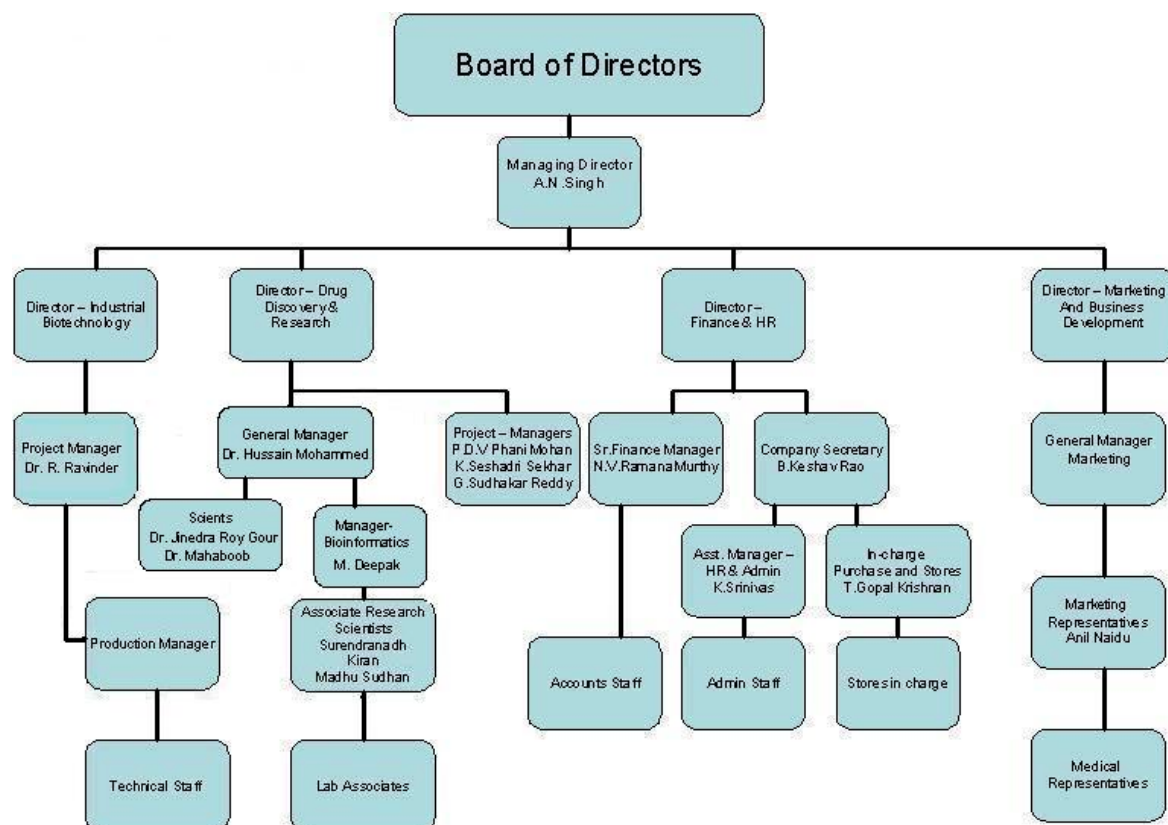
INTEREST OF PROMOTER/DIRECTORS

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

CHANGES IN THE DIRECTORS DURING THE LAST THREE YEARS AND REASONS THEREOF:

S. NO.	NAME	ADDRESS	DATE OF JOINING	DATE OF RESIGNATION	REASONS FOR CHANGE
1	Mr. Chandrasekhar Tatapudy	A-12, Chembur Mumbai Phone: 2225283282 Phone: 9892505606	11.05.2000	16.06.2005	Resigned
2	Mr. Bashiruddin Babu Khan	6-3-1111/4 Begumpet Hyderabad 500 016 Ph. No. 040 23232583	16.01.2004	16.06.2005	Resigned
3	Mr. Subhash Srivastava	Flat No. 109, Plot No. 3 Sector No. 7, Dwaraka Phase I New Delhi 45 Ph. No. 011 5075123	16.01.2004		Appointed
4	Dr. D. C. Sastry	Plot No. 25 Sri Venkateswara Colony Lothukunta Hyderabad 500 015 Ph. No. 040 27866625	16.06.2005		Appointed
5	Mr. K. C. Sharma	102, Ankitha Apartments 27-16-15/3 Sri Krishnanagar Colony Safilguda Secunderabad 500 056	16.06.2005		Appointed
6	Mr Dharnidhar Prasad Sinha	H No 1228, Road No 60, Jubilee Hills, Hyderabad -500033	11.05.2000	09.05.2006	Expired

ORGANIZATION CHART



MANAGERIAL COMPETENCE & KEY MANAGERIAL PERSONNEL

The Company is managed by its Board of Directors, assisted by qualified professionals, with vast experience in the field of construction /engineering/ finance/marketing and corporate laws. The brief detail of the key managerial personnel is given below:

SR. NO.	NAME OF EMPLOYEE	DESIGNATION	QUALIFICATION	DATE OF JOINING	PREVIOUS EMPLOYMENT
1	Dr.R.Sridhar	General Manager-Projects	Ph.D. (Biochemistry)	01.04.2005	ICRISAT & Bayer Crop Science
2	Dr. Jeetainder Roy Gour	Scientist	Ph.D. (Pharmacy)	05.05.2005	Hon. Clinical Registrar, Medical Officer
3	Dr. R. Ravinder	Microbiologist	Ph.D in Microbiology	07.03.2005	Prathistha Biotech
4	Dr. Shaik Mahaboob Ali	Molecular Biologist	Ph. D In Microbiology	08.02.2006	Owasia Hospital & CCMB
5	Mr. N. Ch. Madhusudhan	Computational Scientist	M.Sc Life Science	02.11.2005	Jain Group of Institutions
6	Mr. M Deepak	Manager - Bioinformatics	B.E. (Chemical Engg) MBA	11.09.2003	CDFD
7	Mr. R Vinay	Technical Team Member	M. Sc (Biotechnology)	01.04.2005	None

S.R. NO.	NAME OF EMPLOYEE	DESIGNATION	QUALIFICATION	DATE OF JOINING	PREVIOUS EMPLOYMENT
8	Mr. P D V Phani Mohan	Project Manager	Diploma in Computer Application	01.11.1999	None
9	Mr. K Seshadri Sekher	Sr. Technical Team Member	MCA	01.11.2004	None
10	Mr. N.V. Ramana Murthy	Senior Finance Manager	MBA (Finance)	19.09.1999	ICRISAT
11	Mr. A Sudhakar Reddy	Manager - IPR	LLB, Diploma in computer	01.09.1999	None
12	Mr. B. Kesava Rao	Company Secretary	FCS	14.11.2005	In-Practice
13.	Dr. Mohammed Mahaboob Hussain	GM (Drug Development)	Ph.D. (Biochemistry)	07.09.2006	Owaisi Hospital

Dr. R. Sridhar, General Manager Projects, has 23 years of experience in Research and Development and Quality Analyses. His expertise is in Chemical Biotechnology, Genotyping (Protein/Isozyme/DNA Fingerprinting) and Analytical Biochemistry (Food/Nutritional/Clinical). He was recipient of Hussain Zaheer Memorial Award of Oil Technologists Association of India. He is responsible for Industrial & Clinical Biotechnology.

Dr. Jeetainder Roy Gour, Scientist, has 4 years of experience in Natural Plant based Drug Formulations and Clinical Trials. He has done extensive work in Psoriasis and other Skin based disorders. He is incharge for Bioactive compounds study from medicinal plants

Dr R Ravinder, Microbiologist. Phd from Osmania university and working experience of 3 years at Pratishtha Biotech A.P responsible for Gene Cloning.

Dr Shaik Mahaboob Ali, Phd in molecular biology having 4 years experience at OASI Hospital and CCMB Hyderabad

Mr. N Ch. Madhusudan, Computational Scientist. He is currently a member of Drug Discovery Team and has experience of over four years.

Mr. M Deepak, Manager- Bioinformatics, has 4 years of experience in drug design (in silico). Currently he is heading the Bioinformatics Team and member of drug discovery group

Mr. R Vinay, Technical Team Member, has 3 years of experience in Clinical Trials & IPR matters. He is a member of Drug Discovery group and currently involved in gene cloning

Mr. P D V Phanimohan, Project Manager, has 8 years of experience in Database Management. He is responsible for Complete Database (Genomic and Statistical)

Mr. K Seshadri Sekher, Project Manager has 8 years of experience in C, C++, X windows and Bio Informatics. A senior member of Drug Discovery group and in-charge of Celsuite “a Denovo Drug Design tool”

Mr. N.V. Ramana Murthy, MBA (Finance), Sr. Finance Manager has 26 years of experience in Finance and Administration. He is incharge of Administration and Finance.

Mr. A Sudhakar Reddy, Manager - IPR IPR expert, is a law graduate and is currently member of computer aided drug design and expert in Intellectual Property Rights (IPR). He has an experience of over 4 years.

Mr. B. Kesava Rao, Company Secretary is a fellow Member of the Institute of Company Secretaries of India and looks after Secretarial department of Company.

Dr. Mohammed Mahaboob Hussain, GM (Drug Development) has a Ph.D. in Biochemistry from Osmania University, Hyderabad, with 10 years of experience in drug development and drug trials. He has extensive knowledge and experience of drug development process, clinical trials and regulatory clearances. He carried out his Ph.D in Biochemistry at National Institute of nutrition, Hyderabad. He worked at Owaisi Hospital and Research Centre (a large corporate hospital, where various drug trials are currently under progress), Hyderabad as clinical Research Officer.

All the abovementioned key managerial personnel are permanent employees of the company. The Company has not offered any profit sharing plan to its Key Managerial Personnel.

Shareholding of the Key Managerial Personnel

There is no shareholding of any of the Key Managerial Personnel in the Company except as stated below:

SR. NO.	NAME OF EMPLOYEE	NO OF SHARES HELD	% OF EXISTING CAPITAL
1	Mr. N.V.Ramana Murthy	7500	0.12%
2	Mr. M Deepak	3000	0.05%
3	Mr. P D V Phani Mohan	5000	0.08%
4	Mr. K Seshadri Sekher	3000	0.05%
5	Mr. A Sudhakar Reddy	5000	0.08%
	Total	28,500	0.46%

Regarding Employees Stock Option Scheme/Employee Stock Purchase Scheme

Till date, the Company has not introduced any Employees Stock Option Scheme/Employee Stock Purchase Scheme.

Payment or Benefit to the Officers of the Issuer Company

No other amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our offices except the normal remuneration for services rendered as directors, officers or employees

Human Resource Policy

Celestial Labs Ltd. has established very clear policies relevant to its employees recruited within India and the said policies are available as a Personnel Policy Manual document for limited circulation.

The Personnel Policy Manual lays down the principles, long-term vision and broad policies of Celestial's Governing Board for management of its human resources. These policies establish in clear terms the parameters within which Celestial will manage its affairs efficiently and with due regard to the individuality of its staff members and also reflect the conditions of service, basic rights, duties and obligations of staff members.

The Managing Director, as the Chief Executive of the Company, has the authority to interpret and implement these policies. He is also responsible for development and implementation of detailed procedures and practices consistent with the principles embodied in the Policy Manual. The Managing Director has the right to delegate in writing to staff members his authority for the efficient management of Celestial's human resources. While the right of correct interpretation of the policies rests with the Managing Director, the rights to add, modify, revoke, suspend or terminate any or all of these policies rest with the Governing Board.

Celestial considers all staff members to be the most important asset and devotes a large part of its available resources towards ensuring their well being and for the establishment of a productive environment.

Details of Remuneration of Key Managerial employees for the fiscal year 2006-07

The details of the remuneration of the key managerial personnel for the fiscal year ending 31 March, 2007:

S.NO.	NAME OF THE EMPLOYEE	Remuneration (Amount in Rs Lakhs)
1.	Dr. R. Sridhar	7.50
2	Dr. Jeetainder Roy Gour	6.60
3	Dr. R. Ravinder	5.20
4	Dr. Shaik Mahaboob Ali	4.80
5	Mr. N.V. Ramana Murthy	4.00
6	Mr. N CH. Madhusudan	3.30
7	Mr. M. Deepak	3.30

8	Mr. R. Vinay	3.00
9	Mr. P.D.V. Phanimohan	4.00
10	Mr. K. Seshadri Sekher	4.00
11	Mr. Sudhakar Reddy	3.60
12	Mr. B Kesava Rao	3.60
13	Dr. Mohammed Mahaboob Hussain	6.00

Change in the key managerial personnel in the last one-year.

NAME OF THE KEY MANAGERIAL PERSONNEL	DESIGNATION	DATE OF CHANGE	REASON
Mr. Eshwar Prasad Debbadi	Business Development Manager	31.01.2006	Resigned
Mr. K. Seshadri Sekher	Senior Tech. Team Member	01.11.2004	Joined
Dr. T. Venkateswar Rao	Manager-Bio Informatics	31.12.2004	Resigned
Mr. S.V. Rajeswar	Business Development Manager	31.07.2005	Resigned
Dr. R. Sridhar	General Manager Projects	01.04.2005	On leave
Mr. R. Vinay	Technical Team Member	01.04.2005	Joined
Dr. Jeetainder Roy Gour	Scientist	05.05.2005	Joined
N. Ch Madhusudan	Computational Scientist	02.11.2005	Joined
Mr. B Kesava Rao	Company Secretary	14.11.2005	Joined
Dr. R. Ravinder	Microbiologist	04.01.2006	Joined
Dr. Shaik Mahaboob	Molecular Boillogist	08.02.2006	Joined
Dr. Mohammed Mahaboob Hussain	GM (Drug Development)	07.09.2006	Joined

PROMOTER

Aditya Narayan Singh



Aditya Narayan Singh, aged about 52 years holds a B.Tech Degree from Pant University of Agriculture & Technology, Nainital in Agricultural Engineering with a post graduate Diploma in Business Management (MBA) from Xavier Institute of Management, Bhubaneswar. He has worked at ICRISAT Hyderabad for about 15 years and has working experience of bioinformatics extensively. He was also involved in providing the technology transfer at Nigeria in the field of Bio Processing. He has been awarded Doctorate in Technology Management, from the University of Belford, Texas, USA. He has experience in Intellectual property rights matter and knowledge in IPR Database search. He is in Biotechnology field for about two decades. Under his supervision, the Company has scaled new heights and the turnover of the company has increased manifold. He took initiatives to drive the company towards professionalism. He exercises overall control and supervision over various activities of the Company, under the policy guidelines framed by Board of Directors.

He was providing research support services in the field of crop improvement & Biotechnology at ICRISAT Hyderabad (an UN Research organization) for 15 years; and has experience in Operation Management, Information Technology, Intellectual Property rights in India and Technology transfer experience of further 10 years.

He has traveled widely in Europe, South East Asian and African countries along with Government and Technology mission delegation several times. He has exposure in attending seminars and round table discussion organized by various specialized agencies. His passion towards Technological innovation and converting to IPR level has brought immense contribution to the company. His brain child, DENOVO DRUG DESIGN TOOL developed by Celestial is a revolutionary effort in the field of Drug design and development area specifically in designing the molecules and bringing down the Drug developmental cost.

PAN	AITPS2152A
Bank A/c no.	007601003919 with ICICI Bank, Jubilee Hills, Hyderabad
Voter ID	2421099
Passport No.	E7806833 issued by Hyderabad Passport Office.
Driving License No.	366319790D issued by RTA Hyderabad

The above details of the promoter are being submitted to BSE and NSE.

Common Pursuits

There are no Common pursuits being followed by Promoters in relation to the business of the Company as there are no other ventures promoted by Promoters of the Company.

Interest of the Promoter

Except as stated in the Related Party Transaction on page 85 of this Prospectus, the Promoter of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits and their shareholding in the Company, if any.

Payment or Benefit to Promoter of our Company

Except as stated in the prospectus, no amount or benefit has been paid or given within the two preceding years or its intended to be paid or given to any of our promoters except the normal remuneration for services rendered as Directors and reimbursement of expenses.

Related Party Transactions

For details on related party transactions, please refer to the section titled “Financial Statements” beginning on page 77 of this Prospectus.

CURRENCY OF PRESENTATION

In this Prospectus, all references to “Rupees” and “Rs.” are to the legal currency of India.

DIVIDEND POLICY

The declaration and payment of dividend will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition.

SECTION V- FINANCIAL INFORMATION**AUDITORS REPORT**

To,
The Board of Directors
Celestial Labs Limited
Plot No. 231/A, Road No.12,
MLA Colony, Banjara Hills,
Hyderabad -500034.
Andhra Pradesh.

Dear Sirs,

We have examined and found correct the Audited Accounts of Celestial Labs Limited for the past five financial years/period ended 31st March 2003, 2004, 2005, 2006 and 2007 being the last date up to which the accounts of the Company have been made up and audited by us. Subject to Notes on Accounts in Schedule IV of the said audited financial statements, as at the date of signing this report, we are not aware of any material adjustment which would affect the result shown by these accounts in accordance with the requirement 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) and our terms of reference with the Company dated 12th April 2007 requesting us to make this report for the purpose of the Offering Memorandum as aforesaid, we report that:

- a) The restated profits of the Company for the financial years/period ended 31st March 2003, 2004, 2005, 2006 and 2007 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 appearing in Annexure III & IV respectively to this report.
- b) The restated assets and liabilities of the Company as at 31st March 2003, 2004, 2005, 2006 and 2007 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 Significant Accounting Policies and Notes appearing in Annexure III & IV respectively to this report.
- c) The restated cash flow statement of the Company as at 31st March 2003, 2004, 2005, 2006 and 2007 are as shown in Annexure V to this report.
- d) The rates of dividend paid by the Company in respect of the years/period ended 31st March 2003, 2004, 2005, 2006 and 2007 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:
 - i) Accounting Ratios as appearing in Annexure VII to this report.
 - ii) Capitalisation Statement as at 31st March 2007 as appearing in Annexure VIII to this report
 - iii) Statement of tax shelters as appearing in Annexure IX to this report.
 - iv) Details of other income as appearing in Annexure X to this report
 - v) Details of sundry debtors as appearing in Annexure XI to this report
 - vi) Details of loans and advances as appearing in Annexure XII to this report
 - vii) Details of unsecured loans as appearing in Annexure XIII to this report
 - viii) Details of secure loans as appearing in Annexure XIV to this report.
 - ix) Details of related party disclosures as appearing in Annexure XV to this report.

In our opinion the above financial information of the Company read with Significant Accounting Policies and notes on account attached in Annexure III & IV 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.

Thanking you,
For G.V. Rao & Co.
Chartered Accountants

G.V.Rao
Proprietor
Membership No. 216153
Place : Hyderabad
Date : May 18 2007

ANNEXURE - I, STATEMENT OF PROFITS AND LOSSES

(Rs. In Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
INCOME					
Sales	373.54	502.80	804.98	1,022.18	1,412.76
Others	0.00	0.00	2.09	0.00	0.00
Total	373.54	502.80	807.07	1,022.18	1,412.76
EXPENDITURE					
Salaries	169.96	192.36	253.55	288.91	330.13
Communications	15.26	17.55	21.94	21.11	27.05
Administrative Expenditure	78.44	94.16	164.44	188.98	203.45
Selling Expenses	14.76	36.20	50.82	78.76	94.53
Interest	0.63	1.58	0.00	0.15	0.31
Deferred Revenue - Expenditure write off	9.15	11.44	30.87	55.55	44.45
Deferred Revenue - Expenditure write off (Product Development)	0.00	0.00	0.00	31.10	72.47
Enzymes Expenses	0.00	0.00	0.00	0.00	89.35
Preliminary expenses w/o	0.01	0.01	0.01	0.01	0.01
Total	288.21	353.31	521.63	664.57	861.75
Profit Before Depreciation	85.33	149.49	285.44	357.61	551.01
Depreciation	18.55	26.92	17.50	25.53	30.72
Profit Before Tax	66.78	122.57	267.94	332.08	520.29
Provision for Taxation	5.26	9.65	0.00	1.49	0.00
Provision for Deferred Tax	0.00	20.00	2.98	2.35	5.88
Profit After Tax	61.52	92.92	264.96	328.23	514.41
Transfer to General Reserve	0.00	202.00	294.92	449.56	891.10
Balance tfr to Balance Sheet	61.52	294.92	559.88	777.79	1,405.51

ANNEXURE II - ASSETS AND LIABILITIES

(Rs. In Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year Ended 31.03.2006	Year ended 31.03.2007
Fixed Assets					
Gross Block	470.47	522.70	616.09	702.72	768.29
Less : Depreciation	41.62	68.55	86.05	111.59	142.30
Net Block	428.85	454.15	530.04	591.13	625.99
Product development	52.23	0.00	0.00	0.00	0.00
Deferred Revenue Exp	82.33	205.13	277.80	222.24	177.79
Molecule Development Expenditure	0.00	0.00	0.00	279.86	652.26
Public Issue Expenses	0.00	0.00	0.00	14.19	20.96
Current Assets, Loans & Advances					
Sundry Debtors	94.00	181.62	299.45	388.69	469.38
Cash and Bank Balances	15.59	28.55	30.82	55.26	53.62
Loans & Advances	31.40	25.03	57.90	90.26	424.28
Sub-total	140.99	235.20	388.17	534.21	947.28
Total Assets	704.40	894.48	1,196.01	1,641.63	2,424.28
Liabilities & Provisions					
Secured Loans	0.41	0.00	0.00	4.48	128.43
Unsecured Loans	0.00	20.00	0.00	30.00	60.00
Current Liabilities and Provisions	35.05	39.62	35.21	37.92	34.50
Total Liabilities & Provisions	35.46	59.62	35.21	72.40	222.93
Share Application money	12.00	0.00	0.00	0.00	0.00
Deferred Tax Liability	0.00	107.34	110.32	112.68	118.56
Net Worth	656.94	727.52	1,050.48	1,456.55	2,082.79
Net worth represented by:					
Shareholders' Funds					
Share Capital	295.00	540.00	568.55	619.40	619.40
Reserves & Surplus	362.00	187.57	481.97	837.18	1,463.40
Miscellaneous Expenditure (To the extent not written off or adjusted)	0.06	0.05	0.04	0.03	0.01
Total	656.94	727.52	1,050.48	1,456.55	2,082.79

Annexure III

Significant Accounting Policies

1. Basis of Accounting:

The Financial Statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting policies generally accepted in India ("GAAP") and comply with the mandatory Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI") to the extent applicable and the relevant provisions of the Companies Act, 1956.

2. Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. All costs, directly attributable to bringing the asset to the present condition for the intended use, are capitalized.

3. Depreciation & Amortization:

Depreciation on Fixed Assets has been provided on the Straight Line method and Depreciation on the assets acquired during the year is provided on Pro-rata basis at the rates specified in Schedule XIV of the Companies Act, 1956.

4. Deferred Revenue Expenditure:

Expenditure incurred on research and development of new products has been treated as deferred revenue expenditure and the same has been written off in 10 years equally yearly installments from the year in which it is incurred.

5. Retirement Benefits:

- a) **Provident Fund:** The Company is contributing to the funds maintained by the Government towards Provident Fund to employees.
- b) **Gratuity:** No provision for gratuity has been made as none of the employees had completed the minimum stipulated period for entitlement of gratuity.

6. Sales and Revenue Recognition:

Revenue from services is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from domestic sales is recognized on dispatch of products from the company.

7. Foreign Currency transactions

The reporting currency of the company is Indian Rupee. Expenditure in Foreign currency during the month is accounted at a rate, which approximates the actual rate during that month. The exchange differences arising on foreign currency translation during the year are recognized as income or expenses in the profit and loss account.

8. Taxes on Income

Income tax is provided on the profits of the company as per the Income Tax Act, 1961.

Deferred Tax is recognized on time difference between the accounting income and taxable income for the period and quantified using the tax rates and laws enacted or substantially enacted on the balance sheet date.

Annexure IV

Notes on Accounts

1.1 Contingent Liabilities not provided for - 0.00.

1.2 Segment Reporting:

Based on the guiding principles given in Accounting Standard on Segment Reporting (AS -17) issued by the Institute of Chartered Accountants of India, the Company's primary business segment is software development and services.

1.3 Related Party Disclosures

The details of the related party transactions are mentioned in Annexure XV to this report.

1.4 Deferred Tax

The deferred tax liability as at 31st March 2007 is Rs. 11,855,640.

1.5 Secured Loans

Secured loan was provided by M/s. Kotak Mahendra Primus Ltd, Hyderabad for purchase of vehicles.

Secured loan was provided by M/s. Kotak Mahendra Primus Ltd, Hyderabad for purchase of vehicles in the year 2005-06.

Technology Development Board (TDB), Ministry Science and Technology, Government of India, New Delhi has approved term loan of Rs. 490 Lakhs for manufacturing and commercialization of Industrial Enzymes i.e Alpha Amylase and Alkaline Protease. TDB has already disbursed Rs. 125 Lakhs as first installment during the year 2006-07.

Unsecured loan of Rs. 75 lakhs was granted by Department of Scientific and Industrial Research, Ministry of Science and Technology, New Delhi for development of Toxicity Prediction Module and integration with CELSUITE - A computer aided drug design tool. DSIR disbursed Rs.30 lakhs in the year 2005-06 and Rs. 30 Lakhs in the year 2006-07.

1.6 Auditors remuneration and expenses charged to the accounts:

(In Rupees lakhs)

	2006-07	2005-06
Audit Fees	0.30	0.30
For Tax Matters	0.10	0.10
Other Matters	0.10	0.10

1.7 Additional information required under Part II of Schedule VI to the Companies Act, 1956

1. Capacities and & Production

Product Unit Installed capacity/Actual production

Not Applicable

Licensed Capacity

Not Applicable

2. TURNOVER:

Rupees in Lakhs

	2006-07	2005-06
Bioinformatics Services, Data Warehousing & Mining, Software Development, Products and Services	1412.76	1022.18

3. Inventory

0.00

0.00

4. Raw Material, Stores, Spare Parts

0.00

0.00

5. Expenditure in Foreign Currency

Rs. in Lakhs

	2006-07	2005-06
Expenditure in Foreign currency	91.25	72.75

6. Earning in Foreign Exchange:

Rs. in Lakhs

	2006-07	2005-06
Earning in Foreign Exchange	1322.61	909.44

CASH FLOW STATEMENT

(Rs. In Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year Ended 31.03.2006	Year ended 31.03.2007
Cash Flow From Operating Activities					
Profit before Tax	66.78	122.57	267.95	332.07	520.29
Adjustment for -					
Depreciation Amortization (including Goodwill)	18.55	26.92	17.50	25.54	30.72
Miscellaneous					
Miscellaneous Expenditure written off	0.01	0.01	0.01	0.01	0.01
Deferred Revenue Expenses Written off	9.15	11.44	30.87	55.55	44.45
Molecule Development Expenditure	0.00	0.00	0.00	31.10	72.47
Interest Paid	0.63	1.58	0.00	0.15	0.31
Operating Profit before working capital changes	95.12	162.52	316.33	444.42	668.25
Movements in Working Capital					
(Increase)/Decrease in Sundry Debtors	6.13	(87.62)	(117.84)	(89.24)	(80.69)
(Increase)/Decrease in Loans and Advances	9.16	6.37	(32.87)	(32.36)	(334.02)
(Increase)/Decrease in Current Liabilities	1.56	4.57	(4.41)	2.71	(3.42)
Direct Tax Refunds/Paid (Net)	(14.43)	(5.25)	(5.04)	0.00	0.00
Deferred Tax Liability	0.00	108.00	3.00	2.00	5.88
New Cash from used in Operating Activities A	97.54	188.59	159.17	327.54	256.00
Cash flow from investing Activities					
Purchase of Fixed Assets (incl CWIP)	(55.73)	(287.46)	(166.05)	(142.19)	(65.57)
Deferred Revenue Expenditure	(21.49)	28.82	(28.82)	(273.06)	(44.45)
Molecule Development Expenditure	0.00	0.00	0.00	0.00	(332.46)
Public Issue Expenses	0.00	0.00	0.00	0.00	(6.77)
Net Cash From(Used in) Investing Activities B	(77.22)	(258.64)	(194.87)	(415.25)	(442.48)
Cash flows from Financing Activities					
Proceeds of Share Capital	0.00	65.00	28.55	50.85	0.00
Proceeds of Share Premium	0.00	0.00	29.42	26.97	0.00
Share Application Money	0.00	0.00	0.00	0.00	0.00
Increase/(Decrease) in Secured Term Loans	0.00	0.00	0.00	4.48	128.43
Increase/(Decrease) in Unsecured Loans	(4.60)	19.59	(20.00)	30.00	60.00
Increase/(Decrease) in Deferred Payments	0.00	0.00	0.00	0.00	0.00
Interest Paid	(0.63)	(1.58)	0.00	(0.15)	(0.31)
Net Cash From/(Used in) Financing activities C	(5.23)	83.01	37.97	112.15	188.12
Net increase in cash & cash Equi(A+B+C)	15.09	12.96	2.27	24.44	1.64
Cash and Equivalents inflow consequent to merger					
Cash & Cash Equi at beginning of the year	0.50	15.59	28.55	30.82	55.26
Cash & Cash Equi at end of the year	15.59	28.55	30.82	55.26	53.62

ANNEXURE - VI

STATEMENT OF DIVIDEND PAID FOR LAST 5 YEARS:

(Rs. in Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
Dividend	0.00	0.00	0.00	0.00	10%

ANNEXURE - VII

STATEMENT OF ACCOUNTING RATIOS

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
EPS Basic (Rs.per share)	2.09	1.72	4.66	5.30	8.30
Return on Networth (RONW)%	9.36	12.77	25.22	22.53	24.70
Net Asset Value per Share (NAV) (Rs.)	22.27	13.47	18.48	23.52	33.63

ANNEXURE - VIII

CAPITALISATION STATEMENT

(Rs. in Lakhs)

Description	Pre Issue	Post Issue
Secured Loans	128.69	128.69
Unsecured Loans	60.00	60.00
Total Debt	188.69	188.69
Less: Short term debt	0.00	0.00
Total Long Term Debt	188.69	188.69
Share Capital	619.40	1,119.40
Reserve & Surplus	1,463.40	3,963.40
Less: Miscellaneous Expenses	0.01	0.01
Total shareholders fund	2,082.79	5,082.79
Long term Debt/Equity Ratio	0.09	0.04

ANNEXURE - IX
TAX SHELTER STATEMENT

(Rs. in Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
Tax Rate (Including surcharge and Education Cess)	7.65%	7.87%	7.88%	33.66%	33.66%
	MAT	MAT	MAT		
Profit as per Profit & Loss Account	66.78	122.57	267.94	332.08	520.29
Tax at National Rate Adjustments	0.00	0.00	0.00	0.00	0.00
Difference between Tax depreciation and Book Depreciation	97.47	133.25	8.87	9.44	15.40
Net Adjustments	0.00	0.00	0.00	0.00	0.00
Tax saving thereon	0.00	0.00	0.00	0.00	0.00

ANNEXURE - X
DETAILS OF OTHER INCOME

(Rs. In Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
Sale of Computer Systems	0.00	0.00	2.07	0.00	0.00
Total	0.00	0.00	2.07	0.00	0.00

ANNEXURE - XI
SUNDRY DEBTORS (UNSECURED)

(Rs. in Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
Over six months	14.48	74.59	82.47	68.82	49.20
Other Debts	79.53	107.03	216.98	319.87	420.18
Less: Provision for doubtful debts					
Total	94.01	181.62	299.45	388.69	469.38

None of the Sundry Debtors of Celestial is related to its directors or promoters or it in any way.

ANNEXURE - XII

(Rs. in Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
Loans and Advances	30.07	23.70	56.57	88.93	421.64
(Unsecured considered Good),					
Advances recoverable in cash or in kind or of value to be received	0.00	0.00	0.00	0.00	0.00
Total	30.07	23.70	56.57	88.93	421.64

Note: Deposits made to Government - Rs. 132000 not considered in the above statement

ANNEXURE - XIII

STATEMENT OF UNSECURED LOANS

(Rs. in Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
Fixed Deposits					
From Public	0.00	0.00	0.00	0.00	0.00
From Others	0.00	0.00	0.00	0.00	0.00
Other loans					
From Directors	0.00	20.00	0.00	0.00	0.00
From Others -	0.00	0.00	0.00	0.00	0.00
Other Contractual Deposits	0.00	0.00	0.00	30.00	60.00
Machinery Advances	0.00	0.00	0.00	0.00	0.00
Mobilization Advances	0.00	0.00	0.00	0.00	0.00
Material Advance	0.00	0.00	0.00	0.00	0.00
Total	0.00	20.00	0.00	30.00	60.00

Note: The Company has raised term loan from Department of Science & Technology to the extent of Rs. 75.00 Lakhs out of which Rs 30 Lakhs were disbursed during the year ended 31.03.2006 and Rs. 30 Lakhs during the year 2006-07.

ANNEXURE - XIV

STATEMENT OF SECURED LOANS

(Rs. in Lakhs)

Particulars	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
Term Loans from various Financial Institutions for acquisition of fixed assets	0.41	0.00	0.00	4.48	128.43
Working Capital Loans	0.00	0.00	0.00	0.00	0.00
Total	0.41	0.00	0.00	4.48	128.43

Company's Indebtedness

The company has taken secured loan from Kotak Mahindra Bank for purchase of vehicle (Accent GLE) for the period: 15.05.05 to 15.05.10 (60 months)

ANNEXURE - XV

RELATED PARTY DISCLOSURES

(Rs. in Lakhs)

Particulars	Name of the transaction	Year ended 31.03.2003	Year ended 31.03.2004	Year ended 31.03.2005	Year ended 31.03.2006	Year ended 31.03.2007
Remuneration Paid to M.D. Mr. Aditya Narayan Singh	Remuneration	4.80	6.00	7.20	7.20	7.20
	Unsecured Term Loan Taken	0.00	20.00	0.00	0.00	0.00

WORKING CAPITAL FACILITIES

The Company has not availed working capital limits from any Bank/ Institution.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIALS

Condition and Results of Operations As Reflected In the Financial Statements

The following discussion of our financial condition and results of operations should be read together with the audited financial statements for the FY 2005, 2006 and 2007 including the Schedules, annexure and notes thereto and the reports thereon, which appear in this Prospectus. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, and the SEBI Guidelines as described in the Auditor's Report of M/s.G.V.Rao & Co., Chartered Accountants dated 18 May 2007 appearing in the section titled 'Financial Information' beginning on page 77 of this Prospectus.

The following discussion is based on our audited financial statements for fiscal 2005, 2006 and 2007 which has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and on information available from other sources.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the 12 months period ended March 31 of that year. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly under "Risk Factors" beginning on page vii of this Prospectus

MATERIAL DEVELOPMENTS SINCE THE LAST AUDITED BALANCE SHEET

In the opinion of our Board of Directors, other than as disclosed in this prospectus, there have not arisen any circumstances since March 31, 2007 which materially and adversely affect, and/or are likely to materially and adversely affect our manufacturing or sales or the profitability of our company, or the value of our assets, or our ability to pay our liabilities within the next 12 months.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Several factors have affected our results of operations, financial condition and cash flow over the past 5 years. These factors include:

- Growing demand for production and research outsourcing in the global biotechnology industry; capacity constraints;
- Capital expenditures, including for capacity expansion;
- Competition from Indian and non-Indian biotech producers, especially the effect of such competition on pricing of our products and services;
- Availability of tax exemptions;
- Increasing employee compensation in India;
- Changes in market prices for petroleum and petrochemical products;
- Reduction in interest rates; and
- Foreign exchange rate fluctuations.

These factors and a number of future developments mentioned below may affect our results of operations, financial condition and cash flow in future periods.

- Additional capital expenditures and related financings, if any, including for capacity expansion;
- Introduction into regulated markets, principally the United States and Europe, of our proposed enzymes products, such as alpha Amylase and alkaline Protease;
- Introduction of new products;
- Changes in global demand for key products, including enzymes;
- Gain or loss of significant customers or clients;
- Adoption of or changes in price controls in enzyme/drug markets;
- Changes in the levels of government economic assistance with respect to enzyme/drug markets;
- Increase in emphasis on new molecules discovery and commercialization of proprietary products;

- New strategic partnerships or mergers/acquisitions;
- Adoption of milestone-based pricing in our custom research business and
- Changes in the strategic plans of our current and potential customers and clients regarding outsourcing.

For more information on these and other factors/developments, which have or may affect us financially, please see the section entitled “Risk Factors” section beginning on page vii and the section entitled “Business Overview” beginning on page 46 of this prospectus.

Significant Accounting Policies

1. Basis of Accounting:

The Financial Statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting policies generally accepted in India (“GAAP”) and comply with the mandatory Accounting Standards (“AS”) issued by the Institute of Chartered Accountants of India (“ICAI”) to the extent applicable and the relevant provisions of the Companies Act, 1956.

2. Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. All costs, directly attributable to bringing the asset to the present condition for the intended use, are capitalized.

3. Depreciation & Amortization:

Depreciation on Fixed Assets has been provided on the Straight Line method and Depreciation on the assets acquired during the year is provided on Pro-rata basis at the rates specified in Schedule XIV of the Companies Act, 1956.

4. Deferred Revenue Expenditure:

Expenditure incurred on research and development of new products has been treated as deferred revenue expenditure and the same has been written off in 10 years equally yearly installments from the year in which it is incurred.

5. Retirement Benefits:

- a) Provident Fund : The Company is contributing to the funds maintained by the Government towards Provident Fund to employees.
- b) Gratuity: No provision for gratuity has been made as none of the employees had completed the minimum stipulated period for entitlement of gratuity.

6. Sales and Revenue Recognition:

Revenue from services is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customer. Revenue from domestic sales is recognized on dispatch of products from the company.

7. Foreign Currency transactions

The reporting currency of the company is Indian Rupee. Expenditure in Foreign currency during the month is accounted at a rate, which approximates the actual rate during that month. The exchange differences arising on foreign currency translation during the year are recognized as income or expenses in the profit and loss account.

8. Taxes on Income

Income tax is provided on the profits of the company as per the Income Tax Act, 1961.

Deferred Tax is recognized on time difference between the accounting income and taxable income for the period and quantified using the tax rates and laws enacted or substantially enacted on the balance sheet date.

RESULTS OF OPERATIONS

Sales

The company has achieved business of Rs 1412.76 Lakhs for the year 2006-07 in comparison to Rs 1022.18 Lakhs in the year 2005-06 and thus higher by 38.21% due to the rapid growth in the bioinformatics services for the pharma and biotech clients. In view of the post genomic drug discovery accelerated work process requirement of bioinformatics services have grown high and we have initiated to work extensively in that area.

Expenses

Our expenses mainly consist of the personnel expenses, communication expenses, administrative expenses, selling, financial expenses and depreciation.

The following table shows our various expenses for Fiscals 2005 through 2007 and shows those expenses as a percentage of total expenses:

(Rs. in Lakhs)

	2006-07		2005-06		2004-05		2003-04	
	AMOUNT	% AGE	AMOUNT	% AGE	AMOUNT	% AGE	AMOUNT	% AGE
Salaries & Wages	330.13	36.99%	288.91	41.86%	253.55	47.03%	192.36	50.59%
Communications	27.05	3.03%	21.11	3.06%	21.93	4.06%	17.55	4.61%
Administrative Exp.	203.46	22.80%	188.98	27.38%	195.31	36.22%	105.62	27.77%
Other Expenses	206.27	23.11%	86.65	12.56%	0.00	0.00%	0.00	0.00%
Selling Expenses	94.53	10.59%	78.76	11.41%	50.82	9.42%	36.19	9.51%
Interest	0.31	0.03%	0.16	0.02%	0.00	0.00%	1.58	0.44%
Depreciation	30.72	3.44%	25.53	3.70%	17.50	3.27%	26.92	7.08%
Total	892.47	100%	690.10	100%	539.11	100%	380.22	100%

The following table shows our various expenses for Fiscals 2005 through 2007 and shows those expenses as a percentage of net sales:

(Rs. in Lakhs)

Particulars	FY 2007		FY 2006		FY 2005		FY 2004	
	AMOUNT	% AGE	AMOUNT	% AGE	AMOUNT	% AGE	AMOUNT	% AGE
Salaries & Wages	330.13	23.37	288.91	28.26	253.55	31.50	192.36	38.25
Communications	27.05	1.91	21.11	2.07	21.93	2.72	17.55	3.49
Administrative Exp.	203.46	14.40	188.98	18.49	195.31	24.26	105.62	21
Other Expenses	206.27	14.60	86.65	8.48	0.00	0.00	0.00	0.00
Selling Expenses	94.53	6.69	78.76	7.71	50.82	6.31	36.19	7.19
Interest	0.31	0.02	0.16	0.02	0.00	0.00	1.58	0.31
Depreciation	30.72	2.17	25.53	2.50	17.50	2.17	26.92	5.38
Other Income	0.00	0.00	0.00	0.00	(2.09)	(0.25)	0.00	0.00
Total Expenses	892.47	0.00	690.10	0.00	539.11	0.00	380.22	0.00
(Net of other income)	892.47	63.17	690.10	67.51	537.02	66.71	380.22	75.62
Margins	520.29	36.83	332.08	32.49	267.96	33.29	122.58	24.38
Net Sales	1,412.76	100.00	1,022.18	100.00	804.98	1.00	502.8	100

Our margins have increase from 32.49% in Fiscal 2006 to approximately 36.83%% in Fiscal 2007 due to increase in administrative and selling expenses. However, the relative decrease in the margins has been offset by the increase in revenues which has taken care of the increased administrative and selling expenses.

SALARIES & WAGES

Personnel expenses consist of salaries, wages, overtime and bonus, contribution to employee benefit schemes, employee welfare charges and staff recruitment and training. Personnel expenses have come down from 41.86% of the total expenses in the Fiscal 2006 to 36.99% in the Fiscal 2007 due to the efficient staff management.

COMMUNICATION EXPENSES

Communication expenses consist of postage and telephone expenses. Communication expenses have come down from 3.06% of the total expenses (Rs.21.11 Lakhs) in the Fiscal 2006 to 3.03% of the total expenses (Rs. 27.05)in Fiscal 2007 because of strict internal control.

ADMINISTRATIVE EXPENSES

Administrative and other expenses have gone down from 27.38% of the total expenditure (Rs. 188.98 Lakhs) in the Fiscal 2006 to 22.80% of the total expenditure (Rs. 203.46 Lakhs) in the Fiscal 2007 due to decrease in deferred revenue expenditure, trained, stable and skillful staff.

OTHER EXPENSES

Other expenses are expenditure incurred on Enzymes. Other expenses have gone up from 12.56% of the total expenditure (Rs. 86.65 Lakhs) in the Fiscal 2006 to 23.11% of the total expenditure (Rs. 206.27 Lakhs) in the Fiscal 2007

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses consist of commissions and advertising costs. Expressed as a percentage of total expenses, selling expenses have gone down from 11.44% of the total expenses (Rs.78.76 Lakhs) in the Fiscal 2006 to 10.59% of the total expenses (Rs.94.53 Lakhs) in the Fiscal 2007.

INTEREST

Interest expenses were incurred on Secured Loans for purchase of fixed assets. The interest expenses have gone up from 0.02% of total expenses (Rs. 0.16 Lakhs) in the Fiscal 2006 to 0.03% of total expenses (Rs. 0.31 Lakhs) in the Fiscal 2007. The expenditure is on account of interest paid on a loan for a car purchased during the Fiscal 2006.

DEPRECIATION

Our depreciation expense have gone down from 3.70% (Rs.25.53 Lakhs) of total expenses in the Fiscal 2006 to 3.49% of total expenses (Rs. 30.72 Lakhs) in the Fiscal 2007

INFLATION

We are of the view that the impact of inflation on our financial performance over the periods under review is insignificant.

REVIEW OF RESULTS OF OPERATIONS**FISCAL 2007 COMPARED WITH FISCAL 2006****Net Sales**

Our Net sales increased from Rs. 1022.18 Lakhs for Fiscal 2006 to Rs. 1412.76 Lakhs for Fiscal 2007 registering 38.21% over Fiscal 2006 because of increase in Bioinformatics services provided to our overseas clients as the demand for the same has grown.

Other Income

There is no other income is 0.00 during the Fiscal 2006.

Salaries and Wages

Our salaries and wage expenses increased from Rs.288.91 Lakhs for the Fiscal 2006 by approximately Rs.41.22 Lakhs (14.27%) to Rs. 330.13 Lakhs for the Fiscal 2007 because of increase in salaries as recruitments in the field of bioinformatics services have been made by the Company during the period.

Communications

Our communication expenses increased from Rs. 21.11 Lakhs for the Fiscal 2006 by approximately Rs. 5.94 Lakhs (28.14%) to Rs. 27.05 Lakhs for the Fiscal 2007 because of increase in telephone and postage expenses.

Administrative Expenses

Our Administrative expenses increased from Rs.275.63 Lakhs for the Fiscal 2006 by approximately Rs.44.74 Lakhs (16.23%) to Rs. 320.37 Lakhs for the Fiscal 2007 mainly due to increase in rent, deferred revenue expenditure, staff welfare, training and recruitment and repairs & maintenance.

Enzymes Expenses

Expenses were incurred to set up manufacturing facility to produce two Enzymes i.e. Alpha Amylase and Alkaline Protease. The total expense incurred to set up the manufacturing facility is Rs. 89.35 Lakhs in the Fiscal 2006.

Selling Expenses

Our Selling expenses increased from Rs.78.76 Lakhs for the Fiscal 2006 by approximately Rs.15.77 Lakhs (20.02%) to Rs. 94.53 Lakhs for the Fiscal 2007. The increase is on account of payment of overseas consulting commission.

Interest

The interest expenses increase from Rs. 0.15 Lakhs for the Fiscal 2006 by approximately Rs. 016 Lakhs (106.67%) to Rs. 0.31 Lakhs for the Fiscal 2006. The increase is on account of payment of interest for full year.

Depreciation

Our depreciation expense have gone up from Rs.25.53 Lakhs in the Fiscal 2006 by Rs.5.19 Lakhs (20.33%) to Rs. 30.72 Lakhs in the Fiscal 2007 because of increase in fixed assets like scientific equipment, software tools, computer systems, and office equipment.

Net Profit before Taxes

Our Net Profit before taxes increased from Rs. 332.07 Lakhs for the Fiscal 2006 by approximately Rs.188.21 Lakhs (56.68%) to Rs. 520.29 Lakhs for the Fiscal 2007.

Taxes

Our Taxes decrease from Rs. 1.49 Lakhs for the Fiscal 2006 by approximately zero Lakhs for the Fiscal 2007 because of adjustment made against unabsorbed depreciation in the year 2007.

Deferred tax liability increased from Rs. 2.35 Lakhs for the Fiscal 2006 by approximately Rs. 3.53 Lakhs (150.21%) to Rs. 5.88 Lakhs for the Fiscal 2007.

Net Profit

Our Net Profit increased from Rs.328.23 Lakhs for the Fiscal 2006 by approximately Rs.186.18 Lakhs (56.62.88%) to Rs. 514.41 Lakhs for the Fiscal 2007 because of increase in sales.

REVIEW OF FINANCIAL POSITION

FIXED ASSETS

Fixed assets are mainly comprised of software products, software tools, scientific equipment, computer systems, furniture and fixtures, office equipment, electrical installations, vehicles and air conditioners.

Fixed assets increased by Rs. 65.67 Lakhs or 9.33 % from Rs.702.72 Lakhs as on March 31, 2006 to Rs.768.29 Lakhs as on March 31, 2007. During this period, there were additions of fixed assets of Rs.65.67 Lakhs consisting of purchases of fixed assets like scientific equipment, software tools, computer systems, and office equipment.

CURRENT ASSETS, LOANS AND ADVANCES

Current assets consist of sundry debtors, cash and bank balances, and loans and advances. Current assets have generally increased in line with the growth of our business activities.

Current assets increased marginally by Rs.440.05 Lakhs (82.37%) from Rs.534.20 Lakhs as on 31 March, 2006 to Rs. 974.26 Lakhs as on 31 March, 2007 due to increase in debtors (Rs.80.69 Lakhs), decrease in cash and bank balance (Rs.1.64 Lakhs) and increase in loans and advances (Rs. 361.00 Lakhs).

Debtors accounted for 48.18% of the total current assets 31 March, 2007. Debtors increased from Rs.388.69 Lakhs as on 31 March, 2007 to Rs.469.38 Lakhs as on 31 March, 2007. Debtors' turnover increased from 109 days to 129 days.

Cash and bank balance accounted for 5.05% of the total current assets as on 31 March, 2007. Cash and bank balance decreased from Rs. 55.26 Lakhs as on 31 March, 2006 to Rs.53.62 Lakhs as on 31 March, 2007.

Loans and Advances accounted for 46.32% of the total current assets as on 31 March, 2007. Loans and Advances increased from Rs.90.26 Lakhs as on 31 March, 2006 to Rs.451.26 Lakhs as on 31 March, 2007 because of advance payments made to suppliers on plant and machinery.

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities consist of Sundry Creditors-for services.

Current liabilities and provisions decreased by 9.02% from Rs. 37.92 Lakhs as on 31 March, 2006 to Rs. 34.50 Lakhs 31 March, 2007 due to adjustment of tax provision to unabsorbed depreciation.

DEFERRED REVENUE EXPENDITURE

Deferred revenue expenditure consists of development IT Products and Bio Products.

Deferred revenue expenditure decreased by 20% from Rs. 222.24 Lakhs as on 31 March, 2006 to Rs.177.79 Lakhs as on 31 March, 2007.

Product Development Expenses

Deferred revenue expenditure consists of development IT Products and Bio Products and Molecule development.

Product Development Expenses increased by 133.07% from Rs. 279.86 Lakhs as on 31 March, 2006 to Rs.652.26 Lakhs as on 31 March, 2007.

NET WORTH

Net Worth increased by 35.32% from Rs. 1456.58 Lakhs as on 31 March, 2006 to Rs.2082.79 Lakhs as on 31 March, 2007 by increase in reserves and surplus.

FISCAL 2006 COMPARED WITH FISCAL 2005**Net Sales**

Our Net sales increased from Rs. 804.98 Lakhs for Fiscal 2005 to Rs. 1022.18 Lakhs for Fiscal 2006 registering 26.98% over Fiscal 2005 because of increase in Bioinformatics services provided to our overseas clients as the demand for the same has grown.

Other Income

There is no other income during the Fiscal 2006.

Salaries and Wages

Our salaries and wage expenses increased from Rs.253.55 Lakhs for the Fiscal 2005 by approximately Rs.35.36 Lakhs(13.95%) to Rs. 288.91 Lakhs for the Fiscal 2006 because of increase in salaries as recruitments in the field of bioinformatics services have been made by the Company during the period.

Communications

Our communication expenses decreased from Rs. 21.93 Lakhs for the Fiscal 2005 by approximately Rs.0.82 Lakhs (3.88%) to Rs. 21.11 Lakhs for the Fiscal 2006 because of the internal control.

Administrative Expenses

Our Administrative expenses increased from Rs.195.31 Lakhs for the Fiscal 2005 by approximately Rs.80.32 Lakhs (41.12%) to Rs. 275.63 Lakhs for the Fiscal 2006 mainly due to increase in rent, deferred revenue expenditure, staff welfare, training and recruitment and repairs & maintenance.

Selling Expenses

Our Selling expenses increased from Rs.50.82 Lakhs for the Fiscal 2005 by approximately Rs.27.94 Lakhs (54.98%) to Rs. 78.76 Lakhs for the Fiscal 2006.The increase is on account of payment of overseas consulting commission.

INTEREST

Interest expenses were incurred on Secured Loans for purchase of fixed assets. The interest expenses have gone up from 0% of total expenses in the Fiscal 2005 to 0.02% of total expenses (Rs. 0.16 Lakhs) in the Fiscal 2006. The expenditure is on account of interest paid on a loan for a car purchased during the Fiscal 2006.

DEPRECIATION

Our depreciation expense have gone up from Rs.17.5 Lakhs in the Fiscal 2005 by Rs.8.03 Lakhs (45.88%) to Rs. 25.53 Lakhs in the Fiscal 2006 because of increase in fixed assets like scientific equipment, software tools, computer systems, vehicles and office equipment.

Net Profit before Taxes

Our Net Profit before taxes increased from Rs.267.94 Lakhs for the Fiscal 2005 by approximately Rs.64.13 Lakhs (23.93%) to Rs. 332.07 Lakhs for the Fiscal 2006.

Taxes

Our Taxes increase from zero for the Fiscal 2005 by approximately Rs.1.49 Lakhs for the Fiscal 2006 because of adjustment made against unabsorbed depreciation in the year 2005.

Deferred tax liability was provided at Rs. 2.35 Lakhs for the Fiscal 2006 and previous years are adjusted against General Reserve.

Net Profit

Our Net Profit increased from Rs.264.96 Lakhs for the Fiscal 2005 by approximately Rs.63.27 Lakhs(23.88%) to Rs. 328.23 Lakhs for the Fiscal 2006 because of increase in sales.

REVIEW OF FINANCIAL POSITION

FIXED ASSETS

Fixed assets are mainly comprised of software products, software tools, scientific equipment, computer systems, furniture and fixtures, office equipment, electrical installations, vehicles and air conditioners.

Fixed assets increased by Rs. 86.63 Lakhs or 14.06 % from Rs.616.09 Lakhs as on March 31, 2005 to Rs.702.72 Lakhs as on March 31, 2006. During this period, there were additions of fixed assets of Rs.86.63 Lakhs consisting of purchases of fixed assets like scientific equipment, software tools, computer systems, vehicles and office equipment.

CURRENT ASSETS, LOANS AND ADVANCES

Current assets consist of sundry debtors, cash and bank balances, and loans and advances. Current assets have generally increased in line with the growth of our business activities.

Current assets increased marginally by Rs.146.03 Lakhs (37.62%) from Rs.388.17 Lakhs as on 31 March, 2005 to Rs. 534.20 Lakhs as on 31 March, 2006 due to increase in debtors (Rs.89.24 Lakhs), increase in cash and bank balance (Rs.24.44 Lakhs) and increase in loans and advances (Rs. 32.35 Lakhs).

Debtors accounted for 72.76% of the total current assets 31 March, 2006. Debtors increased from Rs.299.45 Lakhs as on 31 March, 2005 to Rs.388.69 Lakhs as on 31 March, 2006. Debtors' turnover increased from 109 days to 129 days.

Cash and bank balance accounted for 10.34% of the total current assets as on 31 March, 2006. Cash and bank balance increased from Rs.30.82 Lakhs as on 31 March, 2005 to Rs.55.26 Lakhs as on 31 March, 2006.

Loans and Advances accounted for 16.89% of the total current assets as on 31 March, 2006. Loans and Advances increased from Rs.57.90 Lakhs as on 31 March, 2005 to Rs.90.25 Lakhs as on 31 March, 2006 because of advance payments made to suppliers.

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities consist of Sundry Creditors-for services and Provision for Taxation.

Current Liabilities have increase as compared with Fiscal 2005 and provision for taxation has been made for Fiscal 2006.

Current liabilities and provisions increased by 7.70% from Rs. 35.21 Lakhs as on 31 March, 2005 to Rs. 37.92 Lakhs 31 March, 2006 because of commitment towards tax and other expenses.

DEFERRED REVENUE EXPENDITURE

Deferred revenue expenditure consists of development Bio Products and Molecule development.

Deferred revenue expenditure on bio tool decreased by 25% from Rs. 277.80 Lakhs as on 31 March, 2005 to Rs.222.24 Lakhs as on 31 March, 2006. Deferred revenue expenditure on Drug Molecule development (Biotech Product Development) incurred Rs. 279.86 Lakhs.

NET WORTH

Net Worth increased by 38.65% from Rs. 1050.52 Lakhs as on 31 March, 2005 to Rs.1456.58 Lakhs as on 31 March, 2006 by increase in share capital and reserves and surplus.

FISCAL 2005 COMPARED WITH FISCAL 2004**Net Sales**

Our net sales increased from Rs. 502.80 Lakhs for the Fiscal 2004 to Rs. 804.98 Lakhs for the Fiscal 2005 registering 60.10% a growth because of increase in bioinformatics services provided to our overseas clients as the demand for bioinformatics services has grown.

Other Income

Other income is zero during the Fiscal 2004 and Rs. 2.09 Lakhs during the Fiscal 2005 due to sales of some of some Computer Systems.

Salaries and Wages

Our salaries and wages expenses increased from Rs. 192.36 Lakhs for the Fiscal 2004 by approximately Rs. 61.19 Lakhs (31.81%) to Rs. 253.55 Lakhs for the Fiscal 2005 because of increase in the expenditure on salaries due to increased recruitment in the Company.

Communications

Our communication expenses increased from Rs. 17.55 Lakhs for the Fiscal 2004 by approximately Rs. 4.38 Lakhs (24.95%) to Rs. 21.93 Lakhs for the Fiscal 2005 because of increase in telephone and postage expenses.

Administrative Expenses

Our administrative expenses increased from Rs. 105.62 Lakhs for the Fiscal 2004 by approximately Rs. 89.69 Lakhs (84.92%) to Rs. 195.31 Lakhs for the Fiscal 2005 mainly due to increase in rent, deferred revenue expenditure, staff welfare, training and recruitment and repairs & maintenance.

Selling Expenses

Our selling expenses increased from Rs. 36.20 Lakhs for the Fiscal 2004 by approximately Rs. 14.62 Lakhs (40.38%) to Rs. 50.82 Lakhs for the Fiscal 2005 because of increase in overseas commission expenses.

Interest

Our interest expenses decreased from Rs. 1.58 Lakhs for the Fiscal 2004 zero for the Fiscal 2005 since all the loans had been cleared.

Depreciation

Our depreciation expenses decreased from Rs. 26.92 Lakhs for the Fiscal 2004 by approximately Rs. 9.42 Lakhs(53.82%) to Rs. 17.50 Lakhs for the Fiscal 2005 because of reduction in fixed assets due to sale of some computers systems.

Net Profit before Taxes

Our net profit before taxes increased from Rs. 122.58 Lakhs for the Fiscal 2004 by approximately Rs. 145.38 Lakhs (118.60%) to Rs. 267.96 Lakhs for the Fiscal 2005 because of increase in sales.

Taxes

Our taxes decreased from Rs. 9.65 Lakhs for the Fiscal 2004 to zero for the Fiscal 2005 because of benefit obtained under section 10(A) of the Income Tax Act, as Celestial is registered as a STPI Unit.

Net Profit

Our net profit increased from Rs. 9.92 Lakhs for the Fiscal 2004 by approximately Rs. 172.04 Lakhs (185.14%) to Rs. 264.96 Lakhs for the Fiscal 2005 because of increase in sales.

REVIEW OF FINANCIAL POSITION**FIXED ASSETS**

Fixed assets are mainly comprised of software products, software tools, computer systems, furniture and fixtures, office equipment, electrical installations, vehicles and air conditioners.

Fixed assets increased by Rs. 93.39 Lakhs (17.87%) from Rs. 522.7 Lakhs as of March 31, 2004 to Rs. 616.09 Lakhs as on March 31, 2005. The additions of fixed assets of Rs. 93.39 Lakhs during this period consisted mainly of software products, software tools and computer systems.

CURRENT ASSETS, LOANS AND ADVANCES

Current assets consist of sundry debtors, cash and bank balances, and loans and advances. Current assets have generally increased in line with the growth of our business activities.

Current assets increased by Rs. 152.97 Lakhs (65.04%) from Rs. 235.2 Lakhs as on 31 March, 2004 to Rs. 388.17 Lakhs as on 31 March, 2005 due to increase in debtors (Rs.117.83 Lakhs), cash and bank balance (Rs. 2.27 Lakhs) and loans and advances (Rs. 32.87 Lakhs).

Debtors accounted for 77.14% of the total current assets as on 31 March, 2005. Debtors increased from Rs. 181.62 Lakhs as on 31 March, 2004 to Rs. 299.45 Lakhs as on 31 March, 2005. Debtors' turnover increased from 100 days to 109 days.

Cash and bank balance accounted for 7.94% of the total current assets as on 31 March, 2005. Cash and bank balance increased from Rs. 28.55 Lakhs as on 31 March, 2004 to Rs. 30.82 Lakhs as on 31 March, 2005.

Loans and advances accounted for 14.92% of the total current assets as on 31 March, 2005. Loans and advances increased from Rs. 25.03 Lakhs as on 31 March, 2004 to Rs. 57.90 Lakhs as on 31 March, 2005.

CURRENT LIABILITIES AND PROVISIONS

Current liabilities consist of sundry creditors for services and provision for taxation.

Current liabilities have declined as compared with Fiscal 2004 and no provision for taxation has been made during the Fiscal 2005.

Current liabilities and provisions decreased by 11.13 % from Rs. 39.62 Lakhs as on 31 March, 2004 to Rs. 35.21 Lakhs as on 31 March, 2005.

NON-CURRENT LIABILITIES

Non-Current liabilities consist of unsecured and secured loans.

There were no secured or unsecured loans during the period ended 31st March 2005. The unsecured loan at the end of Fiscal 2004 has been repaid in the Fiscal 2005.

DEFERRED REVENUE EXPENDITURE

Deferred revenue expenditure consists of development Bio Products and Molecule development.

Deferred revenue expenditure increased by 35.43 % from Rs. 205.13 Lakhs as on 31 March, 2004 to Rs. 277.8 Lakhs as on 31 March, 2005.

NET WORTH

Net worth increased by 44.38% from Rs. 727.57 Lakhs as on 31 March, 2004 to Rs. 1050.52 Lakhs as on 31 March, 2005 because of increase in share capital.

Information required as per clause 6.10.5.5(a) of the SEBI Guidelines:

a. Unusual or infrequent events or transactions:

There have been no unusual or infrequent transactions that have taken place.

b. Significant Economic changes that materially affected or are likely to affect income from continuing operations:

Volatility in foreign exchange rates may have an inflationary effect on cost of imports. However, as the Company derives turnover from exports, any inflationary effect on imports will be more than offset by higher realization on exports.

Except the above, there are no significant economic changes that materially affect or likely to affect income from continuing operations.

c. Known trends or uncertainties

Apart from the risks as disclosed in this Prospectus, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations.

d. Future relationship between costs and revenue

The expansion of the current operations would enable the Company to procure raw materials in bulk locally as well as imported from the direct manufacturers. This would in turn result in negotiating for competitive prices and help the Company to achieve economies of scale.

- e. Reason for increase in sales/revenue
The increase in sales is mainly due to increased volume in bio-informatics segment and data warehousing segment.
- f. Total turnover of the Industry
Please refer to the Para on “Industry Data referred on page 41 of this Prospectus.
- g. New products introduced in the year 2007
We have introduced our product “Celvision” in the year 2007.
- h. Seasonality of business
None of the Company’s products sold are seasonal in nature.
- i. Over dependence on Single supplier/Customer
The Company sources its raw materials from a number of suppliers and is not under threat from excessive dependence on any single supplier. Also, the Company is not excessively dependent on a single customer for its sales.
- j. Competitive conditions
The Company has been strengthening its position in the product lines in which it is operating. Further through R & D, it has identified new products as well as new applications for the existing products. The Company also has been expanding its markets and customer base in the local as well as international market. All these things have been helping the Company to stand against the competition.

OUR DIRECTORS HEREBY STATE THAT IN THEIR OPINION THERE IS NO MATERIAL DEVELOPMENT AFTER THE DATE OF THE LAST FINANCIAL STATEMENTS DISCLOSED IN THE OFFER DOCUMENT WHICH IS LIKELY TO MATERIALLY AND ADVERSELY AFFECT OR IS LIKELY TO AFFECT THE TRADING OR PROFITABILITY OF OUR COMPANY OR THE VALUE OF ITS ASSETS, OR ITS ABILITY TO PAY ITS LIABILITIES WITHIN THE NEXT TWELVE MONTHS.

ADVERSE EVENTS

There have been no adverse events affecting the operations of our Company occurring within one year prior to the date of filing of the Offer Document with the Registrar of Companies.

DEFAULTS

We have not defaulted in meeting any statutory dues, institutional dues or bank dues. We have not defaulted in making any payment/refunds for debentures, fixed deposits and interest on debentures and fixed deposits.

DETAILS OF ANY ENCUMBRANCES OVER THE PROPERTY OF OUR COMPANY AND GUARANTEES GIVEN BY OUR COMPANY TO ANY OTHER PARTY:

There are no encumbrances over the property of our Company as the current facilities are leased.

FINANCIAL STATEMENTS OF GROUP COMPANIES

There are no companies under the group.

SECTION VI- LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as described below there are no outstanding litigation suits, criminal or civil, involving economic offences or proceeds or tax liability against our company and our Directors that would have material adverse effect on our Business.

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

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

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

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

I. OUTSTANDING LITIGATIONS INVOLVING THE COMPANY

A. FILED AGAINST THE COMPANY

1. LITIGATION INVOLVING CRIMINAL LAWS

There is no litigation pending against the Company involving criminal offences.

2. LITIGATION INVOLVING SECURITIES AND ECONOMIC LAWS

There is no litigation pending against the Company involving securities or economic offences.

3. LITIGATION INVOLVING STATUTORY LAWS

There is no litigation pending against the Company involving statutory dues save as herein below mentioned:

INCOME TAX CASES

The Assistant Commissioner of Income Tax, Circle-1 (2), Hyderabad, issued a notice dated 8.7.2005 to the Company under Section- 143(2) of the Income Tax Act, 1961 asking for further information in connection with the return of income submitted by the Company for the Assessment Year 2003-04. Pursuant to the said notice an Assessment Order dated 21.12.2005 has been passed by the Assistant Commissioner of Income Tax, raising a demand of Rs. 44,858/- (Rs. Forty four thousand eight hundred and fifty eight) only. The Company has not deposited the demand of Rs. 44,858/- till date. The Company may have to deposit this demand along with the interest.

4. LITIGATION INVOLVING CIVIL LAWS

There is no litigation pending against the Company involving civil laws.

5. LITIGATION INVOLVING LABOUR LAWS

There is no litigation pending against the Company involving labour offences.

B. FILED BY THE COMPANY

*** LITIGATION INVOLVING CRIMINAL LAWS**

There is no litigation filed by the Company involving criminal offences

*** LITIGATION INVOLVING SECURITIES AND ECONOMIC LAWS**

There is no litigation filed by the Company involving securities or economic offences.

* LITIGATION INVOLVING STATUTORY LAWS

There is no litigation filed by the Company involving statutory law.

* LITIGATION INVOLVING CIVIL LAWS

There is no litigation filed by the Company involving civil laws.

II Outstanding litigations involving any of the promoter/ Director of the Company

There are no litigations pending against the Promoter / Directors of the Company.

Other than above mentioned litigation involving the Statutory Laws, there is no other litigation pending against any of the Director/ Promoter of the Company under any of the following heads:

1. LITIGATION INVOLVING CRIMINAL LAWS
2. LITIGATION INVOLVING SECURITIES AND ECONOMIC LAWS
3. LITIGATION INVOLVING CIVIL LAWS
4. LITIGATION INVOLVING LABOUR LAWS

There is no litigation filed by any of the other Directors/Promoters of the company under any of the following heads:

1. LITIGATION INVOLVING CRIMINAL LAWS
2. LITIGATION INVOLVING SECURITIES AND ECONOMIC LAWS
3. LITIGATION INVOLVING STATUTORY LAWS
4. LITIGATION INVOLVING CIVIL LAWS
5. LITIGATION INVOLVING LABOUR LAWS

MATERIAL DEVELOPMENTS

Material developments after the date of the last balance sheet

Except as stated in the sections titled, “Management’s Discussion and Analysis of Financial Statements and Results of Operations”, “Financial Statements”, “Capital Structure” on pages 86, 77 and 12, respectively, of this Prospectus, no material developments have taken place after 31st March 2007, the date of the latest balance sheet, that would materially adversely affect the performance or prospects of our Company.

GOVERNMENT AND OTHER APPROVALS

The Company has received all the necessary consents, licenses, permissions and approvals from the government and various government agencies required for its present business and no further approvals are required from any government authorities for us to continue our present and proposed activities. The important licenses and approvals procured/to be procured by the Company are as follows: -

1. The Company is duly incorporated under the Companies Act, 1956 and has been issued Certificate No. 01-28374 dated November 19, 1997 by Registrar of Companies, Andhra Pradesh
2. The Permanent Account Number of the Company is AABCC4698Q, held in the old name of the Company, i.e “Celestial Technologies Limited”.
3. The TDS Account Number of the Company is HYDC00664G.
4. The Company has been registered as Importer-Exporter in its old name, i.e. “Celestial Technologies Limited”, with the Ministry of Information Technology, Government of India under the Software Technology Park Scheme and bears IEC Number 5199002881 issued on 27th January 2000.
5. The Company has been granted ISO9001/Q9001:2000 certification with a scope of “Developing and Marketing Custom Software and Generic Software Products” by AQA International, LLC vide Certificate No.1924 for the period from 01.04.2004 to 01.04.2007. The renewal of ISO certification work is under progress.
6. The company would require permission for Clinical Trials from Drug Controller for carrying out experiments in connection with new products developed by the company. The company does not anticipate any difficulty in obtaining the approvals.
7. The Company has applied to Secretariat for Industrial Approvals, Department of Industrial Promotion, Ministry of Industry, Govt, of India an Industrial Entrepreneurs Memorandum for manufacture of Industrial Enzyme - Alpha Amylase and Alkaline Protease.
8. The Company has applied for registration of its Company emblem “CELESTIAL” with the Trade Marks Registry, Chennai vide application no 962912. However, certain objections have been raised by the Registry and in response to which the Company has filed an affidavit on distinctiveness through its Managing Director, Shri Aditya Narayan Singh, and the trademark has been posted for hearing by the Registry.
9. The Company has applied to Ministry of Human Resource and Development for registration of Copyright of five titles ‘Ratna’, ‘Vyasa’, ‘Sahakar’, ‘CELSUITE’ and Dhanvantari vide diary no 147-151/05 on 20.06.2005.
10. The Company has applied on 30.08.05 to Patents Office, Chennai, relating to “Anti cancer peptide drugs with novel activity and their biotechnological production” and “Novel human basic fibroblast factor active site, mutated at one or more positions to increase the efficacy of vitiligo treatment”.
11. The Regional Provident Fund Commissioner, Andhra Pradesh has allotted Code No. AP/HY/32546. The Number allotted by Employees’ State Insurance Corporation is 52-15465-90.

Besides the above there are no pending approvals to be applied for by the Company.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue and Details of the Resolution Passed for the Issue

Present Issue of Equity Shares has been authorized by shareholders vide a Special Resolution passed at the Extra Ordinary General Meeting of the Company held on November 30, 2005. The Board of Directors of the Company had approved the present Issue of Equity Shares vide a resolution passed at their meeting held on 31st October, 2005.

Prohibition by SEBI

The Company, its directors, any of the Company's Associates or Group Companies, and Companies with which the directors of Issuer are associated, as directors or promoter, have not been prohibited from accessing the capital market under any order or directions passed by SEBI; or detained as willful defaulters by RBI/Government Authorities and that there are no violations of securities laws committed by them in the past or pending against them. The listing of any securities of the Issuer has never been refused at anytime by any of the stock exchanges in India.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained under with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- * Our Company has net tangible assets of at least Rs. 300 Lakhs in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;
- * Our Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;
- * Our Company has a pre issue net worth of at least Rs. 100 Lakhs in each of the three preceding full years (of twelve months each); and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;
- * Our Company has not changed its name within the last one year and at least 50% of the revenues for the preceding one full year is earned by the company from the activity suggested by the existing name; and
- * The proposed Issue size is not 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;

The Company's unconsolidated net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Prospectus under the section "Financial Statements" on page no 77 for the last five years ended FY 2007 are set forth below:

	Year ended 31/03/2007	Year ended 31/03/2006	Year ended 31/3/2005	Year ended 31/3/2004	Year ended 31/3/2003
Distributable Profits	387.45	328.23	264.96	92.92	61.52
Net Tangible Assets	1538.78	1087.41	883	649.7	534.8
Networth	2,082.79	1456.58	1050.52	727.57	657
Monetary Assets	53.62	55.26	30.82	28.55	15.59
Monetary assets as a percentage of net tangible assets (%)	3.48%	5.08%	3.49%	4.39%	2.92%

- Distributable Profits have been defined in terms of Section 205 of the Companies Act, 1956
- Net Worth has been defined as the aggregate of equity share Capital and reserves, excluding miscellaneous expenditures if any.
- Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).
- Monetary assets include cash on hand and bank. Detailed figures are given on page no. 79 in the Prospectus.

SEBI DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MERCHANT BANKER, CHARTERED CAPITAL AND INVESTMENT LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH 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 OFFER DOCUMENT, THE LEAD MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, CHARTERED CAPITAL AND INVESTMENT LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 10th JUNE, 2006 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS :

- (i) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE OFFER DOCUMENT PERTAINING TO THE SAID ISSUE.
- (ii) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY

WE CONFIRM THAT:

- a. THE OFFER DOCUMENT FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- b. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;
- c. THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE; and
- d. BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.

THE FILING OF OFFER DOCUMENT 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 LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN OFFER DOCUMENT.

Disclaimer Statement from the Issuer and the Lead Manager:

Investors may note that the issuer company and the Lead Manager accepts no responsibility for statements made otherwise than in this prospectus or in the advertisement or any other material issued by or at the instance of the issuer and that anyone placing reliance on any other source of information would be doing so at his own risk. All information shall be made available by the Lead Manager and the issuer to the public at large and no selective or additional information would be made available for a section of the public in any manner whatsoever. Further, Lead Manager and the issuer undertake to update the offer document and keep the public informed of any material changes till the listing and trading commencement.

Caution

CELESTIAL, its directors and the Lead Manager accept no responsibility for statements made otherwise than in this prospectus or in the advertisements or any other material issued by or at the instance of the Issuer and that anyone placing reliance on any other source of information, including Company's web site, www.celestiallabs.com would be doing so at his or her own risk.

The Lead Manager accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Lead Manager and Celestial Labs Limited.

All information shall be made available by Celestial, the Lead Manager 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 collection centers or elsewhere.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to Indian Nationals, who are resident in India and are Adult Individuals and are not lunatics, in single name or joint names (not more than three); Hindu Undivided Families through the Karta of the Hindu Undivided Family; Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares; Indian Mutual Funds registered with SEBI; Indian Financial Institutions & Banks; Indian Venture Capital Funds / Foreign Venture Capital Funds registered with SEBI subject to the applicable RBI Guidelines and Approvals, if any; State Industrial Development Corporations; Insurance Companies registered with Insurance Regulatory and Development Authority; Provident Funds with minimum corpus of Rs.2500 Lakhs; Pension Funds with minimum corpus of Rs.2500 Lakhs; Trusts or Societies registered under the Societies Registration Act, 1860 or any other applicable Trust Law and are authorised under its constitution to hold and invest in Equity Shares of a Company; Commercial Banks and Regional Rural Banks, Co-operative Banks may also apply subject to permission from Reserve Bank of India; Permanent and Regular employees of the Company; Non-Resident Indians (NRIs) and Foreign Institutional Investors (FIIs) on repatriation / non-repatriation basis. This Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares offered 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 Prospectus comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only. No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Prospectus has been submitted to SEBI. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of or at any time subsequent to this date.

Disclaimer Clause of the Stock Exchanges**DISCLAIMER CLAUSE OF BSE**

Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated December 29, 2006 permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

The Exchange does not in any manner:-

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. 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 the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any reason whatsoever."

DISCLAIMER CLAUSE OF NSE

“As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref.:NSE/LIST/41552-V dated March 13, 2007 permission to the Issuer to use the Exchange’s name in this Offer Document as one of the stock exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinized this Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document 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 Offer Document; nor does it warrant that this Issuer’s securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.”

DISCLAIMER BY CRISIL, THE GRADING AGENCY

A CRISIL IPO grading is a one time exercise and reflects CRISIL’s current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India, and does not constitute an audit of the issuer by CRISIL. A CRISIL IPO grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO grading is based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO grading is not a recommendation to buy/ sell or hold the graded instrument; it does not comment on the current market price, future market price or suitability for a particular investor. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers/users/transmitters/distributors of CRISIL IPO gradings.

Filing of Prospectus with the Board and the Registrar of Companies

A copy of this Prospectus has been filed with SEBI, 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, Andhra Pradesh, Kendriya Sadan, Sultan Bazar, Hyderabad.

Listing

The Company proposes to list the existing Equity Shares on BSE and NSE. The listing applications have been made to these Stock Exchanges for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company.

In case, the permission for listing and or dealing & official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:

“Any person who:

1. Makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or
2. 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.”

Consents

The written consents of Directors, Company Secretary, Lead Manager to the Issue, Legal Advisor to the Issue, Registrar to the Issue, Auditors, Tax Auditors and Bankers to the Company to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Andhra Pradesh at Hyderabad as required under Section 60 of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration

Expert Opinion

The Company has not obtained any expert opinions related to the present Issue, except the opinion of the Tax Auditors, G. V. Rao & Co., Chartered Accountants on the tax benefits available to the investors and Dr. M W. Pandit, Consultant, Centre for Cellular and Molecular Biology, Hyderabad.

Public Issue Expenses

Public Issue expenses are estimated as follows:

Particulars	Amount (Rs. In Lakhs)	% of Total Expense
Lead managers and selling expenses	75	30%
Advertising and Marketing Expenses	70	28%
Printing and Stationery & Distribution expenses	50	20%
Others (Exchange fee, Listing fee, fee to Legal Advisors)	30	12%
Registrar fee and other expenses	25	10%
Total	250	100%

Fees Payable to Lead Manager to the Issue

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding signed with the Lead Manager, copy of which is available for inspection at the Registered Office of the Company

Fees Payable to Registrar to the Issue

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with the Registrar, copy of which is available for inspection at the Registered Office of the Company The Registrar will also be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) / letter(s) of allotment / share certificate(s) by registered post.

Brokerage and Selling Commission

Brokerage for the Issue will be paid not more than @ 1.5% of the Issue Price of the Equity Shares by Celestial 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, the Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

The Company, at its sole discretion, may consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by the Company.

Previous Public or Rights Issues (during the last five years)

Celestial has not made any public issue of shares since incorporation. There is no group company, which has made any public issues.

Previous Issue of Shares Otherwise than for Cash

Celestial has not issued any Equity Shares for consideration other than cash except for the Issues of bonus shares, details of which are mentioned under sub-heading "Capital Structure".

Commission or Brokerage on Previous Issues

Celestial has not issued any public issue since its inception.

Particulars in regard to Celestial and other companies under the same management within the meaning section 370(1)(B) of the Companies Act, 1956, which made any capital Issue during the last three years

Neither Celestial, nor any other companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956, has made any capital Issue during the last three years.

PROMISE V. PERFORMANCE

A. Last Three Issues made by Celestial Lab Limited

This is the first Public Issue of the Company. Therefore, no information is required to be given under this head.

B. Last issue of the Listed Ventures of promoters Group

There is no Listed venture of Promoter Group.

Stock Market Data for Equity Shares of Celestial

The Company being an unlisted company the stock market data are not available.

Mechanism Evolved for Redressal of Investor Grievances

The Company has appointed Mr. N.V.Ramana Murthy, Sr. Finance Manager of the Company, as Compliance Officer, 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 the Company.

Recently, the Company has appointed M/s. Karvy Computershare Private Limited who will act as Registrar to the Issue, and will also become Share Transfer Agent of the Company once the connectivity with NSDL & CDSL is activated. Registrar to the Issue will also handle the investors' grievances related to the Issue in co-ordination with Compliance Officer of the Company. All grievances relating to the Present Issue may be addressed to the Registrar 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. The Company would monitor the work of the Registrar to ensure that the investors' grievances are settled expeditiously and satisfactorily.

The Memorandum of Understanding between the Registrar to the issue and the Company, provides for retention of registers pertaining to the issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the issue for redressal of their grievances.

The Company estimates that the average time required by the Registrar to the issue or the Company for redressal of routine grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

Changes in Auditors during the Last Three Years and Reasons thereof

The Company had to change its Auditors due to reasons specified below:

Name of auditor	Date of change	Reason for change
Mr.G.Suryanarayana Murthy	02.03.2004	Resigned due to relocation
M/s.K.M.L. & Co.	11.03.2004	Appointed as Auditor
M/s.K.M.L. & Co.	24.03.2005	Resigned due to accident
G.V.Rao (Renamed as G.V.Rao & Co. w.e.f 15/9/2005)	27.05.2005	Appointment in place of casual vacancy

Capitalisation of Reserves or Profits (during last five years)

During March 2004, the Company has made a Bonus Issue of Equity Shares in the ratio of one Equity Share for every two Equity Shares held as on the record date. This bonus Issue was made through capitalization of reserve account. The allotment of these Equity Shares was made on 08.03.04.

Revaluation of Assets, if any (during last five years)

None of the assets of the Company have been revalued during last five years.

SECTION VII- ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Prospectus, Application Forms, the Revision Form, and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, 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 Memorandum and Articles of the Company and shall rank pari passu with the existing Equity Shares of the Company. Allottees of the Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

Mode of payment of Dividend

The Company shall pay dividend to its shareholders as per the provisions of the Companies Act, 1956.

Face Value and Issue Price

The Face Value of the Equity Shares is Rs.10/- per Equity Share and the Issue Price is 6 times the Face Value.

Rights of the Equity Shareholders

- i. Right to receive dividend, if declared.
- ii. Right to attend general meetings and exercise voting rights, unless prohibited by law.
- iii. Right to vote on a poll either personally or by proxy.
- iv. Right to receive offer for rights shares and be allotted bonus shares, if announced;
- v. Right to receive surplus on liquidation
- vi. Right of free transferability; and
- vii. Such other rights, as may be available to a shareholder of a Public Ltd. Company under the Companies Act, 1956.

Market Lot and Trading Lot

In terms of section 68B of the Companies Act, 1956 the equity shares shall be allotted only in dematerialised Form. As per the existing SEBI guidelines, the trading in the equity shares shall only be in dematerialised form for all investors. Since trading of the equity shares is in dematerialised form, the tradable lot is one equity share. Allotment through this issue will be done only in electronic form in multiples of one equity share subject to a minimum allotment of one equity shares .

Nomination Facility to Investor

In accordance with Section 109A of the Act, the sole or first Applicant, along with other joint Applicants, may nominate any one person in whom, in the event of death of sole Applicant or in case of joint Applicants, death of all the Applicants, 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 death of the original holder(s), shall in accordance with Section 109A of the 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 the Registered Office of the Company or at the Registrar and Share Transfer Agent of the Company. In accordance with Section 109B of the Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the 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.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having being returned unpaid or withdrawals of application, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

Arrangements for Disposal of Odd Lots

No odd lot of Equity Shares will arise out of this Issue, as the tradable lot is One (1) Equity Share.

Restrictions, if any, on Transfer and Transmission of Shares and on their Consolidation/Splitting

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, please refer sub-heading “Main Provisions of the Articles of Association of CELESTIAL” of this Prospectus.

ISSUE PROCEDURE

Authority for the Present Issue

Present Issue of Equity Shares has been authorized by shareholders vide a Special Resolution passed at the EGM of the Company held on November 30, 2005. The Board of Directors of the Company had approved the present Issue of Equity Shares vide a resolution passed at their meeting held on October 31, 2005.

Principal Terms and Conditions of the Issue

The Equity Shares being offered are subject to the provisions of the Companies Act, Memorandum and Articles of the Company, the terms of this Prospectus, Application Form, and other terms and conditions as may be incorporated in the Letters of Allotment/Equity Share Certificates or other documents that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the Issue of capital and listing of Equity Shares offered from time to time by SEBI, Government of India, Stock Exchanges, RBI, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Application may be made by

- a) Indian nationals who are resident in India and are Adult Individuals and are not of unsound mind, in single name or joint names (not more than three)
- b) Hindu Undivided Families through the Karta of the Hindu Undivided Family
- c) Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares
- d) Indian Mutual Funds registered with SEBI
- e) Indian Financial Institutions & Banks
- f) Indian Venture Capital Funds / Foreign Venture Capital Funds registered with SEBI subject to the applicable RBI Guidelines and Approvals, if any.
- g) State Industrial Development Corporations
- h) Insurance Companies registered with Insurance Regulatory and Development Authority
- i) Provident Funds with minimum corpus of Rs.2500 Lakhs
- j) Pension Funds with minimum corpus of Rs.2500 Lakhs
- k) Trusts or Societies registered under the Societies Registration Act, 1860 or any other applicable Trust Law and are authorised under its constitution to hold and invest in Equity Shares of a Company
- l) Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India
- m) Permanent and Regular employees of the Company
- n) Non-Resident Indians (NRIs) on repatriation / non-repatriation basis
- o) Foreign Institutional Investors (FIIs) on repatriation / non-repatriation basis

Applications not to be made by:

- a) Minors
- b) Partnership firms or their nominees
- c) Foreign Nationals (except NRIs)
- d) Overseas Corporate Bodies (OCBs)

Applications by Hindu Undivided Families (HUF)

Applications may be made by Hindu Undivided Families (HUF) through the Karta of the (HUF) and will be treated at par with individual applications

Minimum and Maximum Application Size

Applications should be for minimum of 90 Equity Shares and in multiples of 90 Equity Shares thereafter. An applicant in the net public category cannot make an application for that number of Equity Shares exceeding the number of Equity Shares offered to the public. In the case of reserved categories, a single applicant in the reserved category can make an application for a number of Equity Shares, which exceeds the reservation.

Applicants should write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.

Availability of Prospectus and Application Forms

The Memorandum Form 2A containing the salient features of the Prospectus together with Application Forms and copies of the Prospectus may be obtained from the Registered Office of the Company, Lead Manager to the Issue, Registrar to the Issue and at the collection centres of the Bankers to the Issue, as mentioned on the Application Form NRIs / FIIs / Indian Mutual Funds & Indian and Multilateral Development Financial Institutions can obtain the Application Form from the registered office of the Company

Applications under Power of Attorney

In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds; a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Application Form subject to such terms and conditions as it may deem fit.

Instructions for Applications by NRIs/FIIs (on Repatriable Basis):

- (i) As per Notification No. FEMA 20 / 2000 -RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank, the Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation benefits.
- (ii) However, the allotment / transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws
- (iii) In case of application by NRIs on repatriation basis, the payments must be made through Indian rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non- Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Subscribers applying on a repatriation basis. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to NRE or FCNR account In case of application by FIIs on repatriation basis, the payment should be made out of funds held in Special Non-Resident Rupee Account along with documentary evidence in support of the remittance like certificates such as FIRC, bank certificate etc. from the authorised dealer. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to Special Non-Resident Rupee Account.
- (iv) Duly filled Application Forms by NRIs / FIIs will be accepted at designated branches of the Bankers to the Issue at Mumbai and New Delhi only.

Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges / commission. In case of applicants who remit their application money from funds held in NRE / FCNR accounts, such payments shall be credited to their respective NRE / FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the

applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa. Applications in this category may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

Instructions for applications by Indian Mutual Funds & Indian and Multilateral Development Financial Institutions:

- (i) A separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications. The applications made by the Asset Management Company or Trustees / Custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.
- (ii) Indian Mutual Funds & Indian and Multilateral Development Financial Institutions should apply in this Public Issue based upon their own investment limits and approvals.
- (iii) Application forms together with cheques or bank drafts drawn in Indian Rupees for the full amount payable at the rate of Indian Rs. 60 per share must be delivered before the close of subscription list to such branches of the Bankers to the Issue at places mentioned in the application form.
- (iv) A separate single cheque / bank draft must accompany each application form

Terms of Payment

The entire Issue price of Rs. 60 per share is payable on application only. In case of allotment of lesser number of Equity Shares than the number applied, the Company shall refund the excess amount paid on application to the applicants.

General Instructions for Applicants

1. Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so made. The prescribed application forms will have the following colours:

Category	Colour of Application Form
Net Offer to Public including Mutual Fund, NRIs /FIIs on non-repatriation basis	White
NRIs/ FIIs on repatriation basis	Pink

2. Thumb impressions and signatures in languages other than English/Hindi/Marathi or any other language specified in the 8th Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/her official seal.
3. Bank Account Details of Applicant, the name of the Applicant, Depository Participant's name, Depository Participant's Identification (DP ID) number and the Beneficiary account number provided by the Depository Participant must be mentioned correctly in the Application Form at the appropriate place. The Registrar will obtain the Demographic details such as Address, Bank account details and occupation from the depository participants. The refunds, if any, will be printed with the Bank details as given by the Depository participant. If bank account details are not provided it will make the application liable for rejection.
4. Applicants should write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity

Payment Instructions

1. Payments should be made in cash or cheque or bank draft drawn on any Bank (including a Co-operative Bank), which is situated at and is a member or a sub-member of the Bankers' "Clearing House", located at the Centers (indicated in the Application Form) where the Application is accepted. However, if the amount payable on application is Rs. 20,000/- or more, in terms of section 269SS of the Income-Tax Act, 1961; such payment must be effected only by way of an account payee cheque or bank draft. In case payment is effected in contravention of the conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon
2. Money orders, postal orders, outstation cheques or bank drafts, cheques/drafts drawn on Banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected.
3. A separate cheque/bank draft must accompany each application form

4. All cheques/bank drafts accompanying the application should be crossed “A/c Payee Only” and made payable to the Bankers to the Issue and marked: “Name of the Bank A/C Celestial Labs Ltd. - Public Issue”. (e.g., “HDFC Bank A/c Celestial Labs Ltd. - Public Issue”). A separate cheque/bank draft must accompany each application form. NRI application forms can be obtained, on request, from the Registered Office of the Company and the Lead Managers to the Issue. All cheques/bank drafts accompanying the application should be crossed “A/c Payee Only” and made payable to the Bankers to the Issue and marked: “Name of the Bank A/C Celestial Labs Ltd. - Public Issue- NRI/FIIs”. (e.g., “HDFC Bank A/c Celestial Labs Ltd.- Public Issue NRI/FIIs”). Employees can use the application forms meant for the General Public. All cheques/bank drafts accompanying the application should be crossed “A/c Payee Only” and made payable to the Bankers to the Issue and marked: “Name of the Bank A/C Celestial Labs Ltd. - Public Issue- Employees”. (e.g., “HDFC Bank A/c Celestial Labs Ltd.- Public Issue Employees”).
5. Investors will not have facility of applying through stockinvest instruments as RBI has withdrawn the stockinvest scheme vide notification no.DBOD.NO.FSC.BC.42/24.47.001/2003-04 dated 5/11/2003.

Submission of Completed Application Forms:

All applications duly completed and accompanied by cash/ cheques/ bank drafts shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. Application(s) should not be sent to the office of the Company or the Lead Manager to the Issue.

Applicants residing at places where no collection centers have been opened may submit/mail their applications at their sole risk along with application money due thereon by Bank Draft to the Registrar to the Issue, Karvy Computershare Private Limited superscribing the envelope “Celestial Labs Limited - Public Issue” so as to reach the Registrar on or before the closure of the Subscription List. Such bank drafts should be payable at Hyderabad only.

The Company will not be responsible for postal delays and loss in transit. The Company will not entertain any claims for damages or loss due to postal delays or loss in transit

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed application form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each application form.

Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

Other Instructions

1. Joint Applications in case of Individuals

Applications may be made in single or joint names (not more than three). In case of Joint Applications, refund, pay orders, dividend warrants etc. if any, will be drawn in favour of the first applicant and all communications will be addressed to the first applicant at her/his address as stated in the application form

2. Multiple Applications

An applicant should submit only one application form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/or first applicant is one and the same.

NRIs/ FIIs applying on a repatriation basis or Indian Mutual Funds & Indian and Multilateral Development Financial Institutions shall not make an application in the public category and such applications made in both the categories i.e. reserved category and Public Category shall be treated as multiple applications

The Company reserves the right to accept or reject, in its absolute discretion, any or all-multiple applications. Unless the Company specifically agrees in writing with or without such terms and conditions it deems fit, a separate cheque/draft must accompany each application form.

3. PAN / GIR Number

Where an application is for a total value of Rs. 50,000/- or more, the applicant or in case of applications in joint names, each of the applicants should mention his/ her/ their Permanent Account Number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/ Ward/ District should be mentioned. In case where neither the PAN nor the GIR Number has been allotted, or the applicant is not assessed to Income Tax, the appropriate box provided for the purpose in the application form must be ticked. Applications without this will be considered incomplete and are liable to be rejected.

4. Equity Shares in Demat Form with NSDL or CDSL

Recently, the Company has appointed M/s. Karvy Computershare Private Limited who will act as Registrar to the Issue, and will also become Share Transfer Agent of the Company once the connectivity with NSDL & CDSL is activated. To facilitate the connectivity with NSDL & CDSL through the newly appointed Registrar, the Company has initiated the process for signing of new tripartite agreements with both the Depositories and the Registrar to the Issue i.e. M/s. Karvy Computershare Private Limited.

- The applicant seeking allotment of shares in the electronic form must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) appearing under the heading 'Request for Shares in Electronic Form'.
- An applicant must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
- Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP).
- Names in the share application 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 account details in the depository

The Registrar to this Issue will directly send non-transferable allotment letters/refund orders to the applicant.

- Incomplete/incorrect details given under the heading 'Request for Shares in Electronic Form' in the application form shall be treated as an invalid application and shall be liable to be rejected.
- The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/her DP.
- It may be noted that the electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL.
- One-time cost of dematerialisation of shares would be borne by the Company. The one time cost refers to the demat charges for the shares opted for in this Issue by an investor in electronic form. Subsequent charges for dematerialisation of physical shares held by the investors would have to be borne by the investor.

5. Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post- Issue related problems such as non-receipt of letters of allotment / share certificates / credit of securities in depositories beneficiary account /refund orders, etc., Investors may contact Compliance Officer or Registrar to the Issue

For further instructions regarding application for the Equity Shares, investors are requested to read the application form carefully.

Disposal of Applications and Application Money

The Company reserves, in its own, absolute and uncontrolled discretion and without assigning any reason, the right to accept in whole or in part or reject any application. If an application is rejected in full, the entire application money received will be refunded to the applicant. If the application is rejected in part, excess of the application money received will be refunded to the applicant within 30 (thirty) days from the date of closure of the Issue. No interest will be payable on the application money so refunded. Applicants residing at 15 centres 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). Refund will be made by cheques or demand drafts drawn in favour of the sole/first applicant (including the details of his/her savings/current account number and the name of the bank with whom the account is held) to the Issue and will be dispatched by Registered Post/ Speed Post for amounts above Rs.1,500 and by Certificate of Posting otherwise. Such refund orders will be payable at par at all the collection centres.

The subscription received in respect of Public Issue will be kept in a separate bank account and the Company shall not have access to such funds unless approvals for dealing from all the Stock Exchanges, where listing has been proposed and approval of the Designated Stock Exchange for utilization has been obtained.

The Company has undertaken to make adequate funds available to the Registrar to the Issue for complying with the requirements of dispatch of Allotment Letters/Refund Orders by Registered Post/Speed Post.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:

“Any person who:

- a. Makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or
- b. Otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”

Interest on Excess Application Money

Payment of interest at rate of 15% per annum on the excess application money, after adjusting the amount due on allotment and unpaid calls will be made to the applicants, if the refund orders are not dispatched within 30 days from the date of closure of the subscription list.

Basis of Allotment

In the event of the Present Issue of Equity Shares being oversubscribed, allotment shall be made on a proportionate basis and the basis of allotment will be finalized in accordance with the SEBI Guidelines and in consultation with BSE (Designated Stock Exchange). The Executive Director/Managing Director of BSE along with the Lead Manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the following guidelines

Issue of Certificates

In terms of Sec 68B of the Companies Act, 1956, the Company will not issue any share certificates. Instead, the Company shall give credit to the beneficiary account with Depository participant within 2 working days of finalization of allotment of shares.

Proportionate Allotment Procedure

Allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size i.e. 90 Equity Shares

Reservation for Retail Individual Investor

The above proportionate allotments of Equity Shares in an Issue that is oversubscribed shall be subject to the reservation for Retail individual investors as described below:

- a) A minimum 50% of the net offer of Equity Shares to the public shall initially be made available for allotment to retail individual investors, as the case may
- b) The balance net offer of Equity Shares to the public shall be made available for allotment to:
 - i) individual applicants other than retail individual investors, and;
 - ii) other investors including Corporate bodies/institutions irrespective of the number of shares, debentures, etc. applied for.
- c) The unsubscribed portion of the net offer to any one of the categories specified in (a) or (b) shall/ may be made available for allotment to applicants in the other category, if so required.

The drawing of lots (where required) to finalize the basis of allotment, shall be done in the presence of a public representative on the Governing Board of BSE (Designated Stock Exchange).

The basis of allotment shall be signed as correct by the Executive Director/Managing Director of BSE (Designated Stock Exchange) and the public representative in addition to the Lead Manager and the Registrar to the Issue.

Letters of Allotment or Refund Orders

The Company shall give credit to the Beneficiary Account with Depository Participants within two (2) working days of finalization of the basis of allotment of Equity Shares. The Company Shall dispatch refund orders, if any, of value up to Rs.1,500 by “Under Certificate of Posting”, and will dispatch refund orders above Rs.1,500, if any , by Registered Post or Speed Post at the sole or first applicant’s sole risk. The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made within 30 days from the Issue closing date
- Dispatch of refund orders will be done within 30 days from the Issue closing date
- The Company shall pay interest at 15% per annum (for delay beyond 30 day time as mentioned above), if refund orders are not dispatched and/or demat credit are not made to investors within the 30 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Mode of making refunds

Applicants should note that on the basis of name of the Applicants, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository the Applicants bank account details including nine digit MICR code. Hence, Applicants 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 Applicants at the Applicants sole risk and neither the Lead Manager nor the Company shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference

1. NEFT

Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

2. ECS

Payment of refund shall be undertaken through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned fifteen centers.

3. Direct Credit

Applicants applying through the web/internet whose service providers opt to have the refund amounts for such applicants being by way of direct disbursement by the service provider through their internal networks, the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.

4. RTGS

Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 10 lakhs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

Note: We expect that all payments including where refund amounts exceed Rs. 10,00,000 (Rupees ten lakhs) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 10,00,000 (Rupees ten lakhs), refunds may be made through RTGS.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above.

Such refunds will be made by cheques, pay orders or demand drafts drawn on the Collection Banks and payable at par at places where application forms are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Applicants.

Dispatch of Refund Orders

The Company shall ensure dispatch of Refund Orders of value up to Rs.1500/- Under Certificate of Posting & Refund Orders of value over Rs.1500/- and Share Certificates by Registered Post/Speed Post only. The Company shall make further, adequate funds for the said purpose available to the Registrar.

Interest in Case of Delay in Dispatch of Allotment Letters / Refund Orders

The Company agrees that as far as possible allotment of Equity Shares offered to the public shall be made within 30 days of the closure of Public Issue. The Company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants within 30 days from the date of the closure of the Issue. However applications received after the closure of Issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest.

Undertaking by the Company:

The Company undertakes:

- i) That the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.
- ii) That all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the Equity Shares are to be listed are taken within seven working days of finalization of basis of allotment.
- iii) That the funds required for dispatch of refund orders/allotment letters/certificates by registered post shall be made available to the Registrar to the Issue by the Company.
- iv) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days of closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- v) That the promoter's contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription and the balance, if any, shall be brought in pro rata basis before the calls are made on public.
- vi) That the certificates of the Equity Shares / refund orders to the non-resident Indians shall be dispatched within specified time.
- vii) That no further Issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.

Utilization of Issue Proceeds

The Board of Directors of the Company certifies that:

- a. All monies received out of this Issue of Equity Shares to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Act;
- b. Details of all monies utilized out of the Issue referred to in sub-item(a) shall be disclosed under an appropriate separate head in the Balance Sheet of the Company indicating the purpose for which such monies had been utilized; and
- c. Details of all unutilized monies out of the Issue of Equity Shares, if any, referred to in sub-item(a) shall be disclosed under an appropriate separate head in the balance-sheet of the Company indicating the form in which such unutilized monies have been invested.

The Board of Directors of the Company further certifies that:

- (i) The utilization of monies received under promoter's contribution and reservations shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized.
- (ii) The details of all unutilized monies out of the funds received under promoter's contribution and reservations shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company undertakes that it shall not access the money raised in the Issue till finalization of basis of allotment or completion of offer formalities.

SECTION VIII- MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

SHARES

1. INCREASES AND REDUCTION IN CAPITAL

New Capital same as Existing Capital:

Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the existing capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

2. Redeemable Preference Shares:

Subject to the provisions of Section 80 of the Act, any preference share may be issued on the terms that they are, at the option of the company, liable to be redeemed on such terms and in such manner as the Company, before the issue of such shares, may by special resolution determine.

3. Restriction on Allotment:

- a) The Directors shall in making the allotments duly observe the provisions of the Act.
- b) The amount payable on application of each share shall not be less than 5 per cent of the Nominal amount of the share.
- c) Nothing herein contained shall prevent the Directors from issuing fully paid up shares either on payment of the entire nominal value thereof in cash or satisfaction of any outstanding debt or obligation of Company.

4. Increase of Capital by the Company and how carried into effect:

The Company in General Meeting may from time to time, increase the Authorized Capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amount as the resolution shall prescribe. The new share shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such shares may be issued with a preferential or qualified right to dividends and in the distribution of the Company and with a right of voting at General Meeting of the Company has been increased under the provisions of the Article, the Directors shall comply with the provision of Section 97 of the Act.

5. Provision to apply on issue of Redeemable Preference Shares:

On the issue of Redeemable preference Shares under the provisions or Article 5 hereof the following provisions shall take effect:

- a) No such shares shall be redeemed except out of profits of the Company, which would otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purpose of the redemption.
- b) No such shares shall be redeemed unless they are fully paid.
- c) The premium if any payable on redemption must have been provided for out of the profits of the Company or the Company's Share Premium Account before the shares are redeemed.
- d) Where any such shares are redeemed otherwise that out of the proceeds of a fresh issue, they shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called the "Capital Redemption Reserve Account" a sum equal to the normal amount of the shares redeemed and the provisions of the Act relating to the reduction of the Share Capital of the Company shall except as provided in section 80 of the Act, apply as if the Capital Redemption reserve Account were Paid-up Share Capital of the Company.
- e) The preference shares shall confer the rights on the holder thereof to be paid out of the profits that may at any time be determined to be distributed among member a fixed cumulative dividend at the rate as per the terms of the issue of such shares subject to payment of Tax, if any, on the capital for the time being a paid up thereon in priority to the equity shares;
- f) The preference shares shall confer the rights on the holders thereof on winding up, to the repayment of the capital and of any arrears of the fixed cumulative dividend set out in Clause (e) above, whether earned, declared or not, upto the commencement of the winding up in priority to the Equity Shares, out of the surplus assets of the Company, but shall not confer any further rights to participate in the profits or assets of the Company.

- g) In calculating any fixed percentages on the paid up capital of such preference shares, such percentages shall be calculated upto and as on the date of redemption;
- h) The preference shares shall be redeemable at par on the expiry of 18 years from the date of allotment thereof, but the Company may at its option and at any time after 8 years from the date of allotment of such preference shares, on giving not less than three months' notice to the holders of such shares redeem at par the whole or any part of the said shares together with a sum equal to the arrears, if any, of the fixed calculative dividend thereon whether earned, declared or not, upto the date of redemption thereof out of the moneys of the Company which may lawfully be applied for that purpose, provided that if the company shall at any time determine to redeem a part only of such shares for the time being outstanding, the shares to be so redeemed shall be determined by a draw to be made in such manner as may be decided by the Boards of Directors, provided that;
 - i) in no event Company shall create further preference share capital to rank in priority to the existing preference share;
 - ii) in the event of the Company creating and / or issuing shares in future any further preference shares ranking pari-passu with or subordinate to the said preference shares, it would do so only with the consent in writing of the holders of not less than three months of the said preference share then outstanding or with the sanction of a special resolution passed at a separate meeting of the holder of the said preference shares then outstanding;
- i) The company shall forthwith give to the holders of the shares liable for redemption notice in writing of its intention to redeem the same and fix a time and place for the redemption and surrender of the Certificates of the shares so to be redeemed;
- j) At the time and place is fixed each holder of such shares shall be bound to surrender to the Company the Certificate(s) for his shares to be redeemed and the Company shall pay to him the amount payable in respect of such redeemed and where any such certificate(s) comprises any share which are not liable for redemption the Company shall issue to the holder thereof a fresh Certificate and
- k) In the event of the Company creating and / or issuing preference shares in future ranking pari-passu with or in priority to the redeemable preference shares, it should do so only with the consent in writing of the holders of the said shares then outstanding or with the sanction of a special resolution passed at a separate meeting of such redeemable preference shares,

6. Reduction of Capital:

Subject to provisions of sections 78, 80, 100 to 105 and other applicable sections of the Act the Company in General Meeting may, from time to time, by Special Resolution reduce its Capital and any Capital Redemption Reserve Account or Securities Premium account in any manner for the time being authorized by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.

7. Sub-division and consolidation of Shares:

Subject to the provisions of Section 94 of the Act the Company in General Meeting may by an ordinary resolution, from time to time, sub-divide or consolidate shares, or any of them and the resolution whereby any share is sub-divided, may determine that, as between the holders of the resulting from such sub-division one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the others or other. Subject to aforesaid the company in General Meeting may by an ordinary resolution also cancel shares which have been taken or agreed of its share capital by the amount of the shares so cancelled.

8. Register and Index of Members:

The Company shall cause to be keeping an Index of Members in accordance with Section 150 and 151 of the Act.

9. Shares to be numbered progressively and no share to be sub-divided:

The Shares in the Capital shall be numbered progressively according to their several denominations and except in the manner herein before mentioned no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

10. Restriction on Allotment:

The Board shall observe the restriction as to allotment of shares to the public contained in Section 69 and 70 of the Act and shall cause to be made in return as to allotment provided for in Section 75 of the Act.

11. Further issue of Capital:

- a) Where at any time after the expiry of two years from the formation of the Company or at any time after expiry of one year from the allotment of shares made for the first time after formation, whichever is earlier, it is proposed to whether out of unissued share capital or out of increased share capital, then such further shares shall be offered to the persons who at the date of the offer, are holders of the shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those shares at that date. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than 30 days from the date of the offer within which the offer if not accepted will be deemed to have been declined. After the expiry of the time specified in the notice aforesaid or on receipt of either intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose them of in such manner as they think most beneficial to the Company.
- b) Notwithstanding anything contained in preceding sub-clause, the Company:
 - i) By special resolution or
 - ii) By an ordinary resolution and with the consent of the Central Government, issue further share(s).
- c) To any person or persons and such person or persons may not include the persons who at the
- d) Dates of the offer are the holders of the equity share of the Company.
- e) Notwithstanding anything contained in sub-clause (a) above, but subject, however, to Section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures issue or loans raised by the company to convert such debentures or loan into shares or to subscribe for shares of the Company.

12. Shares under control of Directors:

Subject to the provision of these articles and of the Act, the shares shall be under the control of the Directors, who may allot or otherwise dispose of the same to such person on such terms and conditions and at such times as the Directors think fit in full power to give any persons the option to call for or be allotted share of any class of the company either subject to the provisions of Sections 78 and 79 of the Act at a premium or at par or at discount and such option being exercisable for such time and for such consideration as the Directors think fit. The Board shall cause to be made the return as to allotment provided for in Section 75 of the Act, Provided that option or right to call of share not be given to any person except with the sanction of the Company in General Meeting.

13. Power also to Company in General Meeting to issue:

In addition to and without derogation from the powers for that purpose conferred on the Board under Articles 15 and 16, the Company in General Meeting may, subject to the provision of Section 81 of the Act, determine that any shares (where forming part of the original capital or of increased capital or of any increased capital of the company) shall be offered to such persons. (whether member or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of section 78 and 79 of the Act) at a premium or at par or at a discount, such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company either (subject to compliance with the provisions of Section 71 and 79 of the Act) at a premium or at par or a discount, such option being exercisable at such time and for consideration as may be directed by such General Meeting or the provisions whatsoever for issue, allotment or disposal of any share.

14. Acceptance of Shares:

Any application signed by or on behalf of an applicant for shares in the company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles and every person who thus or otherwise accepts any shares and whose name is on the Register shall, for the purposes of these Articles, be a Member.

15. Deposits and calls etc. to be a Debt payable immediately:

The money (if any) which the Board shall, on the allotment of any share being made by them; require or direct to be paid by way of deposit, call otherwise, in respect of any shares allotted by them shall immediately on the inscription of the name of the allottee in the Register of Members the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.

16. Liability of Members:

Every member or his heirs, executors or administrators, shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts at such times and such manner, as the Board shall, from time to time, in accordance with the Company's regulations require or fix for the payment thereof.

17. Share Certificates:

- a) Every Member or allottee of share be entitled without payment, to receive one certificate specifying the name of the person in whose favor it is issued, the shares to which it relates and the amount paid up thereon, such certificates shall be issued only in pursuance to a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issues against letters of acceptance or of renunciation or in cases of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of two Directors or persons acting on behalf of the Secretary or some other persons appointed by the Board for the purpose and the two Directors or their attorneys and the Secretary or some other persons shall sign the share certificate, provided that the composition of the Board permits of it, atleast one of the aforesaid two directors shall be a person other than a Managing or a whole time Director, particulars of every share, share Certificate issued shall be entered in the Register of Members against the name of the persons to whom it has been issued indicating the date of issue.
- b) Any two or more joint allottees of share shall, for the purpose of this Article be treated as a single member, and the Certificate or any share, which may be the subject of joint ownership, may be delivered to anyone of such joint owners on behalf of them. For any further certificate the Board shall be entitled but shall not bound to prescribe a charge not exceeding Rupee One. The Company shall comply with provisions of Section 113 of the Act.
- c) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment of other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp provided that the Directors shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

18. Renewal of Share Certificates:

- a) No Certificate of any share shall be issued either in exchange for those, which are subdivided or consolidated, or in replacement of those, which are defaced, torn, or old, decrepit, worn-out, or where the pages on the reverse for recording transfers have been duly utilized unless the certificate in lieu of which it is issued is surrendered to the Company. No fee shall be charged for a certificate issued in terms of this Article.
- b) When a new share certificate has been issued in pursuance of clause (a) of this Article it shall state on the face of it and against the stub or counterfoil to the effect that it is issued in lieu of share certificates Number subdivided / replaced /on consolidation of shares.
- c) If a share certificate is lost or destroyed, a new Certificate in lieu thereof shall be issued only with the prior consent of the Board and on payment of such fee, not exceeding rupees two as the Board may, from time to time, fix and on such terms, if any, as to evidence and indemnify as to payment of out of pocket expenses incurred by the Company in investigating evidence, as the Board think fit.
- d) When a new share certificate has been issued in pursuance of clause (c) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "Duplicate in lieu of Share Certificate No. XXXXX The word 'duplicate' shall be stamped or punched in bold letters across the face of the share certificate.
- e) Where a new share certificate has been issued in pursuance of clause (a) or clause (c) of this Article particulars of every such share shall be entered in a Register of Renewal and duplicate Certificate indicating against the name of the person to whom the certificate is issued, the number and the date of issue of share certificate in lieu of which the new certificate is issued and the necessary changes indicated in the Register of Members by suitable cross reference in the "Remarks" column.
- f) All blank forms to be issued for issue of share certificates shall be printed and printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine-numbered and the forms and the blocks, engraving, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the Secretary or such other person as the Board may appoint for the purpose and the Secretary or the other person aforesaid shall be responsible for rendering account of these forms to the Board.

- g) The Managing Director of the Company for the time being or if the Company has no Managing Director, every Director of the Company shall be responsible for the maintenance, preservation and safe custody of call books and documents relating to the issue of share certificate except the blank forms of share certificates referred to in sub-article (f).
- h) Call books referred in sub-article (g) shall be preserved in good order permanently.

19. The first name of joint holder deemed sole holder:

If any share stands in the names of two or more persons, the person first named in the Register shall as regards receipt of dividends or bonus, service of notices call or any other matter connected with the company, except voting at meetings and the transfer of the shares, be deemed the sole holder thereof but the joint holders of a share shall be severally as well as jointly, liable for the payment of all installments and calls due in respect of such share and for all incidents thereof according to the Company's regulations.

20. Company to recognize interest only of registered shareholder:

Company not bound to recognise any interest in share other than that of registered holder except as ordered by a court of competent jurisdiction as by law required, the company shall not be bound to recognize any 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, thereof; but the Board shall be at liberty at their sole discretion to register any share in the joint name of any two or more persons or the survivors of them.

21. Funds of company may be applied in Purchase of shares of the Company:

In the event it is permitted by law and subject to such conditions, approvals or consents as may be laid down for the purpose, the Company shall have the power to buy-back its own shares, whether or not there is any consequent reduction of capital. If and to the extent permitted by Law, the Company shall also have power to re-issue the shares so bought-back.

UNDERWRITING AND BROKERAGE

22. Commission may be paid:

Subject to provisions of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing, agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures in the Company, or procuring or agreeing to procure subscription (whether absolute or conditional) for any shares or debentures in the Company, but so that the commission shall not exceed in the case of shares five percent of the price at which the shares are issued and 2 1/2 percent of price at which debentures are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or partly in only way and partly in the other.

23. Brokerage:

The company may pay a reasonable sum for brokerage, which may be lawful.

24. Buy Back of Shares:

The company shall have power, subject to and in accordance with all applicable provisions of the Companies Act, 1956, to acquire/purchase any of its fully paid shares on such terms and conditions and up to such limits as may be prescribed in accordance with the law from time to time and may be determined by the Board from time to time and may make payment out of free Reserves and Surplus and/or Securities Premium Account and/or proceeds of any shares or other specified or such other funds as may be prescribed by the law in respect of such acquisition/purchase.

DEMATERIALISATION OF SECURITIES

25. Company to recognise interest in dematerialised securities under Depositories Act:

Either the Company or the investor may exercise an option to issue/deal in, hold the securities (including shares) with a Depository in electronic form and certificates in respect thereof shall be dematerialised in which even under the rights and obligations of the parties concerned and matters connected there-with or incidental thereof shall be governed by the provisions of the Depositories Act, as amended from time to time any statutory modification thereto or reenactment thereof.

26. Dematerialisation of Securities:

Notwithstanding any thing contained in these Articles the Company shall be entitled to dematerialise its existing securities, rematerialise its securities held in the Depositories and/or offer its fresh securities in a dematerialised form pursuant to the Depositories Act and the Rules framed thereunder, if any.

27. Options to receive security certificates or hold securities Depository:

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, 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 allottee as the beneficial Owner of the security.

28. Securities in Depositories to be in fungible form:

All securities held by a Depository shall be dematerialised 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 Owner.

DEPOSITORY IN RESPECT OF THE SECURITIES HELD BY IT ON BEHALF OF BENEFICIAL OWNERS

29. Rights of Depositories and Beneficial Owners:

- 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 (1) 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 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.

30. Beneficial Owner deemed as absolute owner:

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.

31. Depository to furnish information:

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.

32. Cancellation of certificates upon surrender by a person:

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.

33. Options to opt out in respect of any security:

- a) If a Beneficial Owner to seek opt out in respect of a Depository in any security, the Beneficial Owner shall inform the Depository accordingly.
- b) The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company.
- c) 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.

34. Service of Documents:

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.

35. Provisions of Articles to apply to shares held in Depository

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.

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.

INTEREST OUT OF CAPITAL

36. Interest may be paid out of Capital:

The Board may, if it thinks fit, agree to and receive from any Member willing to advance the same, all or any part of the amounts of his shares beyond the sums actually called up and upon the moneys so paid in Advance or upon so much thereof, from time to time, and at any time thereafter as exceeds the amount of calls then made upon and due in respect of the shares on account of which such advances are made, the Board may pay or allow interest on such rate not exceeding without the sanction of the Company in General Meeting, 9 percent per annum, as the member paying the sum in advance of calls shall not confer a right to dividend or to participate in profits. The Board may agree to repay at any time amount so advanced or may at any time repay the same upon giving the Member three months notice in writing.

37. VOTING ON ADVANCE CAPITAL:

No member paying any such sum in advance shall be entitled to voting right in respect of the money so paid by him until the same would, but for such payment, become presently payable.

CALL ON SHARES:

38. Directors may make calls

The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the condition of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as it thinks fit upon the Members in respect of all monies unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by installments.

39. Notice of calls

Thirty days notice in writing or the Company specifying the time and place of payment and the person or persons to who such call shall be paid shall give any call.

40. Calls to date from Resolution

A call shall be deemed or have been made at the time when the resolution authorising such calls was passed at a meeting of the Board.

41. Call may be revoked or postponed

A call may be revoked or postponed at the discretion of the Board.

42. Liability of the joint holders

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

43. Directors may extend time

The Board may from time to time at its discretion, extend the time fixed for the payment of any call and may extend such time as to all or any of the Members whom owing to their residence as at a distance or either cause, the Board may deem fairly entitled to such extension; but no member shall be entitled to such extension save as a matter of grace and favour.

44. Call to carry interest

If any Member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board not exceeding 18% per annum but nothing in this article shall render it obligatory for the Board to demand or recover any interest from any such Member.

45. Sums deemed to be calls

Any sum, which by the terms of issue of a share becomes payable and on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium shall for the purpose of these Articles be deemed to be a call duly made and payable on the dates on which by terms of issue the same become payable and in case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and noticed.

46. Proof on trial of suit for money due on shares

On the trial or hearing of any action or suit brought by the company against any member or his representatives for the recovery of any money claimed to be due to the company in respect of his shares, it shall be sufficient to prove that the name of the members in respect of whose shares the money is sought to be recovered, appears entered on the register of members as the holders at or subsequently to the date at which the money is sought to be recovered is alleged to have become due on the shares in respect of which such money is sought to be recovered that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the member or his representatives sued in pursuance of these articles and that it shall not be necessary to prove the appointment of directors who make such call, not that a quorum of directors was present at the Board at which any call was made, not that the meeting at which any call was made was duly convened or constituted not any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

47. Payment in anticipation of calls may carry interest

- a) The Board may if it thinks fit receive from any member willing to advance the same all or any part of the money due on the share held by him beyond the sums actually called for and upon the money so paid on advance or upon so much thereof as from time to time exceeds the amount of call then made upon, the shares in respect of which such advance has been made, the company may pay interest at such rates as the member paying such sum in advance and the Board agree upon money so paid in excess of the amount of call shall not rank for dividends or confer a right to participate in profits. The Board may at any time repay the amount so advanced upon giving notice to such member not less than three months in writing.
- b) No member paying any such sum in advance shall be entitled to voting rights in respect of the money so paid by him until the same would become presently payable.

LIEN

48. Company to have lien on share

The Company shall have a first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all monies (whether presently payable or not) called or payable at fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that Article 23 is to have full effect; and such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of share shall operate as a waiver of the Company's lien, if any, on such shares.

49. As to enforcing Lien of Sale

For the purpose of enforcing such lien the Board may sell the shares subject thereto in such manner as they shall think fit and for the purpose may cause to be issued a duplicate certificate in respect of such shares and may authorize one of their members to execute a transfer hereof on behalf of and in the name of such Member. No sale shall be made until period as aforesaid shall have arrived and until notice in writing of the intention to sell have been served on such member or his representatives and in default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

50. Applications or proceeds of sale

The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares at the date of the sale.

FORFEITURE OF SHARES

51. If money payable on shares is not paid Notice to be given to Member

If any Member fails to pay any call or installment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid the Board may, at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the installment and such interest due in respect thereof.

52. Form of Notice

The notice shall name a day (not being less than fourteen days from the date of the notice) and a place on and at which such call or installment and such interest thereon at such rate not exceeding 10 percent per annum as the Directors shall determine from the day on which such call or installment ought to have been paid or to be paid, the notice shall also state that in the event of non-payment on or before the time and to the place appointed, the shares in respect of which the call was made or installment is payable will be liable to be forfeited.

53. Partial payment not to produce Forfeiture

Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment or any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

54. In default of payment of shares to be forfeited

If the requirements of any such notice as aforesaid not be complied with every or any share in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interest be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other monies payable in respect of the forfeited share and not actually paid before the forfeiture.

55. Notice of Forfeiture to a member

When any share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof shall forthwith be made in the Register of Member, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

56. Forfeited Share to be property of the Company and may be sold

Any shares so forfeited shall be deemed to be the property of the Company and be sold, re-allotted, or otherwise disposed of, either to the original holder thereof or to any person, upon such terms and in such manner as the Board shall think fit.

57. Members still liable to pay Money owing at time of forfeiture and interest

Any Member whose shares have been forfeited shall, notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company on demands all calls, installments, interest in respect of such shares at the time of the forfeiture, together with interest thereon from time of the forfeiture, until payment at such not exceeding 10 percent per annum as the Board may determine and the Board may enforce the payment thereof if it thinks fit.

58. Effect of Forfeiture

The forfeiture of a share shall involve extinction, at the time of the forfeiture of all interest in and all claims and demands against the Company, in respect of the shares and all other rights incidental to the shares, except only such of those rights as by these Articles are expressly saved.

59. Evidence of Forfeiture

A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles and a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

60. Validity of Sale

Upon any sale after forfeiture, or for enforcing a lien in purported exercise of the powers herein before given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings nor to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the company exclusively.

61. Cancellation of share certificate in respect of forfeited shares

Upon any sale, re-allotment or other disposal under the provisions of the proceeding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect and the directors shall be entitled to issue a duplicate certificate in respect of the said shares to the person or persons entitled thereto.

62. Power to Annul Forfeiture

The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions, as it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES

63. Register of Transfers

The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer of transmission of any share.

64. Instrument of Transfers

The instrument of transfer shall be in writing and in the prescribed form under Companies (Central Governments) General Rules and Forms 1956. All the provisions of Section 108 of the Companies Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and the registration thereof.

65. To be executed by Transfer and Transferee

Every such instrument of transfer shall be executed both by the transferrer and the transferee and the transferrer shall be deemed to remain the holder of such share until the name of the transferee thereof is entered in the "Register of Transfers".

66. Transfer Books & Register of members when closed

The Board shall have power on giving not less than seven days previous notice by advertisement in a newspaper circulating in the district in which the registered office of the Company is situated to close the transfer books, the register of Member or register of Debenture holders such time or times and for such period or periods not exceeding thirty days at time and exceeding in the aggregate forty-five days in each year, as it may seem expedient.

67. Directors may refuse to Register Transfers

Subject to the provisions of Section 111 of the Act, Section 22 (a) of the Securities contracts (Regulation) Act, 1956 and to any other law for the time being in force, the Board may, within one month from the date on which the instrument of transfer was delivered to the Company, decline to register any transfer of shares and, in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve. If the Board refuses to register the transfer of any shares, Company shall within one month from the date on which the instrument of transfer was lodged with the Company send to the transferee and the transferrer notice of the refusal. 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 lien on shares.

68. Notice of application when to be given

Where in the case of partly paid shares, an application for registration is made by the Transferor the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

69. Death of one or more joint holders of Shares of survivors

In case of death of any one or more of the persons named in the Register of Members as the joint-holders of any share, the survivors shall be the only person recognised by the company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly, with any other person.

70. Title of Share of Deceased Member

The executors or administrators or holders of a succession certificate or the legal representatives of a deceased Member (not being one or two more joint holders) shall be the only person recognised by the Company as having any title to the shares registered in the name of such Member, and the company shall not be bound to recognise such executors, or

administrators or holder of a succession certificate or the legal representatives unless such executors or legal representatives shall have first obtained probate or Letter of Administration or succession Certificate as the case may be, from a duly constituted court in the Union of India; provided that in any case where the Board in its absolute discretion thinks fit, may dispense with reduction of probate or Administration or Succession Certificate, upon such terms so as to indemnify; or otherwise as the Board in its absolute discretion may think necessary and under Article 58 register the name of any person who claims to be absolutely entitled to the shares standing in the name of deceased Member, as a Member.

71. No Transfer to minor

No share shall in any circumstance be transferred to any minor, insolvent or person of unsound mind.

72. Registration of persons entitled to shares otherwise than by Transfer

Subject to the provisions of Articles 59 & 60, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency or any Members, or any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title, as the Board thinks sufficient, either be registered himself as such holder provided; nevertheless that if such person shall elect to have his nominee registered he shall testify the election by executing in favour of his nominee as instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the shares.

73. Persons entitled may receive dividend without being registered as Member

A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided, be entitled to receive, and may give discharge for, and dividends or other monies payable in respect of the share.

74. Fee on registration of transfer probate

A. No fee shall be charged for

- a) Registration of transfer of the Company's shares and debentures;
- b) Sub-division and consolidation of shares and debenture certificates and for sub-division of letter of allotment and split, consolidation, renewal and pucca transfer receipts into denominations corresponding to the market units of trading.
- c) Sub-division of renounceable letters of right.
- d) Issue of new certificates in replacement of those which are old, de-credit or worn out or where the pages on the reverse for recording transfers have been fully utilised;
- e) Registration of any power of attorney, probate, letters of administration or similar other documents.

B. Fee as agreed upon with the Stock Exchange will be charged for

- a) Issue of new certificates in replacement of those that are defaced, lost or destroyed;
- b) Sub-division and consolidation of shares and debentures certificates and for sub-division of letters of allotments and split, consolidation, renewal and pucca transfer receipts into denominations other than those fixed for the market unit of trading.

75. The Company not liable for Disregard of a Notice prohibiting Registration of a Transfer

The company shall incur no liability or responsibility whatsoever in consequence of the registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudices of persons having or claiming any equitable right, title, or interest to or in the said share, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entitled such notice, or referred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to if any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some books of the Company; but the Company, shall nevertheless be at liberty to regard and attend to any notice, and allot thereto if the Board think fit.

COPIES OF MEMORANDUM AND ARTICLES TO BE SENT TO MEMBERS

76. Copies of Memorandum and Articles of Association to be sent by the Company:

Copies of the Memorandum and Articles of Association of the Company and other documents referred to in Section 39 of the Act shall be sent by the Company to every member at his request within seven days of the request on payment of the sum of Rupees one for each copy.

BORROWING POWERS

77. Power of Borrowing:

Subject to the provisions of Section 292 of the Act and or these Articles, the Board may, from time to time at its discretion, by a resolution passed at a meeting of the Board, accept deposits from Members, either in advance of calls or otherwise, and generally raise or borrow or secure the payment or any sum or sum of money for the Company. Provided however where the monies to be borrowed together with the monies already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such monies without the consent of the Company in General Meeting.

78. The payment or repayment of monies borrowed:

The payment or repayment of monies borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit, and in particular by a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of debenture stock of the Company, charged upon all or any part of the property of the "company (both present and future) including its uncalled capital for the time being, and debentures, debentures stock and other securities may be made assignable from any equities between the Company and the person whom the same may be issued.

79. Terms of issue off Debentures:

Any debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on conditions that they shall be convertible into share of any denomination and with any privilege and conditions as to redemption surrender, drawing, allotment of shares on attending (but not voting) at General Meeting appointment of directors and otherwise. Debentures with right of conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting.

80. Register of Mortgage etc. to be kept:

The Board shall cause a proper Register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company and shall cause the requirements of Section 118, 135 and 127 to 144 (both inclusive) of the act in that behalf to be duly complied with.

81. Register and Index of Debenture Holders:

The Company shall if at any time issues debentures, keep a Register and index of Debenture.

MEETING OF MEMBERS

82. Annual General Meeting

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meeting in that year. All General Meetings other than Annual General Meeting shall be called Extraordinary General meeting, the first Annual General Meeting shall be held within eighteen months from the date of incorporation of the Company and next Annual General Meeting shall be held within six months after the expiry of the financial year in which the first Annual General Meeting was held and thereafter an Annual General Meeting shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. The notice calling the Meeting shall specify it as the Annual General Meeting. Every Member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the company shall have the right to attend, be heard which concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Directors Report and Audited Statement of Accounts. Auditors Report (if not already incorporated in the Audited Statement of Accounts), the proxy Register with Proxies and the Registers of Director's share holdings which latter register shall remain open and accessible during the continuance of the meeting. The Board shall prepare Annual list of Member, summary of the Share Capital, Balance Sheet and profit and Loss Account and forward the same to the Register of Companies, Andhra Pradesh, in accordance with Section 159, 161 and 220 of the Act.

83. Extraordinary General Meeting:

The Board may whenever it thinks fit, call an Extraordinary General Meeting and it shall do so upon a requisition in writing by any Member or Members holding in aggregate not less than one tenth of such of the paid up capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.

84. Requisition of Members to state object of Meeting:

Any valid requisition so made by Members must state the object or objects of the meeting proposed to be called and must be signed by the requisitionists and be deposited at the office; provided that such requisition may consist of several documents in lieu like from each signed by one or more requisitionists.

85. On receipt of Requisition Directors to call meeting and in default Requisition may be so:

Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting and if they do not proceed within twenty one days from the requisition being deposited at the Office to cause a meeting to be called on a day not later than 45 days from the date of deposit of the requisition, the requisitionists or such of their number as represent either a majority in value of the paid up-share capital held up by all of them or not less than one tenth of such of the paid up share capital of the company as it referred to in Section 169 (4) of the Act, whichever is less, may themselves call the meeting but in either case any meeting so called shall be held three months from the date of the delivery of the requisition as aforesaid.

86. Meeting called by Requisitionists

Any Meeting called under the “foregoing” Article by the requisitionist shall be called in the same manner, as nearly as possible as that in which meeting are to be called by the Board.

87. Twenty-one days Notice of Meeting to be given:

Twenty one day’s notice of at least of every General Meeting, Annual or Extraordinary, and by whomsoever called, specifying the day, place and hour of meeting and the General nature of the business to be transacted there at, shall be given in the manner hereinafter provided to such persons as are under these Articles entitled to receive notice from the Company, provided that in the case of an Annual General Meeting if any business other than (1) the consideration of the accounts, balance sheets and reports of the Board of Directors and Auditors, (ii) the declaration of dividend, (iii) the appointment of Directors in place of those retiring, (iv) the appointment of and fixing of the remuneration of the auditors, is to be transacted and in the case of any other meeting in any event, there shall be annexed to the notice of Meeting a statement setting out all material facts concerning each such item of business, including in particular the nature of the concern or interest if any, therein of every Director and the manager (if any) where any such item of business relates to or affects any other Company, the extent of share holding interest of every director and Manager, if any, of the Company. Where any item of business consists of the according of approval to any document by the meeting the time and place where the document can be inspected shall be specified in the statement aforesaid.

88. Omission to give notice not invalidate a Resolution passed:

The accidental omission to give any such notice as aforesaid to any members, or the non-receipt thereof, shall not invalidate any resolution passed at such Meeting.

89. Business mentioned in the Notice only to be discussed

No General Meeting, Annual or Extraordinary shall be competent to enter into, discuss or transact any business, which has not been mentioned in the notice or notices upon which it was convened.

90. Quorum at General Meeting:

Five Members present in person shall be quorum for General Meeting. A body corporate being a member shall be deemed to be personally present, if it is represented in accordance with Section 187 of the Act. No business shall be transacted at any General Meeting unless the requisite quorum shall be present.

91. If quorum, not present meeting to be dissolved/adjourned:

If within half an hour from the time appointed for holding a Meeting of the Company, a quorum shall not be present, the meeting if convened or upon the requisition of Members, shall stand dissolved, but in any other case the Meeting shall stand adjourned to the same day in the next week or if that day is public holiday until the next succeeding day which is not a public holiday at the same time and place or to such other day time and place within the city in which the office is situated as the Board may determine and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting the members present shall be quorum to transact the business of the meeting was called.

92. Chairman of General Meeting

The Chairman of the Board of Directors shall be entitled to take the chair at every General Meeting or if there be no such chairman, or if at any meeting he shall not be present within 30 minutes of the time appointed for holding such meeting or is unwilling to act, the Directors present shall elect one from amongst themselves to be the chairman of the meeting in default of their doing so, the members present shall choose a Director as Chairman, and if no Director present or if all directors present decline to take the chair, then the members present shall choose one of their members to be the chairman.

93. Business confined to election of Chairman whilst Chair:

No business shall be discussed at any General Meeting except the election of a Chairman, whilst the chair is vacant.

94. Chairman with consent may adjourn meeting:

The chairman with the consent of the meeting may adjourn any meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting in which the adjournment took place.

95. Question at General Meeting how decided:

At any General Meeting a resolution put to vote of the meeting shall be decided on a show of hands, unless poll is (before or) on the declaration of the result of the show of hands demanded by at least five Members having the right to vote on the resolution and present in person or by proxy, or by the Chairman of the Meeting or by any Member or Members holding not less than one tenth of the total voting power in respect of the resolution has, in a show of hands, been carried unanimously, or by a particular majority, or lost and an entry to that effect in the Minute Books of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

96. Chairman to have casting vote:

In the case of an equality of votes the Chairman shall both on a show of hand and at a poll (if any) have a Casting vote in addition to the vote or votes to which he may be entitled as a Member.

97. Poll to be taken if demanded:

- a) Before or on the declaration of the result of the voting on any resolution on a show of hands, poll may be ordered to be taken by the chairman of meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the company which confer a power in respect of the resolution, or on which an aggregate sum of not less than fifty thousand rupees has been paid up.
- b) The person or persons who made the demand may withdraw the demand for a poll at any time.

98. Scrutineers at poll:

Where a poll is to be taken the Chairman of the Meeting shall appoint two scrutineers to scrutinise the voter given on the poll and to report there on to him. One of the scrutineers so appointed shall always be a member (not being an officer or employee of the company) present at the meeting, provided such a Member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of scrutineer arising from such removal or from any other cause.

99. In what case poll taken without Adjournment:

Any poll duly demanded on the election of Chairman of a meeting or on any question of adjournment shall be taken at the meeting forthwith.

100. Demand for poll not to prevent transaction of other Business:

The demand for a poll except on the question of the election of the Chairman and of an Adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTE OF MEMBERS

101. Votes of Members in Areas not to vote:

No member shall be entitled to vote either personally or by proxy for another Member at any General Meeting or a class of share holders either upon a show of hands or upon a poll in respect of any share registered in his name on with any calls or other sums presently payable by him have been paid or in regard to which the Company has exercised, any right of lien.

102. Number of votes to which member entitled:

Subject to provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being forming part of the Capital of the Company every Member, not disqualified by the last proceeding Article shall be entitled to be present and to speak and vote at such meeting, and on a show of hands every Member whether present in person or by proxy shall be in proportion to his share of the paid up equity capital of the Company provided, however, if any preference share holder be present at any meeting of the Company, same as provided in clause (b) of sub-section (2) of Section 87, he shall have a right to vote only on resolution placed before the meeting which directly affects the rights attached to his preference shares.

103. Casting Vote by a member entitled to more than one vote

On a poll, the Directors of the Company 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 meeting of the Board are ordinarily held. An alternate Director shall vacate office if any when the original Director returns to state, any provision in the Act or in these Articles for the automatic re-appointment of retiring Director in default or of another appointment shall apply to the original Director and to the Alternate Director.

104. Vote of Joint Members

If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint any other person (whether a member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting, and if more than one of such joint holders be present at any meeting then one of the said persons so present whose names stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the joint holders shall be entitled to be present at meeting. Several executives of administrators of the deceased member in whose name shares stand shall be for the purpose of these Articles deemed joint members thereof.

105. Vote in respect of deceased and insolvent Member

Any person entitled under Article 62 to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty eight hours at least before the time of holding the meeting or adjourned meeting as the case may be, at which he proposes to vote, he shall satisfy the Directors of his rights to transfer such shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

106. Appointment of Proxy:

Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of the Corporation, or be signed by an officer or an attorney duly authorised by it, and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meetings.

107. Proxy either or specified meeting or for a period

An instrument of proxy may appoint either for the purpose of particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every meeting of the Company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.

108. Proxy to vote only on a poll:

A member present by proxy shall be entitled to vote only on a poll.

109. Validity of votes given by proxy notwithstanding death of member

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or any Power of Attorney under which such proxy was signed, or the transfer of the share in respect of which such proxy was signed, or the transfer of the share in respect of which the vote is given provided that no intimation in writing of the death or insanity, revocation of transfer shall have been received at the once before the meeting.

110. Voting in person or by Proxy:

Subject to the provisions of these Articles votes may be given either personally or by proxy. A body corporate being a member may vote either by a proxy or by a representative duly authorised with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member.

111. No proxy except for a Body Corporate to vote on a show of hands:

No member present by proxy shall be entitled to vote on a show of hands, unless such Member is a body Corporate present by a proxy who is not himself a Member, in which case such proxy shall have a vote on the show of hands as if he were Member.

112. Deposit Instrument of Appointment:

The instrument appointing proxy and the power of attorney or other authority (if any) under which it is signed or notary certified copy of that power or authority, shall be deposited at the office not later than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after expiration of twelve months from date of execution.

113. Form of Proxy:

Every instrument of proxy whether for a specified meeting or otherwise shall, as early as circumstance will admit be in any of the form set out in Schedule IX of the Act.

114. Time for objection of votes:

No objection shall be made to the validity of any vote, except at the meeting or poll at which such vote shall be tendered and every one whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all-purpose of such meeting or poll whatsoever.

115. Chairman of any meeting to be judge of validity of any vote:

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

116. Minute of General Meeting and Inspection thereof by Members:

- a) The Company shall cause minutes of proceedings of every General Meeting to be kept in accordance with Section 193 of the Act.
- b) Any such minutes shall be evidence of the proceedings recorded therein.
- c) The book containing the minutes of proceedings of General Meetings shall be kept at the office and shall be open, during business hours, for such periods not being less than two hours in each day as the Director may determine to the inspection of any Member without charge.

DIRECTORS

117. Number of Directors

Until otherwise determined by General Meeting, the number of Directors shall neither be less than three nor more than twelve inclusive of the ex-officio Directors, nominee Directors, Technical Directors, Special Directors and Debenture Directors, alternate whole time and additional directors, if any.

118. First Directors

The following shall be the First Directors of the Company.

K. Rajani Kanth

Vijay Marur

119. Power to appoint Ex-Official Director

Whenever Directors enter into a contract with any Government, Central or Local Authority, institution or any person or persons for borrowing any money for providing any guarantee or security or for technical collaboration or assistance or for underwriting or enter into any other arrangement whatsoever, the Directors shall have subject to the provisions of Section 255 of the Act, the power to agree that such government authority, institution, person or persons shall have the right to appoint or nominate by a notice in writing addressed to the Company one or more Directors on the Board for such period and upon such conditions as may be mentioned in the agreement and that such Director or Directors may not be liable to retire nor be required to hold any qualification shares. The Directors may also agree that any such Director or Directors may be removed from time to time by the Government institution, person or persons entitled to appoint or nominate them and such person or persons may appoint or nominate them and such persons or persons may appoint another in his or their place and also fill in any vacancy, which occurs as a result of any such Director or Directors ceasing to hold that office for any reason whatever. The Directors appointed to nominate under this Article shall be entitled to exercise and enjoy all of any of the rights and privileges exercised and enjoyed by the Directors or the Company including the payment or remuneration and travelling expenses to such Director or Directors as may be agreed by the Company with such person or persons aforesaid.

120. Directors may fill up vacancies and add their number

Subject to the provisions of Section 260, 261 and 234 (6) of the Act, the Directors shall have power at any time and from time to time to appoint any person as a Director either to fill a casual vacancy or as addition to the Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed as above. Any Director appointed to fill a casual vacancy shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it has not been vacated. Any person appointed as an additional director shall hold office only upto the conclusion of the next Annual General Meeting of the Company, but he shall be eligible for re-appointment at such meeting.

121. Tenure of Office of substitute Directors or Additional Directors

Without prejudice to the powers of directors under Article 99 the company in General Meeting may appoint any person to be a Director either to fill casual vacancy or as an addition to the Board. A person appointed to fill a casual vacancy shall hold office only upto the date on which the Director in whose place he is appointed, would have held office if he had not been vacated.

122. Appointment of Alternate Directors

The Directors of the Company 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 meeting of the Board are ordinarily held. An alternate Director shall vacate office if any when the original Director returns to state, any provision in the Act or in these Articles for the automatic re-appointment of retiring Director in default or of another appointment shall apply to the original Director and to the Alternate Director.

123. Special Directors

- i. Subject to the provisions of Section 255 of the Act, the Company may, as result of special arrangement arrived at with any person or body corporate, allow such persons Body Corporate's nominating (including power to replace or remove) representative on the Board of the Company.

This discretion shall vest in Board of Directors.

- ii. The Directors appointed under the provisions of Sub-Clause I) above shall be deemed ex-officio Director within the meaning of these Articles. The ex-officio Directors as aforesaid shall not be liable to retire by rotation nor shall their number be taken into account for determining the number of Directors liable to retire by rotation.
 - a) Notwithstanding anything to the contrary contained in these Articles, (but subject to the provisions of the Act) so long as any monies remain owing by the Company to the Industrial Credit and Investment Corporation of India Limited (I.C.I.C.I), Industrial Development Bank of India (I.D.B.I), Industrial Finance Corporation of India (I.F.C.I.), Life Insurance Corporation, any other Credit Corporation, or Body (each of which ICICI, IDBI, IFCI, Finance Corporation, Credit Corporation or Body is hereinafter in this Article referred to as "The Corporation) to of any loans granted by them to the Company by direct subscription or private placement or so long as the Corporation holds any Equity and or/preference shares of the Company as a result to underwriting and/or direct subscription the corporation shall have a right to appoint from time to time, any person

as no-whole time Director (which Director is herein after referred to as Corporation) on the Board of Directors of the Company and to remove from such office any person so appointed and to appoint any other person in his place.

- b) The Corporation Director appointed as aforesaid shall not be required to hold any share qualification in the Company nor shall he be liable to the provision of retirement of Director rotation. Subject as aforesaid, the Corporation Director shall be entitled to the rights and privileges which are subject to the same obligations as any other non-whole time Director of the Company.
- c) The Corporation Director appointed as aforesaid shall hold office so long as any monies remain owing by the Company to the Corporation or so long as the Corporation hold Debentures in the Company as a result of direct subscription or private placement or as long as the Corporation hold any equity/or preference Shares of Company as a result of underwriting and/or direct subscription and the Corporation Director appointed as aforesaid shall ipso facto/vacate office immediately the monies owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures or Shares in the Company.
- d) The Corporation Director appointed by the Corporation under this Article as well as the Corporation shall be entitled to receive notices of all General Meetings of the Committee of which the Corporation Director is a Member meeting of the Board of Committees at a venue in municipal limits whereof, he is not ordinarily a bonafied resident. The Directors shall be entitled for reimbursement for any travelling and other expenses incurred in connection with the business of the Company.

124. When the Office of Director to be vacated

The Office of Directors shall be vacated on happening of any of the following:

- a) He is found to be of unsound mind by a Court of Competent jurisdiction; or
- b) He is adjudged an insolvent; or
- c) He applies to be adjudicated as insolvent; or
- d) He fails to pay any call made on him in respect of shares of the Company held by him whether alone or jointly with others, within six months from the date fixed for the payment of such calls unless the Central government has by notification in Official Gazette removed the disqualification incurred by such failure; or
- e) If the provision of the Section 314 (1) are contravened and therefore, he is deemed to have vacated office under sub-clause (2) of Section 314 of the Act; or
- f) He becomes disqualified by an Order of court under Section 203 of the Act; or
- g) He (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner of any Private Company of which he is a director, accepts a loan or any guarantee or security for loan from the Company in contravention of Section 295 of the Act; or
- h) He is removed in pursuance of Section 284 of the Act; or
- i) He acts in contravention of Section 299 of the Act; or
- j) He is convicted by a Court of any offence involving moral turpitude and is sentenced in respect hereof to imprisonment for not less than six months; or
- k) He absents himself from three consecutive meetings of the Board of Directors or from all meetings of the Board for a continuous period of three months whichever is longer, without obtaining leave of absence from the Board; or
- l) He having been appointed a Director by virtue of his holding any office or any employment in the Company ceases to hold such office or other employment in the Company.

125. Directors may contract with the Company

- 1) Director or his relative, a firm in which such Director a relative is a partner, any other person in such Firm, or Private Company of which the Director is member or Director may enter into any contract with the company for sale, purchase or supply or any goods, materials or services of for underwriting the subscription of any shares, in or debentures of the Company provided that the sanction of the Board is obtained before or within three months of the date on which the contract is entered into in accordance with Section 297 of the Act.

2) No sanction however shall be necessary to

- a) Any purchase of goods and materials from the company, or the sale off goods or materials to the company by any such Director, relative, firm, partner or Private Company as aforesaid for cash at prevailing market prices; or and also minutes of such meetings. The Company shall pay the Corporation Director normal allowances, other remuneration, travelling and boarding expenses as applicable to other non-whole time Directors of the Company provided that if such Corporation Director is an Officer of Reserve Bank of India (RI) or IDBI otherwise decides on sitting fees or any other remuneration shall be payable to him but that the Company shall reimburse RBI or IDBI as the case may be, the amounts paid or payable under the rules of RBI or IDBI to such Corporation Director on account of travelling and halting allowances and any other expenses for attending any General Meeting or Meeting of the Board or Committee of the Company.
- b) In connection with any Collaboration arrangement with any Company or Corporation or any firm or person for supply of technical know-how and/or machinery or technical advice the Directors may authorise such Company Corporation, firm or person (hereinafter in this clause referred to as "Collaborator") to appoint, from time, any one or more person (s) as Director (s) of the Company (hereinafter referred to as "Special Director(s)") and may agree that such Special Director(s) shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for the office of such Director so however that such Special Director(s) shall not hold office so long as such collaboration arrangements or at any time thereafter. The collaborator may at any time from time to time remove any such Special Director (s) appointed by it and may at the time of such remover and also the case of death or resignation of the person so appointed, at any time, appoint any other person (s) as Special Director (s) in his place and such appointment or removal shall be made in writing sign by such Company or Corporation or any Partner or such person and shall be delivered to the Company at its Registered Office. It is clarified that every Collaborator entitled there may be at any time as many, Special Directors as the Collaborators are eligible to make the appointment. Every Collaborator entitled to appoint Directors under the Article may appoint one or more person (s) as Director (s).

126. Debenture Directors

If it is provided by the Trust Deed securing or otherwise in connection with any issue or debentures of the Company that any person or persons shall have power to nominate a Director of the Company then in the case of any and every such issue of debentures, the person or persons having such power may exercise such power accordingly. Any Director so appointed it herein referred as Debenture Director. A debenture director may be removed from office at any time by the person or person in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not retire by rotation.

127. Qualification Shares

No share qualification shall be necessary for any Director.

128. Remuneration of Director

The remuneration of every Director, inclusive of the Alternate Director, if any and the Debenture Director, if any, or a Special invitee if any, shall be such sum as may be prescribed by the Act or the Central Government from time to time for every meeting of the Board or a Committee of Directors attended by him. Notwithstanding any thing contained in the Article the Directors may at any time and from time to time at their absolute discretion resolve, without being bound to do so, for reasons of commercial expediency, to waive or forge a part or the whole of the remuneration payable to one or more of them under the aforesaid Article.

129. Special remuneration of Director performing extra service whole-time Directors

- a) If any director being willing shall be called upon to leave and reside away from his usual place of residence on the Company' business, or to perform extra services (which expression shall include the work done by a Director in signing certificates or Debentures issued by the Company; or work done by him as a member of any Committee appointed by the Directors in terms of these Articles) the Directors may have an arrangement with such a Director for special remuneration for the extra services performed either by way of salary or commission; or by way of participation in profits or by a fixed sum of money and such remuneration may be either in addition to or in lieu of his remuneration.

- b) A director shall also be paid in addition to the fee for attending meetings of the Board and Committee, a fair compensation to cover his travelling, lodging, boarding and other expenses incurred by him in the process of attending the (b) any contract or contracts between the Company on one side and any such director, relative, firm, partner, or Private Company on the other for sale, purchase, or supply of any goods, materials and services in which either the Company as the case may be regularly trades or does business where the value of the goods and materials of the cost of such services do not exceed Rs. 5,000/- in the aggregate in any Comprised in the period of contract or contracts.
- c) Provided that in circumstances of urgent necessity, the company may without obtaining the consent of the Board enter into any such contract or contracts with the Director relative firm, partner or private company even if the value of such goods or materials or the costs of such services exceed Rs. 5000/- in the aggregate in any years comprised in the period of the agreement in the consent of the Board shall be obtained to such contracts at a meeting within three months of the date on which the contract was entered into.

130. Disclosure of interests

A Director of the Company whether directly or indirectly, concerned or interested in a contract or arrangement entered into, or a proposed contract or arrangement entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299(2) of the Act; provided that it shall not be necessary for Director to disclose his concern or interest in any contract arrangement entered into or be entered into with any other company where any of the Directors of the Company or any such other company where any or more of them together holds or hold not more than two percent of the paid-up share capital in any such other company or the company, as the case may be. A General Notice given to the Board by the Director, to the effect that he is a Director or member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice be entered to with that body corporate or form shall be deemed to be a sufficient disclosure. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time by a fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice and no renewal thereof shall be of effect unless, either it is given at a meeting of the Board or the director concerned takes reasonable steps to secure that is brought up and read at the first meeting of the Board after it is given.

131. Interested Directors not to Participate or vote in Board's proceedings

No director shall as a Director, take part in the discussion of or vote on any contract or arrangement entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly concerned or interested in such contract or arrangement nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void; provided that the Board, or any or its member may vote on any contract or indemnity against loss which it or any one or more of its number may suffer by reason for becoming or being sureties of surety for the Company; provided however that nothing herein contained shall apply to (a) any contract or indemnity against any loss which the Directors or any one or more of them suffer by reason of becoming or becoming sureties or a surety for the Company; (b) any contract or arrangement entered into or be entered into with a public Company or a private company which is a subsidiary of public company in which the interest of the Director consists solely.

- 1. In his being
 - a. A director of such company, and
 - b. the holder of not more than shares of such number value therein as is requisite to qualify him for appointment as director thereof he having been nominate a such Director by the Company; or
- 2. In his being a member holding not more than 2% of its paid-up share capital.

132. Register of Contracts in which Director are interested

The Company shall keep a register in accordance with Section 301 (1) of the Act and shall within the time specified on Section 301 (2) of the Act enter there in such of the particulars as may be relevant having regard to the application thereto of Section 297 or Section 299 of the Act as the case may be the Register aforesaid shall also specify, in the bodies corporate and firms of which notice has been given by him under Article 197. The register shall be kept at the Registered Company and shall be open to inspection at such office, and extracts may be taken there from and copies there of may be obtained by any member of the company to the same extent in the same manner as on payment of the same fee as in the case of the Register of Members; of the Company and the provisions of Section 163 of the Act shall apply accordingly.

133. Retirement and Rotation of Directors

At every Annual General Meeting of the Company, one third of such of the Director not being whole time Director, as appointed under Act 114 for the time being as are liable to retire by rotation or if their number is not there or multiple of three the number nearest to one-third shall retire from office.

134. Ascertained of Director retiring by Rotation and filling of Vacancies

Subject to Section 256 of the Act the Directors to retire by rotation at every Annual General meeting shall be those who have been longest in office since last appointed but as between persons who become directors on the same day, those who are to retire shall, in default of or subject to any agreement among themselves, be determined by lot.

135. Eligibility for Reelection

A retiring Director shall be eligible for re-election.

136. Board may appoint Managing Director, Joint Managing Director, and Whole-time Directors

Subject to the provisions of the act, the Board shall have power to appoint from time to time one or more or their body to the office of the Managing Director and /or joint Managing Director and/or joint Managing Director and/or whole-time director for such period and on such terms and as they think fit such periods not exceeding five years at a time. A Director so appointed shall not whilst holding that office be subject to retirement by rotation. The Board may by resolution vest in such Managing Director, Joint Managing Director, Whole-time Director such the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as it may determine.

137. Powers of Managing Director, Joint Managing Director, Whole-time Directors

Without prejudice to the general power conferred upon in these articles, the Managing Director, Joint Managing Director, Whole-time Director shall have any or all of the following powers as may be delegated to him or to them by the Board of Directors from time to time subject to the provisions of Section 292 of the Act and subject to the supervision and control of the director.

- 1) To carry on the business of the Company in any manner beneficial to the Company and to provide for the Management of the affairs of the Company in any specified locality in or outside India and to delegate to persons incharge or the local management such powers as the General Meeting may decide.
- 2) To pay the costs, charges and expenses, preliminary and incidental to the promotion, formation, establishment and registration of the Company and subsequent to the registration fees and stamps paid in respect thereof and the cost of advertising, printing, stationery, brokerage, legal charges, furniture and fittings of office and such other costs.
- 3) To sell for cash or on credit and either wholesale or in retail and for ready on future delivery and release the proceeds off sale of property movable or immovable or any rights or privileges belonging to the Company or in which the company is interested or even which company may have any such power disposal and to exchange any such property or right, belonging to the Company for other property of rights.
- 4) To appoint at any time and from time to time by power of Attorney or otherwise any person or persons to be the Attorney of the Company for such purpose and with such powers and authorities and directions and for such period and subject to such condition as the Managing Director may from time to time think fit, with powers for such Attorney or Attorneys to sub-delegate all or any of the powers, authorities and discretion's vested in the Attorney or Attorneys for time being.
- 5) To execute all deeds, agreements, contracts, receipts and other documents that may be necessary or expedient for the purpose of the Company and to make and give receipts release and other discharges for months or property received in usual course of business of the Company or rent or payable to or belonging to the Company and for the claims and demands of the Company.
- 6) To institute, conduct, defend, compound or abandon an action suits, legal and taxation proceedings by or against the Company or its officer or otherwise concerning the affairs of the Company and also to compound or compromise or submit to arbitration the same actions, suits, and legal proceedings.
- 7) To enter into vary or cancel all manner or contracts on behalf of the Company.
- 8) To invest subject to the provisions of Section 49 of the Companies Act, 1956, all monies and properties of the Company on such terms and in such manner as the Managing Director thinks fit and to alter vary or release by sale mortgage, or otherwise such investments from time to time.

- 9) To engage and in his discretion to remove, suspend, dismiss and remunerate bankers, legal advisers, accountants, office managers, clerks, agents, commission agents, dealers, brokers, foremen, servants, employees of every description and to employ such professional or technical or skilled assistants as from time to time may in his opinion be necessary or advisable in such interest of the Company and such terms as to duration of employment, remuneration or otherwise and may require security in such a instance and to such amounts as the Managing Director thinks fit.
- 10) To acquire by purchase, lease, exchange, pledge, hypothecation or otherwise transfer land, estates, buildings, office, show rooms and other buildings in the State of Andhra Pradesh or otherwise, machinery entire plant, rolling stock, tools, machine tools outfits, stores, hardware and any other materials of whatever description either on credit or for cash and for present or future delivery.
- 11) To plan, develop, improve, cut down process, sell or otherwise dispose of the products of the Company and to incur all expenses in this behalf.
- 12) To erect, maintain, repair, equip, alter and extend building and machinery in the State of Andhra Pradesh or in any other place.
- 13) To enter into all such negotiations and contracts and rescind and vary all such contractors and to do all such acts, deeds and things in the name and on behalf of the company as he may consider expedient for or in relation to any of the matters aforesaid or otherwise for the Company.
- 14) To pay all money due by the Company and look after the finance of the Company.
- 15) To open current and time deposit accounts or other accounts with bankers at his choice and to operate on such accounts and also when necessary to overdraw or take loans on such accounts on the security of the Company or of any of its assets.
- 16) To draw, accept, enforce, discount, negotiate and discharge on behalf of the Company all bills of exchange, promissory notes, cheques, hundies, drafts, railway receipts, dock warrant delivery orders, Government promissory notes, other Government instruments, bonds, Debentures or debenture stock or corporation, Local Bodies, poor Trusts, Improvement trust or other Corporate Bodies and to execute transfer deeds for transferring stock, shares or stock certificates of the Government and other local or corporate bodies in connection with any business or any subject of the Company.
- 17) To borrow from time to time such sums of money for the purpose of the Company upon terms as may be expedient and with or without security.
- 18) To make loans from time to time upon terms and of such sums as may be expedient, with or without security.
- 19) To receive and give effectual receipt and discharge on behalf of and against the Company for monies, funds, and goods or properly lend, payable or belonging to the Company or for advances against the goods of the Company.
- 20) To make or receive advance of money, machinery, plants and other things by way of sale, mortgage, hypothecation, lien pledge, deposit or otherwise in such manner and on such terms as may deem it.
- 21) To submit to arbitration and enforce the fulfillment of awards regarding any claims which the Company may be interested, to adjust, settle or compromise and claims due to or the Company and to give to debtors of the Company time for payment.
- 22) To institute appear in or defend any legal proceedings in the name and on behalf of the company to sign any pledging and wakalat nama other documents, engage and to instruct any Advocate, Solicitors and Lawyers and to execute any or other authority in their favour and to compound and compromise any claim suit and proceedings.
- 23) To make all manner of insurance.
- 24) To delegate all or any of the powers authorities and discretions for the time being vested in the Managing Director and Joint Managing Director and also from time to time provided by the appointment of an Attorney or Altos to sign, seal, execute, deliver register or case to be registered all instruments, deeds, documents going usually necessary or expedient for any of the purpose of the Company not requiring for Common Seal of the company.

- 25) To provide for the welfare of the employees or ex-employees of the Company and their wives, widows and families or dependents of such person by buildings, houses, dwellings or by grants of monies, pensions, gratuities, subscribing for trusts and by subscribing towards places of instruction and recreation, hospital and dispensaries, medical and other attendances and other assistance as the Company shall think fit and to subscribe or contribute or otherwise to assist or guarantee money to charitable benevolent, religious, scientific, national, educational or other institutions or objects which shall have in the opinion of the Company either by reason of loyalty or operation or of public and general utility or otherwise.

138. Restriction of Management. The Managing Director or Managing Directors not to exercise the powers

- a) Make calls on shareholders in respect of money unpaid or other shares in the Company and;
- b) Issue of debentures and except to the extent mentioned in the resolution passed at the Board Meeting under Section 292 of the Act.

139. Special Position of Managing Director, Joint Managing Director,

Whole-time Director

The Managing Director, Joint Managing Director, Whole-time Director shall not while he continues to hold that office be required to retire by rotation nor shall he be required to hold any qualifications shares. If, he ceases to hold the office of Director, he shall Ipso facto and immediately cease to be a Managing Director, Joint Managing Director, and whole-time Director.

MANAGING DIRECTOR

140. The Board may appoint Managing Director

Subject to the provisions of the Act and these Articles, the Board shall have the power to appoint from time to time any of its members as Managing Director or Managing Directors of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board may by resolution vest in such Managing Director of Managing Directors such of the powers hereby vested in the Board generally as it thinks fit and such powers may be made exercisable for such period or periods and upon such condition and subject to such other restrictions as it may determine. The remuneration of the Managing Director may be by way of monthly payment fee for such meeting or participation in profits or by any or all of these modes or any other mode not expressly prohibited by the Act.

141. Restriction on Management

- a) The Managing Director or Managing Directors shall not exceed the power to;
- b) Make calls on shareholders in respect of money unpaid on the shares in the Company;
- c) Issue debentures and except mentioned in the resolution passed in the Board Meeting under Section 292 of the Act shall also not exercise the powers to;
- d) Borrow money otherwise than on Debentures;
- e) Invest the funds of the Company; and
- f) Make loans

142. Special position of Managing Director

The Managing Director shall not while he continues to hold that office be subject to retirement by rotation in accordance with Article 123 if he ceases to hold office of Director he shall in ipso facto and immediately cease to be Managing Director

PROCEEDINGS OF THE BOARD OF DIRECTORS

143. Meeting of Directors:

The Directors may meet together as a Board for the despatch of business from time to time and shall so meet once in every three months, as provided in Section 285 of the Companies Act, 1956. The Directors may adjourn and otherwise regulate their meetings as they think fit.

144. Notice of Meeting:

Save with the consent in writing of all the Directors not less than seven days notice in writing shall be given of every meeting of the Board such notice shall be given to every Director for the time being in India and at his usual address in India, to every other Director. Notice of the date of such meeting shall also be given by cable to every Director not for the time being in India. No meeting of the Directors shall be competent to enter upon discussion or transact any business, which has not been mentioned in the notices upon which it was convened unless the Directors present at the meeting unanimously agree to discuss or transact such business.

145. Quorum:

Subject to Section 297 of the Act, the quorum for a meeting for the Board shall be one third of its total strength (excluding directors, if any, whose places may be vacant at the time and any fraction contained in that one third being rounded off as one) or two Directors, whichever is higher provided that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of the remaining Directors, that is to say the number of the Directors who are not interested present at the meeting being not less than two shall be the quorum during such time.

146. Adjournment of meeting if want to Quorum:

If a meeting of the Board could not be held for want of Quorum, then meeting shall automatically stand adjourned to such other time as may be fixed by the Chairman not being later than seven days from the date originally fixed for the meeting.

147. When meeting to be convened:

A Director may at any time and the Secretary upon the request of a Director, shall convene a meeting of the Board.

148. Chairman:

The Chairman of the Company will be appointed by the Board of Directors and shall have a casting vote. The said Chairman shall have a casting vote in addition to his own vote. If at any meeting of the Board, the Chairman is to present within fifteen minutes after the time appointed for holding the same the Directors present may choose one of their members to be Chairman of the meeting.

149. Question at Board Meeting how decided:

The question arising at any Meeting of the Board of Directors shall be decided by a majority of votes and in the case of any equality of votes, the Chairman shall have a second or casting vote.

150. Powers of Board Meeting:

A Meeting of the Board for the time being at which quorum is present shall be competent to exercise all or any of the authorities; powers and discretions which by or under the Articles of the Company which are for the time being vested in or exercisable by the Board generally.

151. Directors may appoint Committees:

Subject to the restriction contained in Section 292 of the Act the Board may delegate any of their powers to committees of the Board consisting of such members of its body as it thinks fit and it may from time to time revoke and discharge any such committees of the Board either wholly or in part and either as to persons or purpose, but every committee of the Board so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Board. All the acts done by such committee of the Board in conformity with such regulations and in fulfillment of the purpose of their appointment but not otherwise, shall have the like force and effects as if done by the Board.

152. Meeting of Committee how to be governed:

The meetings and proceedings of any committee of the Board consisting of two or more Members shall be governed by the provisions herein contained for regulating the meetings 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 proceeding Article.

153. Resolution by Circular:

No resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Members of the Committee, then in India (not being less in number the quorum fixed for a meeting of the Board of the Committee, as the case may be), and to all other Directors or members of the Committee at their usual address in India and has been approved by such of the Directors or Members of the Committee as are then in India or by a majority of them as are entitled to vote on the Resolution.

154. Acts of board or Committee valid notwithstanding informal appointment:

All acts done by any meeting of the Board or by a Committee of the Board or by any persons acting as a Director shall not be withstanding that it shall afterwards be discovered that there was some defect in the appointment of such Directors or persons acting as aforesaid, or that they any of them were disqualified or had vacated office or the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if such person had been duly appointed and was qualified to be a Director and had not vacated his office or his appointment had not been terminated. Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to terminate.

155. Minutes of Proceedings of Meetings of the Board:

The Company shall cause minutes of all proceedings of every meeting of the Board to be kept in accordance with Section 193 of the Act.

156. Any such minutes shall be evidence of the proceedings recorded therein.

157. Powers of the Board:

Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers and to do all such act things as the Company s authorised to exercise and so provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the Act or any other statute or by the memorandum of the Company or by these Articles or otherwise to be exercised or done by the Company in General Meeting provided further that in exercising any such power or doing any such act or thing the Board shall be subject to the provisions in that behalf contained in the Act or any other statute or in the Memorandum of the Company or in these Article or any regulations not inconsistent therewith any duly make thereunder, including regulations made by the Company in General meeting but not regulation made by the Board which would have been valid if that regulations had not been made.

SECRETARY

158. The Secretary:

The Directors, may from time to time appoint and at their discretion, remove any individual (therein after called "The Secretary") to perform any function, which by the Act are to be performed by the Secretary, and to execute any other ministerial or administrative duties which may from time to time be assigned by the Secretary by the Directors. The Directors may also at any time appoint a person (who need not be the Secretary) to keep the registers required to be kept by the Company.

SEAL

159. The Seal, its custody and use, deeds how executed:

The Board shall provide a Common Seal for the purposes of the Company and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof, and the Board shall provide for the safe custody of the Seal for the time being and the seal shall never be used except by the authority of the Board or a Committee of the Board previously given. The Company shall also be at liberty to have an official seal in accordance with Section 50 of the Act, for use in any territory, district or place outside India. Every deed or other instrument to which the Seal for the Company is required to be affix shall unless the same is executed by a duly constituted Attorney be signed by two Directors or one Director and some others appointed by the directors for the purpose.

DIVIDENDS

160. Division of Profits

The profits of the Company, subject to any special right relating thereto created or authorised to be created by these Articles and subject to the provisions of these Article shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively.

161. The Company in General Meeting may declare a dividend

The Company in Annual General Meeting may declare dividends, to be paid to Members according to their respective right but no dividends shall exceed the amount recommended by the Board but the Company in Annual General Meeting may declare a smaller dividend.

162. Dividends only to be paid out of profits

No dividend shall be declared otherwise than out of profits of the financial year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act or out of the profits of the financial year or out of the profits of any other previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both provided that:

If the company has to provide for depreciation for any previous financial year or years, it shall before declaring or pay in dividend for any financial year provide for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years.

163. Interim Dividend

The Board may from time to time pay to the Members such interim dividends as in their judgment the positions of the Company justify.

164. Capital paid up in advance carrying interest not to earn dividends

Where capital is paid in advance of call upon the footing that the same shall carry interest, such capital shall not while carrying interest, confer a right to participate in profit.

165. Dividends in proportion to amount paid up

The Company shall pay dividends in proportion to the amount paid up or credited as paid up on each share where a large amount is paid up or credited as paid up on some shares than on other. Moneys paid in advance of calls shall not in respect thereof confer a right to dividends or to participate in the profits of the Company.

166. Retention of Dividends until completion of Transfer under

The Board may retain the dividends payable upon shares in respect of which any person, under Article 51 entitled to become a Member or which any person under that Article is entitled to transfer until such person shall become a Member, in respect of such shares or shall duly transfer the same.

167. Dividend etc., to Joint Holders

Any one of the several persons who are registered as the Joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other monies payable in respect of such shares.

168. No member to receive dividend whilst indebted to the Company and Company's right of reimbursement.

No member shall be entitled to receive payment any interest or dividend in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares otherwise however, either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

169. Transfer of Shares must be registered

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

170. Dividend how remitted

Unless otherwise directed any dividends may be paid by cheque or warrant or by a pay slip or receipt having the force of a cheque or warrant sent through the post to the registered address of the Member or person entitled or in case of joint holders to that one of them first named in the Register in respect of the joint holding every such cheque or warrants shall be made payable the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission, or for any dividend lost to the Member or person entitled thereto by the forged endorsement of any cheque or warrant to the forged signature thereto by the forged endorsement of any cheque or warrant to the forged signature of any pay slip or receipt or the fraudulent recovery of the dividend by any other means.

171. Unclaimed dividend

No unpaid dividends shall be forfeited by the Board and dividends unclaimed or unpaid shall be dealt with in accordance with Section 205A of the Act.

172. No interest on dividends

No unpaid dividend shall bear interest as against the Company.

173. Dividend and call together

Any General Meeting declaring a dividend may on the recommendation of the Director make a call on the members of such amount as the meeting fixed, but so that the 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 and the Members be set off against the calls.

174. Capitalisation

The Company in General Meeting may resolve that any monies investments or others assets forming part of the undivided profits of the Company standing to the credit of reserve forming part of the undivided profits of the Company standing to the credit of reserve fund or any Capital Redemption Reserve Account or in the hand of the Company and available for dividend (or representing premium received on the issue of shares and standing to the credit of the Share Premium Account) be capitalised and distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised funds be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide any unissued shares of the Company which shall be distributed according or in or towards payment of the uncalled liability on any issued shares and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the same capitalised sum provided that a share premium account and a Capital Redemption Reserve Account may for the purposes of this Article, only, be applied in the paying up of unissued shares to be issued to Members of the Company as fully paid bonus shares.

ACCOUNTS**175. Directors to keep true Accounts:**

The Company shall keep the office or at such other place in India as the Board thinks fit proper books of accounts in accordance with Section 209 of the Act with respect to:

- a) All sums of money received and expended by Company and the matters in respect of which the receipts and expenditure take place.
- b) All sales and purchase of goods by the Company.
- c) The assets and liabilities of the Company

When the Board decides to keep all or any of the books of accounts at any place other than the office of the Company, the company shall within seven days of the decision, file with the registrar notice in writing giving the full address of that other place. The Company shall preserve in good order the books of account relating to a period of not less than eight years proceeding the current year. When the company has a branch office whether in or outside India, the Company shall be deemed to have complied with the Article if proper books of account relating to the transactions effected at the branch office are kept at the branch office and proper summarised returns made upto date at intervals of not more than three months, are sent by the branch office of the Company and its Registered Office or other place in India at which the Company's books of Accounts are kept at aforesaid. The books of Accounts shall give a true and fair view of the state of affairs of the Company or branch office as the case may be and explain its transactions and shall be open to Inspection by any Director during business hours.

176. As to inspection of Accounts of Books by Members:

The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be opened to the inspection or Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or books or document of the Company except as conferred by law or authorised by the Board.

177. Statement of Accounts to be furnished to:

The Directors shall from time to time in accordance with Section 210, 211, 212, 215, 216 and 217 of the Act, caused to be prepared and to be laid before the company in General Meeting such Balance Sheets, Profit and Loss Accounts and Reports as are required by these Sections.

178. Copies of Balance Sheet, Auditors Report etc.

- a) A copy of every Balance Sheet including the Profit & Loss Account, the Auditor's Report and every other document required by law to be annexed or attached to the Balance Sheet which is to be laid before the Company in General

Meeting, shall be made available for inspection at the Registered Office of the Company during working hours for a period of twenty one days before the date of the meeting and a statement containing the salient features of such documents in the prescribed form or at the discretion of the Board, the copies of the documents aforesaid shall be sent to every member of the company and to every Trustee for the holders of any debentures issued by the Company, not less than twenty one days before the date of the meeting.

- b) Any member or holder of debentures of the Company and any person from whom the company has accepted a sum of money by way of deposit shall on demand be entitled to be furnished free of cost, with a copy of the last balance sheet of the company and of every document required by law to be annexed or attached thereto, including the profit and loss account and the auditor's report.

AUDIT

179. Accounts to be audited:

Auditors shall be appointed and their rights and duties regulated in accordance with Section 224 to 233 of the Act.

180. First Auditor or Auditors:

The First Auditor or Auditors of the Company shall be appointed by the Board within one month of the date of registration of the Company and the Auditor or Auditors so appointed shall hold office until the conclusion of the first Annual General Meeting provided that the Company may, at General Meeting remove any such auditor or all of such Auditors and appoint in his or their place any member of the Company and of whose nomination notice has been given to the members Company not less than 14 days before the date of the Meeting provided further that if the Board fails to exercise its powers under this Article, the Company in General Meeting may appoint to First Auditor or Auditors.

181. Accounts when audited and approved to be conclusive except as to errors discovered within three months

Every account of the Company when audited and approved by an annual general meeting shall be conclusive except as regards any error discovered therein within three months next after the approval thereof whenever any such error is discovered within that period the account shall forthwith be corrected and henceforth shall be conclusive.

DOCUMENTS AND NOTICES

182. Service of Documents of Notices on Members by Company:

- a) A document or notice may be served or given by the Company or any Member either personally or by sending it by post to him to his registered address or if he has not registered address in India to the address, if any, in India supplied by him to the Company for serving documents or notice on him.
- b) Where a document or notice is sent by post, service of the documents or notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the document or notice provided that where as Member has intimated to the Company in advance that document or notices should be sent to him under certificate of posting or registered post with or without acknowledgment due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document or notice shall not be deemed to be effected unless it is sent in the manner intimated by the Member, and such service shall be deemed to have been effected in the case of a Notice of Meeting at the expiration of forty eight hours after letter containing the document or notice is posted and in any other case at the time at which the letter would be delivered in the ordinary course of post.

183. By Advertisement:

A document or notice advertised in a newspaper circulating in the neighbourhood of the office shall be deemed to be duly served or sent on the day on which the advertisement appears on or to every member who has not registered address in India and has not supplied to the company an address within India for the serving of documents or the sending of notices to him.

184. On Joint Holders:

A document or a notice may be served or given by the Company on or to the joint holders of a share by serving or giving the document or notice on or to the joint holders named first in the Register of Members in respect of the share.

185. On Personal Representative etc:

A document or a notice may be served or given by the Company on or to the persons entitled to a share in the consequence of the death or insolvency of a member by sending it through the post in a pre-paid letter addressed to them 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 supplied) by serving the document or notice in and manner in which the same might have been given if the death or insolvency had not occurred.

186. To whom documents or Notices must be served or given:

Documents or Notices of every General Meeting shall be served or given in same manner therein before authorised on or to (a) every member (b) every person entitled to share in consequence of the death or insolvency of a Member and(c) the auditor or auditor of or the time being of the Company.

187. Members bound by Documents or Notices served on or given to previous holders:

Every person, who, by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every document or notice in respect of such, which previously to his name address entered on the Register of the Members shall have been duly served on or given to the person from whom he derived his title to such share.

188. Document or Notice by Company and Signature thereto:

Any document or notice to be served or given by the Company may be signed by the Managing Director, if any, or some person duly authorised by the Board of Directors, for such purpose and the signature thereto may be written, printed or lithographed.

189. Service or document or notice by member:

All documents or notices to be served or given by members on or to the Company or any officer thereof shall be served or given by sending into the Company or officer at the office by post under a certificate of posting or by registered post or by leaving it at the office.

WINDING UP**190. Liquidator may divide Assets in special**

The liquidator in any winding up (whether voluntary, under supervision or compulsory) may, with the sanction of a special resolution, by subject o the rights attached to any preference share capital divide among the contributors in special any part or the assets of the Company in trustee upon such trust for the benefit of the contributories as the liquidator with like sanction shall think fit.

INDEMNITY AND RESPONSIBILITY**191. Directors and other's indemnity**

Every director, officer, employee or agent for the time being of the company, shall be indemnified out of the assets of the company against 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 in which relief is granted to him by the Court.

SECTION IX- OTHER INFORMATION**MATERIAL CONTRACTS & DOCUMENTS FOR INSPECTION**

The Contracts referred to in para (A) below which are or may be deemed material, have been entered into by the Company. The contracts together with the documents referred to in paragraph (B) below, copies of all of which have been attached to the copy of this Prospectus may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day from the date of this Prospectus until the closing of the subscription list.

A. MATERIAL CONTRACTS

1. Copy of Memorandum of Understanding dated 28th November, 2005 between Celestial and (Lead Manager), Lead Manager to the Issue.
2. Copy of Memorandum of Understanding dated 23rd December, 2005 between (Registrar), Registrar to the Issue.
3. Copy of tripartite agreement dated May 16 2007 between the Company, National Securities Depository Limited (NSDL) and (Registrar).
4. Copy of tripartite agreement dated April 5 2007 between the Company, Central Depository Services (India) Limited (CDSL) and (Registrar).
5. Copy of Agreements dated 4th May, 2005 in respect of the registered office located at Road No.12, MLA Colony Banjara Hills, Hyderabad.
6. Copy of tripartite agreement between Department of Scientific & Industrial Research, Ministry of Science and Technology, Government of India and National Research Development Corporation and CELESTIAL LABS LIMITED for development of toxicity prediction module and integration with CELSUITE - A computer aided drug design tool.
7. Copy of Licensing Agreement between Council of Scientific and Industrial Research through its Institute of Microbial Technology, Chandigarh (IMTECH) and the Company.
8. Agreement dated 27th July, 2006 entered between the Company and TDB for grant of loan assistance of Rs. 490 Lacs.
9. Agreement dated October 09, 2006 entered into between Centre for Cellular and Molecular Biology (CCMB) and Celestial Labs Limited (the company) for validating and purifying the two drugs developed by the Company.

B. DOCUMENTS FOR INSPECTION

1. Copy of Memorandum of Articles and Articles of Association of CLL.
2. Copies of Annual report of the Company for the year ended 31/03/2003, 31/03/2004, 31/03/2005, 31/03/2006 and 31/03/2007.
3. Copy of Special Resolution under section 81, 81(1A) and other relevant provisions of Companies Act, 1956 dated 30/11/2005 passed at the Extraordinary General Meeting of the company authorizing present issue of equity shares.
4. Due Diligence Certificate dated 10th June 2006 given by Chartered Capital and Investment Limited.
5. Copy of certificate dated 08/06/2006 issued by Mr.G.V.Rao, Chartered Accountant & Statutory Auditors of the Company reporting financials of Celestial in terms of part II schedule II of the Companies Act, 1956 including capitalization statement, taxation statement and accounting ratios.
6. Copy of letter dated 08/06/2006 received from Mr. G.V.Rao, Chartered Accountant & Statutory Auditors of the Company regarding tax benefits accruing to the company and its shareholders.
7. Final SEBI observation Letter no CFD/DIL/ISSUES/V/91590/2007 dated April 20, 2007
8. Copies of in-principle listing permission received from BSE vide their letter no. DCS/IPO/NP/IPO-IP/269/2006 dated 29 December 2006.
9. Copies of in-principle listing permission received from NSE vide their letter no. NSE/LIST/41552-V dated 13 March 2007.
10. Copy of Letter dated 15 July 2005 from Department of Science & Technology, recognizing the in-house R&D facility.

11. Copies of Consents from the Directors of the Company, Registrar to the Issue, Lead Mangers to the Issue, Auditors, Banker to the Company
12. Copy of In principle sanction letter from Punjab National Bank, Hyderabad for a rupee term loan of Rs 200 Lakhs
13. Copy of In principle sanction letter from Department of Science and Technology (DSIR), Govt of India for a rupee term loan of Rs 75 Lakhs.
14. Copies of applications made for listing permission to BSE and NSE.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, 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 the disclosures made in this Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF THE COMPANY

Mr. Aditya Narayan Singh

(Managing Director)

Mrs. Padma Singh

(Director)

Subhash Srivastava

(Director)

Mr. Deverakonda Chidvilasa Sastri

(Director)

Mr. K. Chandramouleswar Sarma

(Director)

Mr. N.V. Ramana Murthy, Sr. Finance Manager

Place: Hyderabad

Date: 04 June, 2007